

Barclays Response to UK Green Taxonomy Consultation

5 February 2025

At Barclays our vision is to be the UK-centred leader in global finance. We are a diversified bank with comprehensive UK consumer, corporate and wealth and private banking franchises, a leading investment bank and a strong, specialist US consumer bank. Through these five divisions, we are working together for a better financial future for our customers, clients and communities.

Climate change is a critical and complex challenge. Addressing it is a priority for Barclays. We have a clear climate strategy and continue our progress towards our ambition of being a net zero bank by 2050, by achieving net zero operations, reducing our financed emissions, and financing the transition. As part of this, we have targets to i) facilitate \$1trn of Sustainable and Transition Financing for clients between 2023 and the end of 2030, and ii) to invest up to £500m of our own capital into global climate tech start-ups by the end of 2027.

Executive Summary

We welcome the opportunity to respond to HM Treasury's UK Green Taxonomy Consultation (the Consultation).

Barclays supports the development of a voluntary UK Taxonomy. We consider that a voluntary UK Taxonomy would be distinctly valuable in promoting market consistency and facilitating capital flows. Establishing a common understanding of what constitutes green and transitional activities could enhance consistency across financial institutions' sustainable financing frameworks, helping to reduce greenwashing and aligning with existing policies like the FCA's anti-greenwashing rule. A UK Taxonomy would provide businesses, particularly SMEs and large corporates, with confidence in the UK's pathway towards net zero, assisting them in making investment decisions and raising finance for strategic capital expenditures. Companies demonstrating alignment with a UK Taxonomy would attract both domestic and international financing. That being said, **we would stress that the most impactful actions to mobilise capital in support of the government's sustainability objectives are putting in place the policies, roadmaps, incentives, mandates and investments to establish the economic conditions to support the transition.** These should be supported by taking forward the recommendations of the Transition Finance Market Review.

It is critical that the UK does not deviate from the EU Taxonomy unless there is an imperative to do so, such as amending EU law references to UK law or simplifying Do No Significant Harm (DNSH) criteria within a UK context. Maintaining alignment with the EU Taxonomy is crucial for several reasons:

- **Avoiding Additional Costs:** Ensuring that activities classified as green in the EU are also recognised as green in the UK will help maintain consistency across markets. This consistency is vital for businesses operating in both jurisdictions, as any deviation from the EU Taxonomy will result in additional costs for businesses, both in terms of compliance and operational adjustments.
- **Minimising Legal and Operational Risks:** Deviating from the EU Taxonomy could introduce significant operational risks and legal liabilities for businesses. Companies would need to navigate and comply with two different sets of criteria, which could lead to confusion and increased administrative burdens. This complexity could deter investment and slow down the progress towards the UK's net zero goals.
- **Promoting Interoperability:** Aligning with the EU Taxonomy sends a strong signal that sustainable finance markets will only deepen when taxonomies align. This interoperability is essential for fostering a cohesive and efficient global market for sustainable finance, encouraging investment, and supporting the transition to a greener economy.

It is key that **if an activity qualifies as sustainable under the EU Taxonomy, it should also qualify as sustainable under the UK Taxonomy.** Instead of creating a completely separate framework, **the UK should focus on enhancing the EU Taxonomy by addressing its challenges and deficiencies.** For instance, the EU Taxonomy's Do No Significant Harm (DNSH) principle is often criticised for being overly complex. Simplifying this principle in the UK context could make it more practical and easier for businesses to implement. Further, one of the areas where the EU Taxonomy falls short is in its support for transition finance. The UK has the opportunity to build on this by explicitly including transition activities within its Taxonomy. This would support industries that are on a pathway to becoming more sustainable but are not yet fully green, thereby facilitating a smoother transition to a low-carbon economy.

We additionally do not support reporting against a UK Taxonomy. It has become evident that reporting can inadvertently lead to market confusion and impose disproportionate additional financial burdens on businesses.

It is also important that **the UK Taxonomy does not exclude SMEs**, as they play a critical role in the economy and the transition to a low-carbon future. Excluding SMEs could stifle innovation and limit the overall impact of the Taxonomy. To manage this, a sliding scale of evidence requirements could be implemented, allowing SMEs to demonstrate their alignment with the Taxonomy in a manner proportionate to their size and resources. This approach would ensure that SMEs are not disproportionately burdened and can actively participate in sustainable finance initiatives.

Finally, the **alignment of the UK Taxonomy with government policies, roadmaps, and incentives is key** to support the UK's net zero pathway. This alignment will provide businesses with the confidence needed to make strategic investments and raise finance for capital expenditures.