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Consultation response: A UK Green Taxonomy

To whom it may concern,

Fuels Industry UK represents eight manufacturing, supply and marketing companies that operate the six major oil refineries in the UK and source over 90% of the transport fuels used. Our associate members comprise heating fuel supply and liquefied natural gas importers, renewable and sustainable fuel producers, terminals and pipelines.

As major suppliers and users of energy, and as a sector which acknowledges the scale of and is acting on the need for transformation to meet net zero, our members already report significant data related to climate change and emissions. Our members operate in other jurisdictions which have already introduced taxonomies, particularly the EU.

Our response to the consultations can be found in the annex to this letter. However, high level themes are worth drawing out:

- Overall, it is unclear if there is a clear value-add case for the introduction of a UK Green Taxonomy and we do not support its mandatory introduction at this point.

- The principle of a taxonomy is to facilitate an increase in sustainable investment or reduce greenwashing, however, the UK already has policy in place in these areas and ranks highly in global comparisons.
- The EU Taxonomy has brought with it a considerable new administrative burden, which is on top of and duplicative to existing, significant and complex, reporting requirements around climate and sustainability.
- Any UK introduction of a taxonomy should look to align with other taxonomies at a high level to benefit from existing best practice, but look to deliver simplifications where possible.

Yours sincerely

Jamie Baker

Director of External Relations

Annex A – Response to Consultation Questions

1. To what extent, within the wider context of government policy, including sustainability disclosures, transition planning, transition finance and market practices, is a UK Taxonomy distinctly valuable in supporting the goals of channelling capital and preventing greenwashing?

A UK Taxonomy holds potential in preventing greenwashing and directing capital towards sustainable initiatives as the consultation outlines. However, its effectiveness hinges on addressing complexities observed elsewhere in implementation and it adding value which is additional to the existing rules and disclosures the UK already has in place.

We have seen in the EU for example, that their taxonomy has added a very high administrative burden (explored and highlighted as a key challenge for those companies already reporting by EY¹) without clear proof as yet that it has changed behaviours (financial or regarding greenwashing).

Given that there are considerable disclosures already made by companies in their scope, such as the climate-related financial disclosures², to introduce a large new reporting requirement must give additional value to the principal beneficiaries to balance the burdens on reporting entities. There are also numerous other reporting requirements on fuel sector companies which are for non-financial policies and regulations such as the UK Emissions Trading Scheme, the Renewable Transport Fuels Obligation and, introduced in January 2025, the Sustainable Aviation Fuels Mandate, all of which could potentially be useful as indicators to the identified principal beneficiaries of environmental performance but which we are not aware are currently used in that way.

Given a potential benefit is to avoid greenwashing, it is worth highlighting that the UK has well-established processes in place, such as the work of the Advertising Standards Agency, to challenge green claims made by companies³, as well as growing guidance for companies to consider⁴ when making such claims.

The UK already ranks second in the world in the Global Green Finance Development Index (GGFDI)⁵ first in Policy and Strategy, sixth in Product and Market, and fourth in International Cooperation, emphasising that there is already considerable positive action and frameworks in place and setting a high bar for additional benefit from a taxonomy.

¹ [EY, How to navigate EU Taxonomy's complex rules, 2024](#)

² [HM Government, Climate-related financial disclosures for companies and limited liability partnerships \(LLPs\), 2021](#)

³ Such as Lufthansa [Ruling on ASA website](#), December 2023

⁴ [Competition and Markets Authority, Green claims code: making environmental claims, 2021](#)

⁵ [International Institute of Green Finance, Global Green Finance Development Index \(GGFDI\) compares the status of green finance in the world's 55 largest economies, 2021](#)

- a. Are there other existing or alternative government policies which would better meet these objectives or the needs of stakeholders?

As per the examples noted in Q1 above, there are already government policies in place which are meeting some of the stated objectives of this proposal.

- b. How can activity-level standards or data support decision making and complement other government sustainable finance policies and the use of entity-level data (e.g. as provided by ISSB disclosures or transition plans)?

Existing frameworks, such as the EU Green Taxonomy, have faced challenges due to their intricate requirements. A study analysing the EU's 100 largest listed companies revealed inconsistencies in reporting, highlighting the need for streamlined and precise regulations.⁶ This suggests that while current policies aim to enhance transparency, their complexity can hinder effective implementation.

