

Call for evidence – 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. Recent years have demonstrated that considerable practical challenges remain before the taxonomy can effectively serve as a driver of capital allocation to sustainable activities.

To enhance efficiency and clarity while reducing complexity for reporting entities, Finance Norway recommends the following actions when adjusting the framework:

- Reduce reporting complexity and strengthen the incentives for incorporating climate-related perils in multi-risk products by removing the split method introduced in FAQ 21st December 2023.
- Simplify the Do No Significant Harm and Minimum Social Safeguards requirements, for instance by excluding them for retail activities.
- Strengthen the incentives for renovation of existing buildings by making the entire mortgage, not just the renovation part, taxonomy aligned, at least for a transitional period.
- Allow more frequent use of estimates when data availability is limited.
- Provide additional guidance and illustrative examples to minimize variations in practices among reporting entities.

In general, Finance Norway also highlight the importance of considering the consequences for other regulations while reviewing the taxonomy, aiming for maximum harmonization and coordination. This is particularly relevant for the SFDR and CSRD.

Criteria for non-life insurance: underwriting of climate-related perils

The insurance sector plays a pivotal role in society's ability to manage physical climate risks. However, significant protection gaps persist across large parts of Europe. It is therefore essential that the EU Taxonomy serves as an effective instrument to incentivize insurance undertakings to provide coverage for climate-related losses affecting both individuals and businesses.

The taxonomy criteria for insurance and re-insurance activities for the objective of climate adaptation have not had the desired effect. The reporting process has been exceedingly complex, and users have not derived any value from the reporting figures. There are three major flaws in the criteria:

- 1) The "split method" introduced in FAQ 67, 21st December 2023¹, making the taxonomy underwriting reporting extremely complex and useless
- 2) The scope of the underwriting criteria is too narrow
- 3) Overlapping criteria

¹ [Commission notice, 21st December 2023, FAQ 67](#)

The issues with the split method introduced in FAQ 67, 21st December 2023

There are three major issues with the split-method introduced in FAQ 67, 21st December 2021.

Firstly, the method does not incentivize non-life insurance undertakings to incorporate climate-related perils into their multi-risk products. Insurers need to pool different risks to benefit from diversification. Insurers in general don't sell climate risk insurance alone, as this could lead to unreasonably high-risk concentrations. The incentive to incorporate climate-related perils in multi-risk products would have been much greater if non-life insurance undertakings could include all premiums from multi-risk products that both cover climate-related perils and align with the technical screening criteria.

The second issue with the split method is that it makes the taxonomy underwriting reporting impossible for users to understand. It leads to inconsistent calculation methods across companies and countries, increasing the risk of non-comparability and undermining the value of taxonomy alignment work by making it difficult for investors, customers and other stakeholders to understand.

The third issue with the split method is that it makes reporting extremely complex and fosters substantial bureaucracy.

The good news is that all three of these issues are very easy to resolve. By simply removing the new requirements introduced in the FAQ 21st December 2023, so that the entire premium can be reported as aligned when multi-risk products meet the technical screening criteria, the problem will be addressed. It is Finance Norway's opinion that this can be done without changing the level 1 regulation, since the FAQ 67 merely is the Commissions interpretation.

An alternative way of making the underwriting KPI to better represent the underwriting entities contribution to climate adaptation would be to change the denominator of the underwriting KPI from gross written premiums to eligible premiums. This would make the underwriting KPI more similar to the green asset ratio KPI for banks, that was changed 4th July 2025 in the delegated act not yet in force.²

Overlapping criteria

In reviewing their products against the taxonomy criteria, Finance Norway's non-life insurance members have observed that criteria 1.3 and 2.1³ are largely overlapping. This overlap complicates the assessment process unnecessarily and should be addressed in this review.

