



**UK Green Taxonomy
Defining nature positive activities as
a green investment**

**Thursday 30 November 2023
Aquaculture for a Thriving Future**

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OVERVIEW OF THE GFI



Founded in 2019 to accelerate the deployment of finance towards a net zero and resilient economy, the Green Finance Institute (GFI) is an independent, commercially focused and philanthropically-financed organisation, seed funded by the UK Government and the City of London Corporation.



1. Mobilising public and private finance for clean and resilient growth



2. Supporting the greening of the financial system



3. Building green finance skills and capabilities

Our vision
A greener future made possible by finance

Our mission
To accelerate the transition to a clean, resilient and environmentally sustainable economy by channelling capital at pace and scale towards real-economy outcomes that will create jobs and increase prosperity for all.

What is green finance?

“Financing Green” (Green finance solutions)

At GFI:

- Coalition for Energy Efficiency of Buildings and Green Mortgage Hub
- Coalition for the Decarbonisation of Transport
- GFI Hive (Nature)
- Local Government Support
- Local Climate Bonds Campaign

“Greening Finance” (Market design)

At GFI:

- Chairing the Green Technical Advisory Group for HM Treasury (UK Green Taxonomy)
- Secretariat to the Land, Nature and Adapted Systems Advisory Group (UK Green Taxonomy)
- Hosting the Secretariat on the Taskforce for Nature-related Financial Disclosures (TNFD)
- Previously hosting the Secretariat for the Integrity Council for the Voluntary Carbon Market (ICVCM)

Green Taxonomy Overview



Why is a UK Green Taxonomy needed?

- Global sustainable investment **grew by 55%** between 2016 and 2020 to hit **\$35.3trn**, or **35.9%** of **total assets under management**.
- However, there is **no official definition** of which economic activities count as environmentally sustainable and there are **significant data gaps** on the environmental impacts of economic activities.
- This leads to risks of **greenwashing**, which may lead to a **misallocation of capital** and **perpetuating poor environmental practices**.
- A **Green Taxonomy** can help fix this and support the transition to a **net zero** and **nature-positive** economy, by providing a 'dictionary' of sustainable activities and supporting informed investment decisions

A **Green Taxonomy** can help fix transparency issues, and support the transition to a **net zero** and **nature-positive economy**

Tackle
**Green
washing**

**Common definitions of
sustainable activities**

Informed
Choices

**Improved data
and
understanding**

Finance
Green

**Mobilise finance to tackle
climate change and
nature loss**

But it is A tool, not THE tool

UK Green Taxonomy timeline



- **June 2021**, GTAG announced by the UK Chancellor & committed to developing a “Green Taxonomy”
 - **GTAG was chaired by the Green Finance Institute** (who also carry out the Secretariat function) and provides non-binding advice to government
 - UK onshored the **base framework of the EU Taxonomy** but not the Technical Screening Criteria (TSC)
- **March 2023**, Green Finance Strategy saw the UK Government announce the launch of the **Land, Nature and Adapted Systems Advisory Group**
 - To advise on the Technical Screening Criteria (TSC) for **agriculture, fisheries** and **climate adaptation**.
 - The UK Government committed in to consult on the first part of the UK Green Taxonomy in **Autumn 2023**.
- **September 2023**, GTAG submitted the final of its nine research papers providing advice to the UK Government, with its remit officially ending.
- **Q1 2024**, LNAS to publish its Phase One report and launch Phase Two, including aquaculture.

An activity **must meet 3 tests** to be considered 'green' under a Green Taxonomy

To be considered Taxonomy-aligned, an economic activity must **meet three tests**:

1. Make a **substantial contribution to one** of the **six environmental objectives** (listed below)
2. **Do no significant harm** to the other objectives;
3. Meet a set of **minimum safeguards** (e.g. alignment with the UN Guiding Principles on Business and Human Rights).



Climate change mitigation



Transition to a circular economy



Climate change adaptation



Pollution prevention and control



Sustainable use and protection of water and marine resources



Protection and restoration of biodiversity and ecosystems

Substantial
Contribution

+

Do No Significant
Harm

+

Minimum
Safeguards

What Use Cases are already being explored?

