

Draft act – Review of the EU taxonomy climate delegated act to update and simplify the technical screening criteria

Executive Summary

Finance Norway supports the EU Taxonomy's aims to encourage capital flow towards sustainable activities. Experience from the initial years of implementation shows that significant practical, methodological and data-related challenges remain, and that the Taxonomy is not yet functioning effectively as a decision-useful tool for capital allocation.

Finance Norway welcomes the Commission's efforts to simplify and clarify the technical screening criteria, particularly with respect to Do No Significant Harm (DNSH). At the same time, effective implementation will require greater proportionality, clearer documentation pathways and close alignment with related EU legislation, notably the Energy Performance of Buildings Directive (EPBD).

Based on the proposed revisions, Finance Norway highlights the following key recommendations:

- Apply DNSH and Minimum Social Safeguards (MSS) in a more proportionate manner, particularly for retail activities, residential mortgages and small properties, where access to verifiable data is limited and/or national legislation already ensures compliance with the underlying objectives.
- Ensure a clearer transition between renovation and ownership activities, including allowing buildings qualifying under the renovation criteria to automatically qualify under the acquisition and ownership criteria for a defined period.
- Provide clearer guidance, harmonized templates and illustrative examples to reduce divergent interpretations and enhance comparability and trust in taxonomy reporting.
- Allow more flexible documentation requirements and broader use of estimates where data availability remains limited, provided transparency and disclosure are ensured. Without such flexibility, taxonomy reporting will systematically underrepresent sustainable activities.

Finally, Finance Norway underlines the importance of ensuring coherence between the Taxonomy and the wider EU sustainable finance framework, in particular, SFDR and CSRD, and important sector legislation like EPBD, in order to avoid duplication, reduce reporting burdens and support effective financing of the transition.

Simplification of the Do No Significant Harm criteria

Finance Norway supports the Commission's efforts to revise and streamline the technical screening criteria, particularly with regards to ensuring that the Do No Significant Harm (DNSH) requirements remain both environmentally robust and operationally feasible. Finance Norway agree that DNSH criteria should be clearer, easier to apply, and more directly grounded in existing legislation, and supported by practical "safe harbour" approaches where appropriate. This will strengthen the usability, legal coherence, and environmental integrity of the Taxonomy framework.

A "safe harbour" approach should be introduced, whereby compliance with national environmental legislation is deemed sufficient for selected DNSH criteria.

Finance Norway welcome the proposed simplification and clarification of the DNSH criteria for climate change adaptation, including updated references to scientific tools and clearer distinctions between the DNSH and substantial contribution thresholds. The differentiated approach for mobile assets is appropriate, recognizing that location-specific climate risk assessments cannot be meaningfully performed for activities operating across wide geographic areas.

These revisions are consistent with the input Finance Norway submitted during the Call for Evidence. Since implementation, it has become clear that simplifying DNSH and Minimum Social Safeguards (MSS) is essential for the Taxonomy to function effectively as a tool for directing capital toward sustainable activities. Finance Norway reiterate our recommendation that compliance with DNSH should, where appropriate, be deemed fulfilled when national legislation already ensures alignment with specific DNSH requirements. A formal list of criteria that can be considered automatically met under national law would significantly reduce administrative burdens.

Finance Norway also underline the need for proportionality. Residential mortgages, car loans and small residential properties require adjustments or temporary exemptions until relevant, verifiable information becomes readily available, as highlighted by the Platform on Sustainable Finance. Banks do not have direct access to asset-level environmental data in these segments and must rely on proxies or third-party data, introducing uncertainty in DNSH assessments. Similarly, DNSH obligations for renovation of buildings should be simplified to reflect the practical realities of upgrading existing buildings.

