

LEGAL ALERT

STAY WATCHFUL: CLIMATE TAXONOMY RULES EFFECTIVE IN JANUARY 2022

The Taxonomy Regulation, [Regulation \(EU\) 2020/852](#), entered into force on 12 July 2020 and introduced a European Union (EU) wide taxonomy of environmentally sustainable activities, therefore establishing a classification system to facilitate financial market participants to invest sustainably – from an *E(nvironmental)* perspective. This Regulation amended the Sustainable Finance Disclosure Regulation, set six sustainability objectives and conditions that need to be met by a business in order to be considered environmentally sustainable, and imposed new disclosure obligations regarding environmentally sustainable economic activities.

The Taxonomy Regulation was complemented by the EU Taxonomy Climate Delegated Act, [Delegated Regulation \(EU\) 2021/2139](#), adopted by the European Commission on June 4, 2021. The Delegated Act establishes the technical screening criteria (TSC) for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives. That is, the Delegated Act determines the criteria for economic activities to be considered sustainable in the context of climate change.

Thus, it develops the Taxonomy Regulation with respect to two of the six sustainability objectives: **mitigation of climate change** and **adaptation to climate change in respect of specific economic activities**. This framework helps meeting the ambitious targets of the European Green Deal.

The Delegated Act covers more economic activities (over 85 activities) and environmental objectives than the previously employed market-based green financing frameworks, representing a milestone in the implementation of a common green language and transparency for companies and investors.

The Commission Delegated Regulation was published in the Official Journal of the EU on 9 December 2021 and will be partially applicable as of January 1, 2022.

As of January 1, 2022, companies must begin reporting according to the EU Taxonomy in order to fulfill the disclosure requirements under the Non-Financial Reporting Directive (NFRD) and the Taxonomy Regulation. The market participants covered by the NFRD will have to report on the taxonomy eligibility of their **climate change adaptation in respect of specific economic activities** and respective **mitigation** efforts in relation to 2021.

On 20 December 2021, the Commission issued a [Q&A](#) with guidance on Taxonomy-eligibility reporting entitled “How should financial and non-financial undertakings report Taxonomy-eligible economic activities and assets in accordance with the Taxonomy Regulation Article 8 Disclosures Delegated Act?”. The purpose of this document is to clarify questions relating to disclosures under Article 8 of the Taxonomy Regulation, including matters related to the EU Taxonomy Climate Delegated Act.

Our team is available for any clarification regarding the EU Taxonomy Climate Delegated Act.

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