



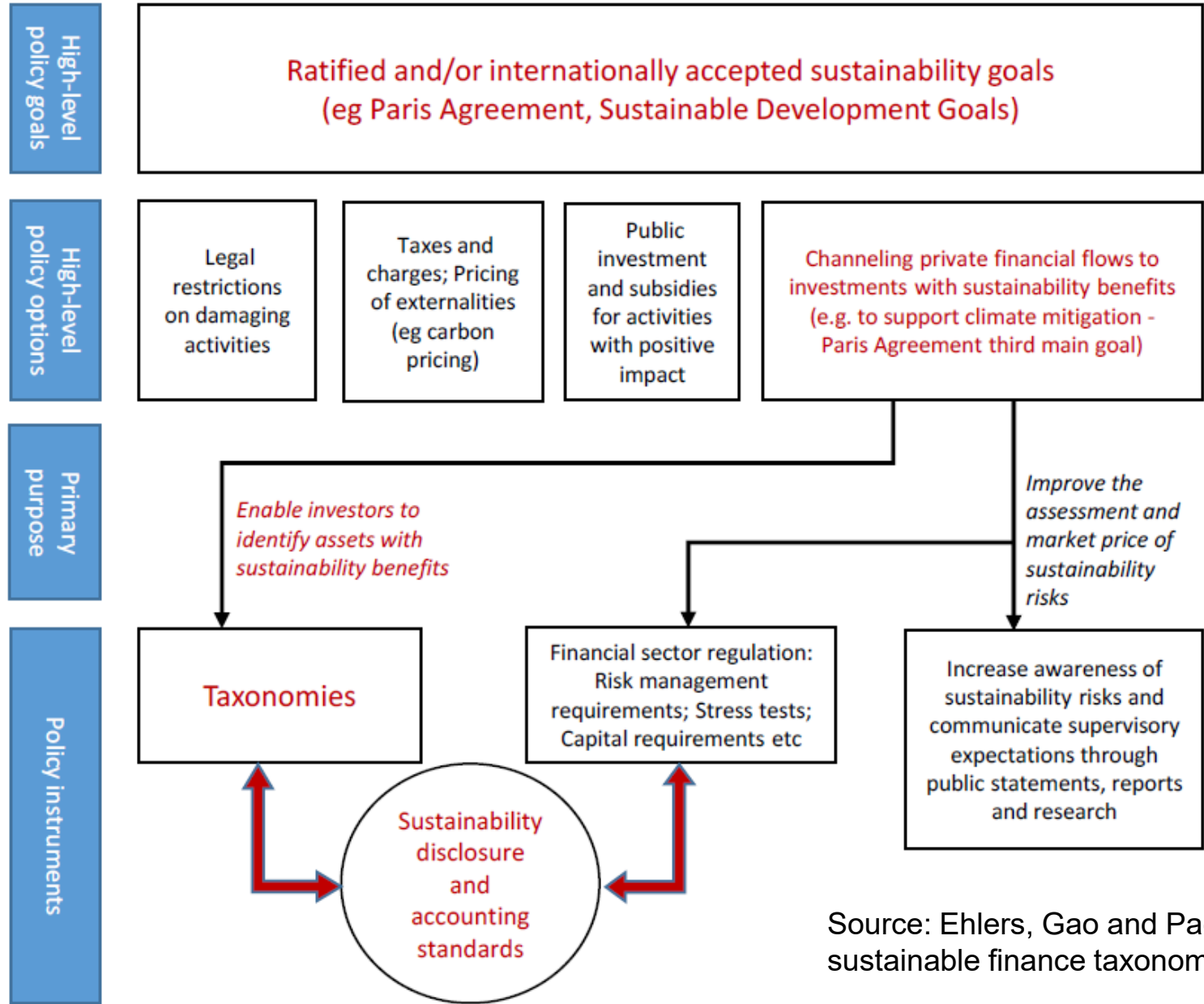
# **Sustainable taxonomies - lessons from Asia**

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# What is the purpose of taxonomies?



Source: Ehlers, Gao and Packer (2021): "A taxonomy of sustainable finance taxonomies", BIS Papers No 118.

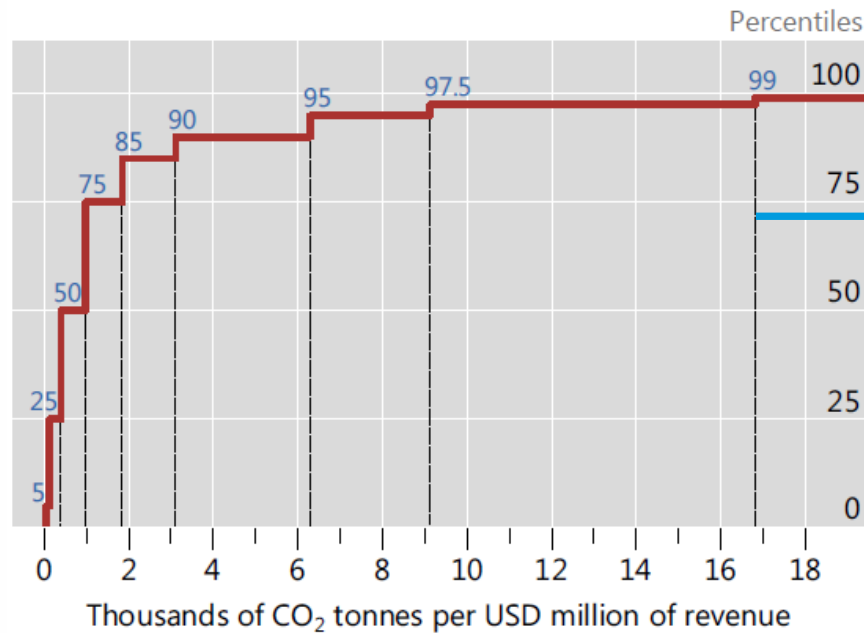
# Environmental impact depends on the worst firms