Regarding car loans, Finance Norway welcomes the proposed revisions to the technical screening criteria for road transport activities, which aim to improve the usability of the DNSH criterion on pollution prevention and control. These changes contribute to ensuring that the criteria focus on the prevention of significant harm and address practical implementation challenges observed under the current framework. For the revised criteria to function effectively for banks, it is essential that documentation requirements are clear and that there is an efficient and reliable exchange of relevant information between sellers, buyers and financial institutions.

Although the activity of underwriting of climate-related perils is not part of this consultation, we believe that the same underlying principles should guide future development of DNSH criteria for that activity. Calculating the share of taxonomy-aligned products for commercial customers in specific

sectors is highly complex and adds limited value. Insurers often lack complete data on customer activities, so many undertakings chose to exclude premiums from these sectors on a conservative basis. This can result in reporting that does not reflect reality.

Simplify the Minimum Social Safeguards

Finance Norway also reiterates our earlier input regarding the practical application of Minimum Social Safeguards (MSS), particularly for privately-owned properties and SMEs. While MSS is not part of the proposed changes in this consultation, we underline that access to reliable social and governance data remains a significant barrier when the building owner is a private individual or a small enterprise not subject to CSRD-level reporting. As highlighted previously, many such owners operate fully within national legislation and de facto meet the expectations underpinning MSS, yet lack the formal documentation typically required for taxonomy assessments. The EU Commission, with the assistance of the various member states in the European Economic Area, should provide guidance to the extent to which the minimum social safeguards are deemed fulfilled when a company operates in accordance with national legislation.

Some requirements appear to be disproportionate to the activities involved. For example, assessing the minimum social safeguards for retail activities, such as the construction of a new dwelling, is nearly impossible for a bank offering a construction loan to a retail client. Therefore, Finance Norway recommends that the minimum social safeguards should not apply to retail activities such as residential mortgages and consumer lending.

Finance Norway encourage the Commission to ensure that future work on MSS provides proportionate and practicable documentation pathways for private and SME ownership structures, so that taxonomy-aligned financing does not become inaccessible for this part of the market.

Building on these general considerations regarding the need for clearer and more proportionate DNSH and MSS criteria, Finance Norway will hereby provide more specific comments on the individual Taxonomy activities, starting with the proposed revisions for construction and real estate.

7 Construction and real estate activities

7.1 Construction of new buildings

The proposed revisions to Section 7.1 significantly raise the ambition level for sustainable new construction by aligning the taxonomy criteria more closely with the Energy Performance of Buildings Directive (EPBD) and by expanding requirements related to life-cycle emissions, construction quality and circularity. Finance Norway emphasizes that successful implementation depends on coherent national frameworks and predictable regulatory timelines. The transition to zero-emission buildings introduces a clear long-term standard, yet in markets such as Norway where the EPBD implementation is not fully operational, the lack of clarity around timing and methodological details may create uncertainty for developers and lenders. Stable and transparent national implementation plans are therefore essential to avoid delays in investment decisions and to secure confidence in financial assessments of new construction projects.

The strengthened emphasis on life-cycle Global Warming Potential (GWP) marks a necessary step towards capturing embodied emissions and ensuring that climate impact is evaluated across the entire building life cycle. Finance Norway supports this development, while noting that tools, databases and competence levels for life-cycle assessment vary considerably. Pursuant to Article 7(3) of the recast Energy Performance of Buildings Directive (EU) 2024/1275, the Commission is mandated to adopt a delegated act amending Annex III to establish a Union framework for the national calculation of life-cycle GWP, with the first such act to be adopted by 31 December 2025. Until the framework becomes fully operational across all Europe, transitional flexibility will be essential to ensure that projects are not disadvantaged due to methodological limitations beyond the control of developers or investors.

Systematic collection of building-level life-cycle GWP data, aligned with EPBD requirements, will be critical to ensure consistent application of the criteria over time. Such data can also support better benchmarking, improve data quality for financial institutions, and reduce reliance on conservative assumptions in taxonomy reporting.

