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## GTAG Says UK Needs to “Significantly Raise Its Own” Climate Game to Compete for Capital

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On February 23, 2023, the Green Technical Advisory Group (“GTAG”), an independent advisor to the UK government, published a paper entitled “[Promoting the International Interoperability of a UK Green Taxonomy](#).” In the paper, GTAG argues that the UK must “significantly raise its own game” on net-zero to avoid losing out to international competitors, as “the race to attract global capital to support green industry and market development is well and truly on again.”

Ingrid Holmes, chair of GTAG and executive director for the Green Finance Institute, stated that “with the US and EU – the two biggest markets that UK investors currently deploy capital into – raising the stakes with a massive green subsidy and pro-green business regulatory push, the UK will need to significantly raise its own game to attract capital seeking net zero opportunities and secure its role as the world’s leading net-zero financial centre.”

The paper highlighted 10 recommendations to enable UK investors to deploy capital towards pro-green businesses by harmonizing green taxonomies, as listed below:

1. Adopt the same broad concepts, methodologies and metrics as the EU taxonomy where possible and advocate that other non-taxonomy countries do the same.
2. Ensure UK taxonomy TSC [technical screening criteria] are robust and science-based to demonstrate international leadership.
3. Every three years conduct reviews to assess the UK green taxonomy’s effectiveness in light of the developing international taxonomy landscape.
4. Streamline language and requirements to maximize interoperability with non-EU jurisdictions.
5. To promote international comparison – if not interoperability – in the short-term, adopt green taxonomy-related rules and guidance that cover subsidiaries and assets held in as many jurisdictions as possible, regardless of the existence of any local green taxonomy.

6. Develop and publish a list of equivalent units, where needed, in the first instance, to allow for differences in the measurement practices carried out in respective jurisdictions and help with the comparison of data.
7. Related to recommendation 5, for non-OECD countries without a green taxonomy, lend support to work to develop general international base principles for reporting.
8. For the U.S. and non-taxonomy OECD countries, produce guidance to encourage reporting on a voluntary basis against the UK Green Taxonomy, for UK-based corporates and financial institutions that are required to report against the UK Green Taxonomy under SDR.
9. Provide guidance on how companies and financial services firms can report on their performance abroad when using key performance indicators (KPIs) under the future UK reporting regime.
10. Advocate for the harmonization of taxonomies and promote international cooperation to develop a list of core economic activities that can be deemed equivalent to the UK Green Taxonomy.

GTAG was formed by the UK government in 2021 to provide guidance on the development and implementation of the [UK green taxonomy](#). The organization is composed of “key financial market stakeholders and subject matter experts” who “provides independent, non-binding advice to Government on the design and implementation of a UK Green Taxonomy.”

**Taking the Temperature: The GTAG’s recent paper highlights the steps that governments are continuing to take to help companies and investor achieve their net-zero goals, while also trying to compete for the economic opportunities presented by a green transition. In the preface to the paper, Ingrid Holmes drew attention to the U.S. Inflation Reduction Act, which “could cut US greenhouse gas emissions by 40% by 2030” and the EU’s Green Deal Industrial Plan. We have [recently reported](#) on substantial state subsidies approved by the European Commission to support companies investing in sustainable practices. GTAG suggests that the UK must accelerate its strategy and align, where possible, with existing frameworks in order to remain competitive in attracting global capital to support the green industry. As we have [previously written](#), taxonomies are critical to help companies and investors to understand what businesses or products are consistently deemed sustainable among different jurisdictions. If adopted, GTAG’s proposed approach would further this goal and help companies navigate the regulatory burden and complexity in complying with disparate regimes across jurisdictions. As Holmes noted, correctly in our view, “for UK companies and investors with subsidiaries and assets abroad and conversely, international companies and investors with subsidiaries and assets in the UK, there is a very real danger that cross border companies may face multiple regulatory difficulties and significant extra costs, if taxonomies lack interoperability.”**