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Singapore Moves Toward Finalizing Green Taxonomy with Final Public Consultation Period

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By **Jayshree Balakrishnan**
Associate | Global Litigation



By **Kya Henley**
Associate | Global Litigation

Last month, Singapore's Green Finance Industry Taskforce (GFIT) **launched the final consultation period** to finalize its Green and Transition Taxonomy (the "Taxonomy"). This is Singapore's third public consultation on the Taxonomy, following two earlier consultation periods. While the **prior consultations** focused on the energy, real estate, and transport sectors, the current consultation seeks responses for the agriculture and forestry/land use, industrial, waste and water, information and communications technology, and carbon capture and sequestration sectors. The consultation period will close on March 15, 2023, and GFIT is expected to publish the final Taxonomy by mid-2023.

Gillian Tan, the Chief Sustainability Officer and Assistant Managing Director (Development and International) of the Monetary Authority of Singapore, said that the Taxonomy, "will drive financing flows to catalyse Asia's transition to net zero. Adapting international best practices for use in Asia, the taxonomy's extensive activity and emissions coverage will encourage Singapore-based financial institutions to direct capital flows towards green and transition activities, thereby guiding the region's transition to a low carbon future." The Taxonomy is being designed to be as consistent as possible with the EU Taxonomy Regulation and other global taxonomies, with a particular focus on Singapore-based activities, metrics, and thresholds.

Building off of the more established and well developed EU Taxonomy, GFIT's Taxonomy eventually will seek to address five objectives: (1) climate change mitigation; (2) climate change adaptation; (3) biodiversity protection; (4) promotion of resource resilience and circular economy; and (5) pollution prevention and control. At this stage of development, however, the Taxonomy only addresses climate change mitigation, though it may be developed to address

additional objectives in the future. The EU Taxonomy, by contrast, addresses six objectives – the five addressed by GFIT’s Taxonomy plus the sustainable use and protection of water and marine resources.

Similar to the EU Taxonomy, GFIT’s Taxonomy proposes **“Do No Significant Harm” criteria** to “ensure[] that while the economic activities make substantial contribution to climate change mitigation, they do not cause significant harm to all other environmental objectives of the taxonomy.”

The GFIT Taxonomy differs from the EU Taxonomy in that it is organized according to a traffic light system, differentiating among green (helpful), amber (transitional), and red (harmful) activities. Green activities are those that “contribute substantially to climate change mitigation that is consistent with a net zero outcome, or are on a pathway to net zero by 2050.” Amber represents transition activities, “including those that are either transitioning towards green within a certain time frame, or enabling significant emissions reductions in the short term.” Red activities are not currently compatible with a net zero pathway.

Taking The Temperature: The proliferation of taxonomies underscores the challenges associated with defining what constitutes a sustainable activity, which in turn drives whether the asset or project is suitable for public or private funds dedicated to such investments. In addition to the Singapore and EU formulations, other notable taxonomies include the [UK Green Taxonomy](#), and the [Sustainable Markets Initiative Transition Categorization Framework](#). Notably, the Singapore Taxonomy recognizes the challenges associated with measuring whether an amber activity is correctly categorized based on scientific data. The announcement of the latest consultation points out that a “key proposal of this public consultation is the adoption of a ‘measures-based approach’ for the industrial sector. Unlike other sectors, for the industrial sector, there is a lack of certainty around the technological solutions to achieve net zero. This makes it difficult to determine science-based metrics and thresholds for the ‘amber’ category based on the emissions performance of the activity. In lieu of this, a ‘measures-based approach’ is proposed, which requires the production process of the industrial raw materials to adopt a range of emissions reduction measures.” We have [previously reported](#) on the challenges associated with the appropriate collection and assessment of sustainability-related data, an issue that is attracting increasing attention from issuers and regulators.