The circularity-related changes, including requirements for design for adaptability, design for deconstruction and high recovery rates for construction and demolition waste, reinforce the role of the Taxonomy in promoting resource-efficient building practices. These expectations are aligned with broader EU policy objectives but require that Member States ensure adequate waste-handling infrastructure, clear documentation requirements and practical guidance for market participants. Furthermore, smaller projects may face proportionally higher costs in meeting these criteria. A balanced approach that preserves the economic viability of new construction while incentivising better building practices will therefore be important.

Overall, the revised criteria in Section 7.1 strengthen the taxonomy's contribution to long-term decarbonisation, but achieving their intended effect requires harmonisation with national regulations and the EPBD. This uncertainty is further compounded by the fact that Norway has not yet adopted a national definition of zero-emission buildings in line with the Energy Performance of Buildings Directive. The absence of such definitions limits legal clarity for market participants and makes it more challenging to operationalize the revised taxonomy criteria in a predictable and consistent manner.

7.2 Renovation of existing buildings

The expanded expectations regarding circularity and waste management reflect an appropriate alignment with the criteria for new buildings, but also highlight the practical complexities associated with renovation. Unlike new construction, renovation projects often involve greater uncertainty in material composition and waste volumes, and this increases the need for pragmatic and proportional implementation guidance. Finance Norway emphasizes that the criteria must be applied in a way that does not undermine the economic feasibility of renovation projects, which already face higher upfront costs and documentation requirements.

Finance Norway particularly support the Commission's objective of fostering financing for renovations. However, current criteria risk disincentivizing incremental but necessary transition activities in the residential building stock. DNSH requirements for renovation activities must be

proportionate to building type, size and risk. As previously stated, small residential dwellings should not be subject to the same climate adaptation DNSH obligations as large commercial properties. A reduced or exempted scope for small residential buildings, in line with the Platform on Sustainable Finance's recommendations, would substantially improve the practicality and effectiveness of the Taxonomy framework.

We welcome the proposal to introduce a dedicated DNSH criterion for renovation combined with acquisition, as this reflects real market practices and can help accelerate energy upgrades in existing building stock.

Making the entire mortgage, not just the renovation part, taxonomy aligned

Real estate criteria are significant to the Norwegian financial sector, as over 60 per cent of banks' loan portfolios in Norway are tied to this sector. Additionally, the Norwegian non-life insurance sector is a major owner of real estate assets. In Finance Norway's mapping of green loans and the potential for improving energy efficiency in Norwegian buildings, green loans to commercial real estate and green home mortgages were by far the biggest categories of green loans.¹ Green renovation loans accounted for less than 1 percent of the aggregate green lending volume. Several banks in the survey highlighted renovation loans as a product they expected to gain increased volume going forward. This is essential for the decarbonization of the building sector, since most of the buildings that will be used in 2050 are already built.

Renovations are often co-financed with a mortgage. In many cases, only a small portion of the mortgage is allocated for the renovation itself. However, if the energy efficiency improvements achieved after the renovation exceed 30 per cent, but do not meet the strict Taxonomy thresholds, such as obtaining an EPC rating A or within the top 15% energy efficient buildings, only the renovation part of the mortgage (and not the entire mortgage) will be considered Taxonomy-aligned. Limiting Taxonomy-alignment to only the renovation portion of a mortgage significantly weakens incentives for banks to finance energy efficiency improvements, and is inconsistent with the EU's objective of accelerating the renovation wave.

Finance Norway suggests that the entire mortgage, rather than just the portion used for renovations, should be classified as taxonomy-aligned if the renovation meets the criteria set for building renovations. This classification should apply at least during a clearly defined transitional period.

7.7 Acquisition and ownership of buildings

The proposed revisions to Section 7.7 introduce more stringent and clearer criteria for sustainable acquisition and ownership of buildings. Finance Norway supports the direction of travel but highlights several practical and methodological challenges that should be addressed to ensure the criteria function effectively in the European and Norwegian markets.

