Revision of the Taxonomy Delegated Acts

Link	Summary: The initiative will review the EU taxonomy climate delegated act to update and simplify the technical screening criteria.
Timeline	• EC call4e 07 November 2025 - 05 December 2025 • Draft act feedback period 17 March 2026 - 14 April 2026 • Commission adoption planned for Q3/26
Background	• According to the draft text, activities that require compensatory measures to offset significant adverse impacts on habitats or species identified in the assessment (in accordance with Directives 2009/147/EC and 92/43/EEC) do not comply with DNSH 6. This criterion comes on top of the rules applied to this point. • The DNSH ("Do No Significant Harm") principle under Article 17 of the EU Taxonomy Regulation (LINK) ensures that an economic activity does not significantly harm any of the EU's six environmental objectives. The sixth environmental objective is the protection and restoration of biodiversity and ecosystems. • Despite their undisputedly substantial positive contribution to the energy transition as an enabling activity, through the application of this new criterion, a considerable part of investments of transmission system operators (TSOs) would no longer qualify as "green" under the EU Taxonomy. • Non-alignment results in reduced financing opportunities (access to capital) and less favourable financing conditions at a time of exceptionally high investment and financing needs, thereby undermining the mobilization of financing for grid expansion, which is itself a prerequisite for achieving the objectives of the European Green Deal. • On top, the Taxonomy framework, including the DNSH criteria, evolved towards a sustainability standard in other domains. This includes funding from the European Investment Bank, in which Taxonomy alignment is a criterion for related green finance frameworks today already. In addition, the European Commission is currently assessing to close EU funding for projects that do not meet the Taxonomy's DNSH criteria[1]. Eventually, Taxonomy -non-alignment might not only lead to less favourable financing conditions but exclude investments in EU priority projects from EU funding opportunities.
Impact / Relevance	• The economic activity would remain taxonomy-eligible but could no longer be reported as taxonomy-aligned. • Positioning in both regulated and unregulated capital markets would deteriorate and could result in less favourable financing conditions and/or restrictions on available capital. This is particularly significant considering the planned investment volumes, such as those outlined in the German Network Development Plan and European Ten-Year Network Development Plan. These investments directly contribute to expanding and modernizing Germany's electricity grid to make it fit for the future. A more detailed impact assessment is currently being prepared. At present, it is not possible to quantify a potential interest rate premium, among other reasons because the total volume of affected EU investments cannot yet be determined. While the so-called greenium, the yield

[1] Commission concept paper on the 'Do No Significant Harm' (DNSH) guidance for the Multiannual Financial Framework 2028-2034 (published 15 July 2026, retrieved 24 August 2026)

discount on green bonds, is relatively modest, its effect increases with the size of the financing volume and can have a significant impact when applied to substantial investments over several decades.

It can nevertheless be concluded that the removal from the "green bonds" asset class could reduce the number of potential investors. At the same time, greater capital demand would be concentrated among fewer capital providers, creating a double effect. Any restriction on access to financial resources should be avoided.

Also, the EIB Group’s Green Finance definitions are anchored in the EU Taxonomy’s principles and technical screening criteria. It is to be expected that a relevant number of projects that set up green finance frameworks today would not be eligible for equivalent favourable EIB loans in the future.

In addition, further implications of the EU Taxonomy for potential funding mechanisms, such as CEF funding for projects, are discussed. These impacts cannot yet be fully assessed, as compliance with the DNSH (Do No Significant Harm) criterion has been used as a prerequisite for accessing such funding schemes.

This risk is not limited to TSOs but also affects other market participants. The same applies to distribution system operators and renewable energy project developers, as compensatory measures are often implemented in these sectors to offset the impacts of interventions on affected stakeholders and the natural environment.

Relevant text passages

Draft revisions of the EU Commission's Climate and Environmental Delegated Acts under the EU Taxonomy, particularly Appendix D.

(31) Appendix D is replaced by the following:

‘Appendix D

Generic criteria for DNSH to protection and restoration of biodiversity and ecosystems

1. For activities or projects listed in Annex I to Directive 2011/92/EU of the European Parliament and of the Council (*1), an Environmental Impact Assessment (EIA) has been carried out. For activities or projects listed in Annex II to Directive 2011/92/EU, a screening has been carried out and where that screening concludes that an EIA is necessary for the activity, an EIA has been carried out (*2). Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment have been implemented (*3).

2. For sites/operations likely to have a significant negative impact on biodiversity-sensitive areas (including the Natura 2000 network of protected areas in the EU, or UNESCO World Heritage sites and Key Biodiversity Areas, as well as Critical Habitats and nationally conserved or protected areas in third countries), an assessment, where required (*4), has been conducted and based on its conclusions the necessary mitigation measures (*5) have been implemented. Activities that require compensatory measures to offset significant negative impacts on habitats or species identified in the assessment (*6) do not comply with Appendix D (*7).

Problem description

The expansion and modernization of Europe's electricity transmission networks are indispensable prerequisites for achieving European climate, energy, and decarbonization objectives. The integration of renewable energy sources, the electrification of industry and transport, the development of an integrated European energy system, and the maintenance of security of supply will require massive grid investments in the coming years.
Due to their spatial extent, such infrastructure projects can never be entirely free from interactions with environmentally sensitive areas. Despite extensive planning processes, comprehensive assessments of alternatives, route optimization, and numerous avoidance and mitigation measures, impacts cannot be completely excluded in all cases. For linear

	infrastructure such as high-voltage transmission lines or underground cables, it is often practically impossible to avoid all impacts on sensitive ecosystems. Against this background, compensatory measures have for decades been an established and essential element of both European and national nature conservation law. They do not replace avoidance and mitigation measures but rather represent the final step of the recognized impact mitigation regime and the mitigation hierarchy. Their purpose is to offset residual impacts after all proportionate avoidance and minimization measures have been exhausted. If the EU Taxonomy were to stipulate in the future that the mere necessity of compensatory measures is sufficient to preclude DNSH compliance, there would be a significant risk of severe negative consequences for electricity grid expansion and, consequently, for the energy transition as a whole. In practice, this could mean that: • substantial portions of grid operators' investments could no longer be classified as taxonomy-aligned; • investments in critical infrastructure could be excluded from taxonomy alignment despite being fully compliant with nature conservation law and subject to comprehensive environmental protection measures; • the taxonomy's ability to steer investments towards grid expansion would be significantly weakened; • project financing and financeability could be adversely affected through both higher financing costs, including interest rate premiums, and constraints on capital availability. Where financing is undertaken at company level, as is common among TSOs, these effects would not be limited to individual projects with significant impacts but could extend across the entire project pipeline; • a contradiction would emerge between the objectives of the EU Taxonomy and the EU's broader energy and climate policy goals; • this would directly increase the cost of the energy transition, which the EU has designated as being in the overriding public interest. This issue is particularly critical because the affected economic activities perform a central enabling function for the decarbonization of the European economy. Without a substantial expansion of transmission infrastructure, neither additional renewable generation capacity can be integrated, nor can the European Union's electrification targets be achieved.
Recommendation / Request	**Delete the following provision:** "Activities that require compensatory measures to offset significant negative impacts on habitats or species identified in the assessment (*6) do not comply with Appendix D (*7)" including the related references (*6) and (*7). The EU Taxonomy should promote ambitious environmental standards without compromising the practical implementation of Europe's transformation agenda. It is therefore essential to establish a regulatory framework that appropriately balances biodiversity protection with the necessary expansion of European electricity infrastructure. We therefore request the European Commission to assess the potential impact of the proposed provision on operators of critical infrastructure and to amend the proposal accordingly during the legislative process.