- Decarbonization by the worst firms can go a long way
  - Reduces the complexity of impacting firms in an effective way

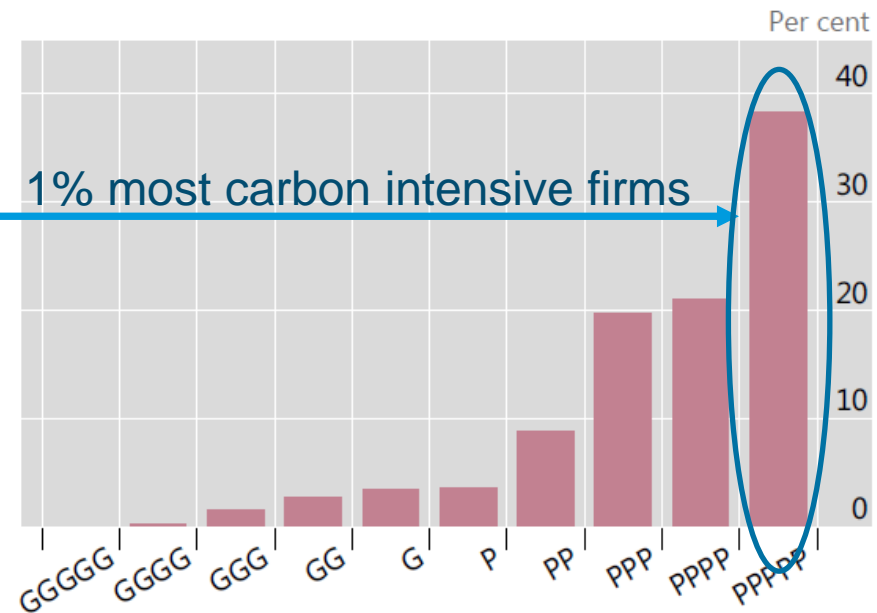
Based on Scopes 1–3 emissions, financial year 2018

Graph 3

Cumulative distribution of carbon intensity



Share of total emissions by rating



<sup>1</sup> The vertical lines indicate the cutoff points for the rating bins in the example green rating scheme at the stated percentiles (in blue). See Table 1 for the precise and rounded numbers.

Sources: S&P Trucost Limited © Trucost 2020; authors' calculations.

Source: Ehlers et al (2020): "Green bonds and carbon emissions", BIS Quarterly Review, September.

# Basic comparison of Asian taxonomies (I)

Taxonomy	ASEAN green taxonomy and green bond standard	Malaysia	Singapore	China - Green Bond Endorsed Project Catalogue	EU
Methodology (principles-based; detailed activity-based criteria etc).	Principles-based Foundational Framework; “Plus standard”: threshold-based screening criteria for 6 focus sectors and 3 enabling sector;	Principles-based	Detailed sector-specific screening criteria; current version covers 3 of 8 focus sectors	Project catalogue	Detailed activity- and technology-dependent criteria
Mechanism to ensure materiality (science-based, screening criteria, etc)	“Plus Standard” adopts a science-based approach for the covered sectors	“Activity should demonstrate the capability to avoid or reduce GHG emissions” for transition objective; activity examples given	Science-based (Singapore Carbon Trajectory); same screening criteria as EU taxonomy; adjustment of thresholds to adapt where necessary	List of eligible technologies	Science-based targets for individual economic activities; detailed technical screening criteria

## Basic comparison of Asian taxonomies (II)

Taxonomy	ASEAN green taxonomy and green bond standard	Malaysia	Singapore	China - Green Bond Endorsed Project Catalogue	EU
Inclusion of transition aspects or transition classification	“Remedial efforts to transition” is a key criterium; thresholds explicitly to be adjusted over time.	Progressive system of transition categories – Climate Supporting, Transitioning, or Watchlist (companies that do commit to transition)	Categories are based on transitional aspects – “Green” are activities that already operate at net zero or are on a pathway to net zero by 2050; “Amber” are activities that are transitioning towards green; “Red” are activities that are not currently compatible with a net zero trajectory.	Implicit inclusion – list of projects includes transition technologies	Implicit inclusion – some activities fall under the category of “transition activities”; recent proposals (including from the EU PSF) put more focus on transition activities
Granularity (e.g., binary green, traffic light system)	Traffic light system for the Foundational Framework and “Plus Standard”	3 transition-based categories;	Traffic light system	Binary	Binary