Joint Statement

The EU Taxonomy needs simpler rules to foster low-carbon investments and reflect sustainability efforts

(Brussels, 7 June 2023) The design of the EU Taxonomy framework makes it challenging for oil and gas companies to effectively implement and comply with Taxonomy criteria. Also, it fails to recognize the efforts undertaken by our industry in advancing the energy transition.

We call on the European Commission to simplify and adjust the EU Taxonomy framework to better acknowledge companies' investments into low carbon energy solutions and create a harmonized reporting framework to avoid diverging and misleading interpretations which could deter investors and slow down progress at a challenging time for energy security.

The European oil and gas industry is committed to the EU's ambition to reach climate neutrality by 2050 and actively contributes to achieve it by reducing its own carbon footprint, supplying cleaner energy, and deploying low-carbon solutions for other sectors. However, these efforts are not fully recognized by the overly restrictive nature of the EU Taxonomy, which risks leaving investors, shareholders and other stakeholders confused as to the 'real' level of investment in these sustainable activities.

The current reporting rules underestimate the industry's investments in low carbon energy solutions. The taxonomy's restrictive definition of capex and opex excludes key forms of spending such as investment in joint ventures, early-stage development projects, and goodwill from business combinations. Whereas, the stringent technical criteria do not recognize gradual improvements in environmental performance and are difficult to apply to activities outside the EU, resulting in an incomplete picture of actual performance.

Complexity and the absence of an interpretation mechanism governed by transparent and predictable rules is leading to lack of comparability in disclosures. Eligibility and alignment are inconsistent across companies and sectors due to inconsistency in the way companies interpret and apply the taxonomy's complex rules. Auditors are applying erratic standards to disclosures, as there is lack of consensus about how to interpret regulation's complex provisions.

Simpler rules accompanied by well-resourced and transparent governance are necessary to make the EU Taxonomy a useful tool. Therefore, we recommend revising the rules for determining eligibility, so that companies can present a complete picture of their relevant revenues, capex and opex. Furthermore, more clarification is needed on how to interpret the rules, and additional guidance on how to implement them is vital to ensure harmonized reporting and therefore create a level playing field.

Our four associations look forward to discussing this further with the European Commission.