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# The EU Taxonomy Regulation and EU aquaculture

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This paper presents the considerations and recommendations of the Aquaculture Advisory Council (AAC) on the European Commission's Action Plan on Financing Sustainable Growth and its development through the Taxonomy regulation.

## **Background**

One of the objectives of the Treaty of the European Union (EU) is to establish an internal market that works for the sustainable development of Europe, based, among other things, on balanced economic growth, a high level of protection and an improvement in the quality of the environment.

By adopting the Paris Agreement on climate change and the United Nations 2030 Agenda for Sustainable Development in 2015, the EU chose a more sustainable path for its economy and for the planet. The EU is committed to development that meets the needs of present and future generations, while opening up new employment and investment opportunities and ensuring economic growth. As we are increasingly faced with the consequences of resource depletion and climate change, action is needed to adapt public policies to this new reality. The financial system has a key role to play here.

At the end of 2016, the European Commission appointed a high-level expert group on sustainable finance. In January 2018, the expert group published its final report offering a comprehensive vision through an Action Plan<sup>1</sup> on how to build a sustainable finance strategy for the EU. This Action Plan stretches across the whole investment chain and argues that sustainable finance is about two urgent imperatives: first, improving the contribution of finance to sustainable and inclusive growth by funding society's long-term needs and second, strengthening financial stability by incorporating environmental, social and governance factors into investment decision making.

By "sustainable finance," the European Commission refers to the process of taking due account of environmental and social considerations in investment decision making, leading to increased investments in longer-term and sustainable activities. More specifically, environmental considerations refer to climate change mitigation and adaptation, as well as other environmental risks.

The Action Plan on Financing Sustainable Growth aims to reorient capital flows towards sustainable investments to achieve sustainable and inclusive growth, manage financial risks stemming from resource depletion, climate change, environmental degradation and social issues and foster transparency and long-termism in financial and economic activity.

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<sup>1</sup> COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS. Action Plan: Financing Sustainable Growth. COM(2018) 97 final. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018DC0097&from=EN>

The European Commission considers that a shift in capital flows towards more sustainable economic activities must be underpinned by a shared understanding of what sustainability means. A unified EU classification system (the “Taxonomy”) should provide clarity on which activities can be considered environmentally sustainable to help investors and companies make informed investment decisions on environmentally sustainable economic activities.

Currently, the Action Plan’s most important and urgent action is the establishment of guidance on activities qualifying as contributing to climate change mitigation and adaptation and environmental and social objectives to help inform investors. The Taxonomy is expected to provide detailed information on the relevant sectors and activities, based on screening criteria, thresholds and metrics. This is an essential step in supporting the flow of capital into sustainable sectors in need of financing.

Regulation (EU) 2020/852 of the European Parliament and the Council (the Taxonomy regulation) sets the path to establishing the criteria for determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable. This regulation applies to measures adopted by member states or the EU that set out the requirements for financial market participants or issuers in respect of financial products or corporate bonds that are made available as environmentally sustainable, financial market participants that make financial products available and undertakings that are subject to the obligation to publish a non-financial statement.

The environmental objectives set out in the Taxonomy regulation are climate change mitigation and adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems.

The Taxonomy regulation establishes the creation of a multistakeholder Platform on Sustainable Finance to advise the Commission on the development, analysis and review of technical screening criteria.

## **Considerations**

The AAC agrees with the European Commission that sustainability and the transition to a more resource-efficient, low-carbon and circular economy are key to ensuring the long-term competitiveness of the European economy.

We also support the view that finance supports the economy by providing funding for economic activities and, ultimately, jobs and growth.

The AAC stresses that investment decisions are typically based on multiple factors, but those related to environmental and social considerations are often not sufficiently considered since such risks are likely to materialise over a longer time horizon.