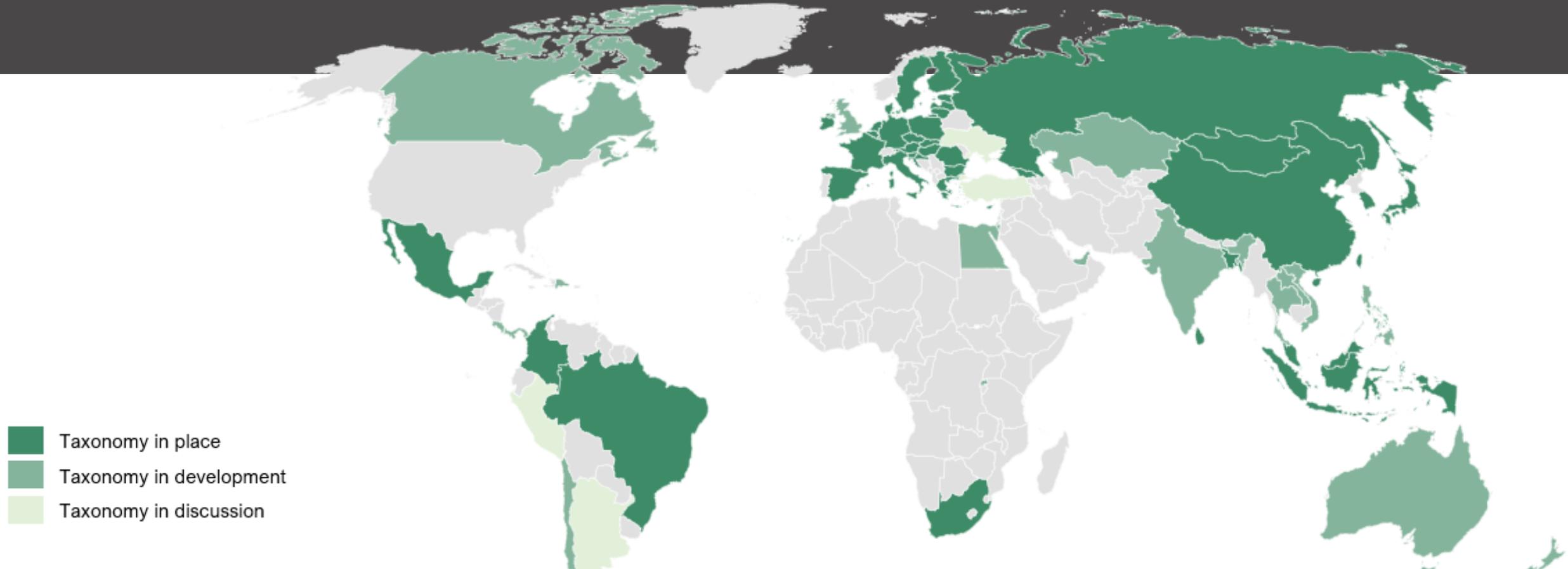
1. Green Gilts

2. UK Infrastructure Bank

3. Sustainability Disclosure Requirements (SDR)

4. Transition Plans

There are over 47 **Green Taxonomies** in development around the world



GTAG Recommendation

Adopt the same broad concepts, methodologies and metrics as the EU taxonomy where possible and advocate that other non-taxonomy countries do the same

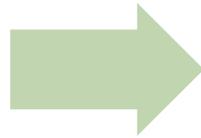
Land, Nature and Adapted Systems (LNAS) Advisory Group



Land, Nature and Adapted Systems background

GTAG recommendations

- Adopt **majority of the EU Taxonomy Technical Screening Criteria (TSC)** but **revise problematic TSC**.
- Develop TSC for the **missing sectors** from the EU taxonomy
- Expand the **adaptation taxonomy**



Formation of LNAS

- Land Nature and Adapted Systems formed to develop missing **agriculture** and **fisheries** TSC and revise the **climate adaptation** TSC.
- Members from Marine Stewardship Council, Oxford Martin Systemic Resilience Programme and Federated Hermes



LNAS develops criteria

- LNAS scoped **relevant activities** and **substantial contribution objectives**
- Assessed which EU's advisory group TSC could be adapted.
- Adapted and developed new TSC for fisheries and agriculture.

