

## Berlin Seminar

on Energy, Climate Policy and Sustainable Finance

### Advancing Net-Zero? The Role of Sustainable Finance Taxonomies Worldwide

18 July 2024 | 10:00–11:30 | via Zoom

Sustainable finance taxonomies can play an important role in sustainable finance frameworks around the globe. They are intended to shift the trillions necessary for the transition to a green economy and facilitate climate action in line with the Paris Agreement. To maximise their impact and to ensure that the implementation remains feasible for companies, better coordination among global taxonomies is needed.

The Research Platform Sustainable Finance (WPSF) in collaboration with [DIW Berlin](#) and [Climate & Company](#) has hosted an exchange on how various taxonomies worldwide support the transition to climate neutrality. The seminar has addressed the challenges and opportunities in harmonizing these frameworks to enhance global cooperation and effectiveness to make taxonomies work in practice. In the following, you will find four key insights provided by the speakers. Their complete presentation slide decks are linked below.

Our speakers:

- Leonard Schmidt – Associate Programme Officer Climate Finance Subdivision UNFCCC
- Catherine Marchewitz – Researcher at DIW Berlin
- Eugene Wong – CEO Sustainable Finance Institute Asia (SFIA)
- Kim Schumacher – Professor in Sustainable Finance & ESG at Kyushu University, Japan
- Daniel Scharwies – Project Manager at Climate & Company

Moderation: Franziska Schütze – Researcher at DIW Berlin and Coordinator of the Sustainable Finance Research Platform

### Key Takeaways

1. Taxonomies worldwide have boomed since 2020 with more than 50 in 2024. They cover transitional aspects in different forms and to different degrees.

Some green taxonomies, such as in the EU or Colombia, include some transitional activities, other taxonomies, such as the ASEAN taxonomy, use traffic light systems that label transitional activities with the amber colour code, whereas some jurisdictions have developed dedicated Transition Finance frameworks, such as the Japanese Basic Guidelines on Climate Transition Finance. You can read up on the current state and trends of taxonomy development in the presentations of [Leonard Schmidt](#), [Catherine Marchewitz](#) and [Daniel Scharwies](#).

**2. The Transition finance category must be used to enable the transition, not to delay it. Therefore, the credibility of the frameworks must be enhanced, and all actors need to show discipline in the implementation phase.**

To enhance the credibility of transitional provisions, such as of the traffic light system, regulators need to rely on science-based criteria and thresholds, as well as clear pathways to climate neutrality. Furthermore, the common understanding of transition finance must be enhanced, and we need to provide more examples and use cases about how taxonomies affect sectoral transformation and real sector companies. To learn more about the potential of transition plans for the gradual transition of carbon-intensive industries and the importance of increasing their credibility, take a look at [Kim Schumacher's presentation](#). For the implementation of taxonomies, regulatory discipline is crucial, but also market discipline and self-discipline of all actors.

**3. Taxonomy convergence reduces market fragmentation and helps develop a common sustainable asset landscape in the region.**

Harmonizing taxonomies is important for companies and investors operating internationally, as diverging requirements could minimize the effectiveness of the taxonomies and lead to shifting emissions abroad (carbon leakage). Therefore, we need to better coordinate between existing taxonomies worldwide. A necessary step is to define common metrics and principles among taxonomies.

An example of this is the ASEAN Taxonomy and the national taxonomies of the ten ASEAN Member States in Southeast Asia. The ASEAN Taxonomy works as a common language and facilitates equivalence between national taxonomies. You can [learn about the ASEAN Taxonomy through Eugene Wong's presentation](#).

**4. Empirical evidence and data can give taxonomy development an important boost**

The EU Taxonomy, for example, is only in its 2nd year of reporting. Results and empirical evidence will only be visible throughout the next years. More empirical evidence and data to show that taxonomies drive corporate decarbonisation could support the development of taxonomies worldwide is definitely needed. Mandatory disclosure and reporting are prerequisites to generate this data.

The event highlighted the importance of raising awareness, strengthening collaboration and capacity building on sustainable finance taxonomies to build a common understanding and increase usability among all users.

Reach out to the WPSF-Team for a further exchange on sustainable finance taxonomies and their potential for the transition to net-zero via our Project Coordinator Franziska Schütze: [fschuetze@diw.de](mailto:fschuetze@diw.de).