The AAC agrees that transforming Europe's economy into a greener, more resilient and circular system will not just reduce the environmental footprint of the EU's productive activities and address existing inequalities but will also boost competitiveness by improving the efficiency of production processes and reducing the costs of accessing and managing resources.

The main objective related to aquaculture set out in the Taxonomy regulation is the sustainable use and protection of water and marine resources. According to the Taxonomy, an economic activity will qualify as contributing substantially to the sustainable use and protection of water and marine resources where that activity either contributes substantially to achieving a good environmental status for water bodies or preventing the deterioration of water bodies that already have a good status.

We note that the Commission will adopt a delegated act referring to the technical screening criteria for the sustainable use and protection of water and marine resources by 31 December 2021, with a view to ensuring its application from 1 January 2023.

## **AAC Recommendations for the European Commission**

### **1. Technical screening criteria should be established for aquaculture**

Considering that the Taxonomy will reorientate capital flows towards environmentally sustainable activities and projects, the AAC stresses that sustainable aquaculture can contribute to the responsible use and protection of water and aquatic resources, in addition to contributions to climate change and the circular economy.

The AAC points out that, in numerous cases, aquaculture development in the EU and European Economic Area requires drawing from financial markets and investments.

The AAC urges the European Commission to establish technical screening criteria for aquaculture under the Taxonomy.

## 2. Participation of aquaculture experts in the Platform on Sustainable Finance

The AAC stresses the importance of the participation of experts in aquaculture in the multistakeholder Platform on Sustainable Finance to ensure the adequacy of the technical screening criteria that will be set for sustainable aquaculture.

## 3. The Taxonomy should take advantage of currently used criteria for sustainable aquaculture

The AAC understands the complexity and highly technical nature of developing the Taxonomy classification system. In this sense, creating technical screening criteria from scratch to define environmentally sustainable activities for any European industry is a challenging mission. In the case of aquaculture, there will be a need to consider different species, production systems and siting conditions.

The AAC points out that considerable valuable work has already been performed to establish criteria for sustainable aquaculture.

The AAC requests that the Commission take advantage of work that has already been produced on environmentally sustainable aquaculture and not duplicate efforts.

## 4. The Taxonomy should correspond to the current sectorial EU legislation

The Taxonomy does not seem to take into account current, relevant EU regulations and guidelines on environmental performance.

The AAC stresses that the EU already sets conditions for environmentally sustainable aquaculture through legislation, such as the Water Framework Directive, the Marine Strategy Framework Directive, the Common Fisheries Policy and the Strategic Environmental Assessment Directive.

## 5. Unforeseen consequences of aquaculture being excluded from the technical screening criteria

This AAC understands that the Taxonomy is focusing on the economic activities that most challenge its environmental objectives. Excluding aquaculture in the first delegated acts on the technical screening criteria of the Taxonomy classification implies that the European Commission does not consider aquaculture to be an environmentally conflictive activity, but this delivers the wrong message.

Besides the direct legal obligations stemming from any EU regulation, there is always a societal and educational aspect to any regulation that affects the reputation of sectors. In this sense, there is a high

possibility that European citizens will believe that those economic activities not included in the Taxonomy classification of environmentally sustainable activities are not sustainable. This delivers the wrong message and could be damaging for sectors with good environmental records.

The AAC urges the Commission to produce technical screening criteria for all economic activities and stresses that aiming at completing them in the future is not enough. The AAC stresses that the Commission's workload, as well as new priorities that will certainly arise, could lead to the Taxonomy classification being an unfinished work in which many activities are never included.

The AAC strongly recommends that the European Commission clearly state in each delegated act on screening criteria the reasons why some economic activities are included and others are excluded.

#### 6. Linking the Taxonomy to Next Generation EU Funds

In July 2020, the European Council agreed to a massive recovery fund of €750 billion, branded Next Generation EU, to support member states hit by the COVID-19 pandemic.

The AAC recommends that the European Commission and member states link the use of this fund to the environmental criteria established in the Taxonomy.



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