Design principles for developing criteria

Design Principles



Robust and Evidence-based



Accessible



Built for the UK to support a global transition



Foster international interoperability

1. Scope



Economic Activities strategically important to the UK



Environmental Objectives

2. Criteria

Metrics

Measure the environmental performance of an activity



Thresholds

The maximum limit the metric cannot exceed



Land, Nature and Adapted Systems timeline

Phase 1

Phase 2

April 2023

October 2023

December 2023

January 2024

Developed agriculture
and fisheries TSC

Preliminary criteria
tested through
market workshops

Pivot: bring in
new LNAS
members

Pivot: develop seaweed
and shellfish aquaculture
and adaptation TSC



The criteria were submitted
to HMG ahead of the
Autumn Consultation

Shellfish and seaweed farming in a UK Green Taxonomy



Regenerative Aquaculture in a Green Taxonomy

Not featured in green taxonomies

- The **EU's advisory groups** have **yet to develop criteria** for **sustainable aquaculture** – but recommended it should be prioritised.
- **Not featured** or featured minutely in **the other 47 taxonomies** in development.

Industry and NGO's have voiced concerned over EU's omission

*"The main **worry for a seafood company** would be if it **loses out on investments** because banks and other financial institutions need to adhere to a system **where aquaculture is not present yet**, making it **more difficult to invest**"*

(Seafood executive, interviewed by Intrafish, 2022)

*"The aquaculture sector needs **clearer definitions** on which **activities** are **good for the environment**"*

(Planet Tracker, 2022)

UK has a first mover opportunity

- Defining **nature positive shellfish and seaweed farming** in a **UK Green Taxonomy** can help the industry access more investment and more favourable rates on loans.

Next Steps

- LNAS agreed to develop criteria for **regenerative aquaculture**
- The GFI is bringing in **seaweed** and **shellfish expertise** into LNAS
- Development begins next year, and we will run a series of **market workshops to test preliminary criteria**
- Final criteria will then be **submitted as independent advice to Defra** for the UK Government to consult on before bringing into legislation

Q&A



Annex



Context | Hypothetical Case Study Example

LNAS requested a stakeholder visual as to how the Taxonomy could apply to fisheries and agriculture stakeholders

		Banks 	Investors 	Seafood and retail companies 	Individual fishers or farmers 
What will the taxonomy provide?		Clear definitions of what sustainable fishing and agriculture practices are			
How will the taxonomy affect them?		Will be required to report taxonomy eligibility and alignment of their loan book, so will need to understand what % comes from financing sustainable activities	Most will be required to report taxonomy eligibility and alignment of their portfolios, so may want to understand what % comes from financing sustainable activities	If a large company, will need to report their own taxonomy eligibility and alignment ¹ OR If financed by a bank/investor required to report, may be asked to provide info on their activities	No direct impact from the taxonomy and disclosures regulations, but could be asked by company they supply to give information on their current practices and incentivised to improve them
What opportunities does the taxonomy offer?	If already sustainable...	Able to invest in companies with robust green credentials Able to offer financing options to help scale sustainable activity	Able to invest in companies with robust green credentials Able to offer financing options to help scale sustainable activity	Able to attract more financing Able to get more favourable rates on loans	Able to attract more financing Able to get more favourable rates on loans
	If currently transitioning...	Able to offer loans to companies that have clear transition plans and goals of high taxonomy alignment Able to offer financing to help speed up transition of activities to more sustainable form	Able to invest in companies and products with that have clear transition plans and goals of high taxonomy alignment Able to offer financing options to help speed up transition of activity to more sustainable form	Can use the taxonomy as a guide to being more sustainable Can get more finance from those interested in financing transition	Can use the taxonomy as a guide to being more sustainable Can get more finance from those interested in financing transition

1. The exact size of firm in scope is still TBC. This will be set out in future government communications on the Sustainability Disclosures Requirements (SDR)