The DNSH criteria add disproportionate complexity without delivering meaningful value

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

² [Commission delegated regulation of 04.07.2025 amending \(EU\) 2021/2178, \(EU\) 2021/2139 and \(EU\) 2023/2486](#)

³ [EU 2021/2139, 10.1 criteria 1.3 and 2.1](#)

result in reporting that does not reflect reality. If DNSH requirements remain, clear guidance is essential. Finance Norway would like to highlight that classifying transported goods is an important example of a challenge with the current DNSH criteria.

Explicitly recognize national flat-rate or solidary-based NatCat schemes

Some countries, including Norway, has a mandatory flat-rate solidary-based NatCat scheme for certain climate-related perils. The taxonomy should be clear that these premiums should be considered taxonomy aligned.

Remove nuclear energy and fossil gas from the reporting template

Nuclear energy and fossil gas was introduced in the underwriting KPI template in the changes to the disclosure delegated act that was made 4th July 2025.⁴ This contradicts the very concept of the underwriting KPI. The underwriting KPI should represent how non-life insurance companies contribute to climate adaptation, and not the activities carried out by the insured entities or individuals.

Simplify the Do No Significant Harm criteria

Finance Norway endorses the Taxonomy's threefold assessment; substantial contribution, Do No Significant Harm (DNSH) and Minimum Social Safeguard (MSS). Since implementing the Taxonomy, it has become clear that simplifying the DNSH and MSS criteria is essential to make the Taxonomy an effective tool for directing capital allocation towards sustainable activities.

It is important to make it easier for stakeholders to demonstrate compliance with the DNSH criteria. Compliance with the DNSH criteria could be automatically deemed satisfied if an activity is in compliance with specific legal requirements that are linked to the DNSH criteria, for instance, minimum building requirements. Finance Norway recommends that the EU Commission, with the assistance of the various member states in the European Economic Area, provide a list of DNSH criteria that can be deemed fulfilled for different activities when carried out in accordance with national legislation.

Mortgages and car loans should be exempt from the "Do No Significant Harm" (DNSH) criteria until relevant information is more readily available, as proposed by the Platform on Sustainable Finance (PSF).⁵ For example, the current DNSH criteria related to tire noise are challenging for banks to verify. To date, as far as Finance Norway is aware, no electric vehicles meet this requirement.

The DNSH criteria for real estate should be adjusted to the building type. Currently, small residential dwellings are held to the same DNSH criteria for climate adaptation as large commercial real estate. Residential properties should either have a significantly reduced scope, or be entirely exempt from the obligation to assess the DNSH criteria, in line with PSF recommendations.

Additionally, Finance Norway suggest simplifying and reducing the requirements, evidence, and documentation needed to meet the DNSH criteria for renovating existing buildings.

⁴ [Commission delegated regulation of 04.07.2025 amending \(EU\) 2021/2178, \(EU\) 2021/2139 and \(EU\) 2023/2486](#)

⁵ [PSF report on Simplifying the EU taxonomy to foster sustainable finance](#) (February 2025). P. 18 "real lending".

Simplify the Minimum Social Safeguards

Like the DNSH criteria, simplifying the MSS is crucial to effectively redirect capital flows toward more sustainable activities.

To make it easier for stakeholders to demonstrate compliance with the technical screening criteria, several actions can be taken. For example, compliance with the Minimum Social Safeguards (MSS) could be automatically deemed satisfied if an entity is already in compliance with specific legal requirements. The EU Commission, with the assistance of the various member states in the European Economic Area, should provide guidance on 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.

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.⁶ 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. This lack of incentives may slow down the pace of the transition to greater energy efficiency.

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.

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

⁶ [Mapping of green loans and the potential for improving energy efficiency in Norwegian buildings, Finance Norway 2024](#)

different reporting entities. For the 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.

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 (PSF⁷).

Regarding the need for improved guidance and the use of estimates, Finance Norway has noted that the response to FAQ 145⁸ 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.

⁷ [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"

⁸ [EU Commission Notice C/2023/267 of 20th October 2023, FAQ 145](#)