¹ [Mapping of green loans and the potential for improving energy efficiency in Norwegian buildings, Finance Norway 2024](#)

Use of the 60% primary energy demand improvement criterion

The alternative pathway requiring a reduction of at least 60% in primary energy demand over a period of ten years or less is intended to provide flexibility and to recognize the value of staged renovation and long-term asset improvement. Finance Norway acknowledges the rationale behind this approach, but see that the proposed criterion raises significant practical and methodological challenges that risk undermining its usability in practice.

In particular, it remains unclear how such a reduction should be consistently documented across Member States. The criterion relies on the availability of comparable baseline and post-renovation data, yet many countries have not established building renovation passports or equivalent tools that enable systematic tracking of energy performance improvements over time. In the absence of such instruments, demonstrating a cumulative 60% reduction may depend on fragmented documentation from different sources, such as EPCs and energy audits prepared under varying assumptions and methodologies. This creates legal uncertainty for building owners and financial institutions and risks inconsistent application of the criteria across jurisdictions.

At the same time, Finance Norway recognizes the need for a clearer and more coherent transition between the activity for renovation of existing buildings (Section 7.2) and the activity for acquisition and ownership of buildings (Section 7.7). In this context, we recall our earlier proposal that buildings qualifying as taxonomy-aligned under Section 7.2 should automatically qualify under Section 7.7 for a defined transitional period following renovation. Such an approach would better reflect real market practices, reduce documentation burdens, and provide stronger and more predictable incentives for deep renovation, while maintaining the environmental integrity of the framework.

More practical guidance

Implementing new regulations presents challenges for both reporting entities and audit firms. Unfortunately, Finance Norway has identified significant differences in Taxonomy reporting for different reporting entities. For Taxonomy reporting to serve as a key driver for increased capital flow to sustainable activities, users must trust the information, and it must be comparable across different reporting entities.

A major challenge arises from the lack of reliable data and the ambiguous interpretations that create uncertainty about what is required to meet the criteria. The differences in Taxonomy reporting may stem from varying interpretations of the regulations by reporting entities and their auditors. There is a pressing need for more explicit guidance and practical examples to help organizations comply with the Taxonomy criteria. Finance Norway would welcome more practical examples to help harmonize the interpretation of the regulations. To date, there have been fewer illustrative examples available for financial institutions compared to non-financial institutions.

Additionally, it would be beneficial to include mathematical formulas in the Taxonomy reporting tables. Finance Norway has observed inconsistencies in the Taxonomy tables, where it is often unclear, for example, whether the last row sums the rows above. The Commission should provide more standardized and, where possible, binding calculation methodologies for key KPIs.

Allow greater use of estimates

There is a general need for more flexible documentation requirements in situations where limited data availability makes compliance nearly impossible. One potential solution is to allow greater use of estimates, particularly during transitional phases. The Platform on Sustainable Finance (PSF) also emphasizes this point (PSF²).

Regarding the need for improved guidance and the use of estimates, Finance Norway has noted that the response to FAQ 145³ has been interpreted differently by various reporting entities and auditors. It is crucial for the financial industry that the reviewed criteria clearly state that, whenever an EPC is unavailable, an estimate or an EPC equivalent may be used.

The ongoing process of simplification of CSRD can widen the data gap, making estimates even more relevant. When estimates are utilized, reporting entities should be transparent about which parts are based on estimates, the overall quality of the data, and their plans to enhance data quality moving forward. Clear transitional rules should accompany these provisions to ensure predictability for reporting entities and avoid disruptions in reporting practices.

Kristian Ruth
Director, Sustainability

Kristian Strømmen
Principal advisor, Sustainability

² [PSF report](#) on activities and technical screening criteria to be updated and included in the EU taxonomy (January 2025), page 99, point 1: "Allow proxies to demonstrate compliance with the TSC, with the requirement to label proxied data as such"

³ [EU Commission Notice C/2023/267 of 20th October 2023, FAQ 145](#)