

December 15, 2020

European Commission
1049 Brussel, Belgium



Japanese Bankers Association

JBA comments on the Draft Delegated Regulation on the EU Taxonomy focusing on climate mitigation and adaptation

Dear European Commission:

The Japanese Bankers Association¹ (JBA) commends the ongoing efforts of the European Commission on sustainable finance and welcomes the opportunity to comment on the Draft Delegated Regulation on the EU Taxonomy, specifically focusing on climate mitigation and adaptation (hereinafter "Draft Act") published on November 20.

Japan's Prime Minister Yoshihide Suga recently announced the government's commitment to a net zero world by 2050. The financial sector in Japan, like in many other jurisdictions, plays an important role to finance the energy transition, but also to manage the risks related to this transition. From the viewpoint of sustainability, Japanese banks have been supporting our clients for their sustainable growth by working together to explore solutions to medium- to long-term environmental and social issues in their businesses, as well as providing support for the incubation and expansion of large-scale business opportunities in the future. That includes continuous dialogue with our clients in carbon intensive sectors to explore technological solutions for overall reductions in GHGs.

We believe a globally consistent ESG policy, regulatory and disclosure framework are key in this process. Common understanding through definitions (e.g. taxonomy) is indeed important, but as we have previously stated in our response to the EU consultation on the Renewed Sustainable Finance Strategy, we believe taxonomies need to be flexible enough to foster innovation and facilitate transition. If we imagine the carbon neutral world we have committed to, we agree sustainable economic activities defined under the EU taxonomy should have become the majority of the economy by 2050.

As stated in the TEG report published in June 2019, the JBA believes taxonomy should be positioned as a framework to facilitate transition to a net zero world. We agree with the need to establish the taxonomy with numerical criteria/thresholds to avoid "green wash", but we are concerned that using the taxonomy only to judge compliance based on the current technology/output would limit the possibility of future development and innovation. Using taxonomy only to judge the compliance against the stated criteria/thresholds could disincentive the transition to low-carbon economy. It is our strong view that taxonomy should support not only "pure green" activities/technologies but also the efforts aiming to "become green/greener". Taxonomy should take more gradual approach to support transition/innovation to become greener. This gradual approach should be encouraged to be used in the context of applying taxonomy in areas of supervision, disclosure and product development.

A more flexible approach should be allowed, and this could contribute to achieving both EU goals of 55% cut by 2030 and carbon neutral by 2050.

Our key concern is also to consider how we utilize the taxonomy in the present world, 2020. We deem the taxonomy quite useful to assist disclosure efforts as a tool to gauge and track the sustainable activities over time towards 2050.

We hope that our comments will contribute to the discussions of the European Commission and the Sustainable Finance Platform.

(End)

¹ The Japanese Bankers Association is the leading trade association for banks, bank holding companies and bankers associations in Japan. As of December 15, 2020, the JBA has 116 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 72 Associate Members (banks & bank holding companies), 58 Special Members (regionally-based bankers associations) and one Sub-Associate Member for a total of 250 members.