

EU-Taxonomy

Mechanical engineering is the enabler industry to solve the climate policy challenges, with its own products but also as a supplier to almost all other industrial sectors. However, this is too complex to be captured in a narrow EU-Taxonomy. No technology in the machinery and equipment sector that contributes to environmental goals and emission reductions should be discriminated against by the EU taxonomy. The EU taxonomy must remain voluntary and must not grow into a bureaucratic monster.

Green Deal sets the framework

The Green Deal was established by the EU Commission in 2019 and is now the guideline for all EU policy decisions to achieve the Paris climate protection goals. We support the Green Deal's objective to foster climate protection and Europe's pioneering role in that realm. Also, sustainable finance for investments in low-emission technologies is a key aspect of achieving the ambitious climate and sustainability targets in the EU. However, implementing the EU-Taxonomy is challenging and often not efficient and not expedient.

Taxonomy to attract private investment

It is in principal a good aim to give investors an orientation as to which financial assets are to be classified as „green“, thereby avoiding greenwashing in financial products. According to the idea of the EU-Taxonomy, an economic activity must contribute significantly to the fulfilment of one or more of the six following environmental objectives and at the same time must not significantly hinder another objective: climate protection; adaptation to climate change; the sustainable use and protection of water and marine resources; the transition to a circular economy; prevention and control of pollution; the protection and restoration of biodiversity and ecosystems.

Design problematic

Even if the idea is good, the implementation is bad and perhaps not practical at all. We need an efficient and flexible EU-Taxonomy that can be used by companies of all sizes. New regulations must be consistently interlinked with existing EU regulations and requirements. Additional bureaucratic burdens, duplication of regulations and the resulting costs must be minimized. Where further information is indispensable, the EU should support companies through freely available tools, databases, and calculation systems, and avoid external costs, including through third-party certification. Likewise, interest surcharges or additional processing fees at banks must be avoided. Even within the EU, there must be no distortion of competition because individual member states interpret the EU-Taxonomy more strictly than others.

Disadvantage for mechanical engineering

It is impossible to classify the extremely heterogeneous technologies of the mechanical engineering industry and often they are overlooked as enablers for sustainability. All mechanical and plant engineering technologies that contribute directly or indirectly to environmental goals and emission reductions must be given access to sustainable financing in line with the EU-Taxonomy. The currently prescribed methodology is not usable. Most technologies from the capital goods industry are not directly listed as a sustainable economic activity. Where they are listed and where technical test criteria for mechanical and plant engineering exist, they are restrictive, complex and in some cases fall short of what is technically feasible, which makes their implementation by companies more difficult and in many cases impossible. For a sector dominated by SMEs such as mechanical and plant engineering, this is extremely critical and entails additional costs.

Danger of expansion and political over-regulation

In general, there is a risk that EU-Taxonomy will be extended far beyond the definition of sustainable financial products in the future and will be used as a template for a basic ecological classification and thus control of economic activities. We see already an expansion into other areas, such as aid or research and innovation programs, projects funded by the Green Deal, a social taxonomy, Due Diligence, Non-Financial Reporting Directive etc. In that case, we would end up in an inefficient and expansive centrally planned economy rather than a market economy. Prices (e.g. for CO₂) are a more efficient instrument for internalizing environmental damage. The EU-Taxonomy risks an inefficient allocation of capital and trade-offs between financial market stability and climate and environmental policy objectives. The EU-Taxonomy must not create competitive disadvantages compared to other financial markets for European companies and investors and must not lead to investments being withdrawn from Europe.

Conclusion

Well-meant is not necessarily well done. The EU-Taxonomy has to be prevented from becoming a bureaucratic monster. We need as much entrepreneurial freedom as possible. The EU-Taxonomy must remain voluntary and should also not become implicitly mandatory. Commitment and extension to other areas is the biggest problem in practice. We are on a slippery slope here. The increasing reporting obligations through the EU-Taxonomy on sustainability reporting, as well as the pressure from the market and investors, are central challenges for our medium-sized sector. We demand legal certainty and clear guidelines for the implementation of reporting requirements.

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