The EU experience underscores the importance of clear activity definitions to avoid ambiguity in reporting. Lack of precise activity definitions has led to varied interpretations among companies, complicating assessments of sustainability performance. Therefore, establishing unambiguous activity-level standards in the UK Taxonomy is crucial for consistent and comparable disclosures.

2. What are the specific use cases for a UK Taxonomy which would contribute to the stated goals? This could include through voluntary use cases or through links to government policy and regulation.

- a. What are respondents' views on the benefits of the proposed use case (paragraph 2.2)?

The EU Green Taxonomy aims to define which of a company's activities are 'green', facilitating financial companies in directing capital towards sustainable projects while minimising greenwashing risks.⁷ A UK Taxonomy can similarly provide a clear framework for identifying sustainable activities, aiding investors in making informed decisions, with consistency of what is sustainable offering some potential to reduce greenwashing – although as noted in our answer to Q1, there is well developed reporting and anti-greenwashing practice in the UK,

- b. Are there any other use cases respondents have identified?

The EU's experience shows that without standardised reporting formats the high level of complexity, resulting from the specificity of the reporting requirement, means that companies (and other stakeholders) may struggle with compliance.

⁶ We Mean Business, EU green taxonomy in practice, 2023

⁷ Ibid.

This can lead to inconsistent data, which will also limit the other use cases likely to emerge.

c. How does each use case identified link to the stated goals?

We do not have a view on this question.

d. Under these or other use cases, which types of organisations could benefit from a UK Taxonomy?

Clear and consistent taxonomy criteria would most likely benefit investors and regulators by providing a common language and understanding of what constitutes sustainable activities by companies. Companies themselves are likely to understand this already themselves, so the benefits to companies would be indirect such as if they were better able to attract investors through taxonomy reporting. This would back the case for any introduction being voluntary in the first instance.

e. For each use case identified, do respondents have any concerns or views on the practical challenges?

The EU's implementation noted in publications referenced but also as experiences by our multi-national member companies in the EU, has revealed that complex reporting requirements, especially for those with diverse activities can result in inconsistent reporting which acts counter to the objectives of the policy as makes comparison/benchmarking no easier than now (perhaps more difficult). Simplifying these requirements in the UK context would be vital to encourage compliance and effectiveness.

f. What is the role for government within each use case identified, if any (i.e. to provide oversight, responsible for ongoing maintenance, implement legislation, including disclosure requirements)?

In the first instance, it is essential the clear case for introducing a taxonomy is made and at present we do not believe there is yet a clear value-add case for the introduction of a UK Green Taxonomy. If a taxonomy is delivered, the government should provide clear guidelines and support to companies, ensuring that the taxonomy is practical and aligned with industry capabilities, thereby facilitating smoother implementation. The approach taken to implementing Taskforce on Climate Related Financial Disclosures requirements has been positive with phased introduction and some sector level guidance issued.

3. Is a UK Taxonomy a useful tool in supporting the allocation of transition finance alongside transition planning? If so, explain how, with reference to any specific design features which can facilitate this.

A UK Taxonomy may support transition finance by clearly identifying activities that contribute to sustainability goals. However, the EU's experience indicates that overly complex criteria can deter companies from engaging.

The joint statement of associations in Brussels acting on behalf of oil, gas and fuels suppliers to the EU's Taxonomy⁸, also highlights the limitations of the EU's specific taxonomy rules and design, as it has failed to "acknowledge companies' investments into low carbon energy solutions" which are a key contribution to emissions reductions globally (such as delivery of biofuels or other sustainable fuels). As noted, this narrow scope of taxonomy "risks leaving investors, shareholders and other stakeholders confused as to the 'real' level of investment in these sustainable activities" in our sector and others to which the same principles will apply.

4. How could the success of a UK Taxonomy be evaluated? What measurable key performance indicators could show that a UK Taxonomy is achieving its goals?

Success can be measured by the level of adoption among companies and the consistency of their reporting – indeed this is the approach principally taken by the Commission⁹. However, while some data has been collected on how many companies are reporting (to varying degrees) which show an increase in the total number of projects, a causal link between the taxonomy and the number of projects cannot be claimed. This is because as there is no baseline for projects that would have happened based on other factors e.g. 'classic' economic decisions, other policy incentives etc.

5. There are already several sustainable taxonomies in operation in other jurisdictions that UK based companies may interact with. How do respondents currently use different taxonomies (both jurisdictional and internal/market-led) to inform decision making?

As noted in previous responses, our member companies are in many cases already reporting under the EU taxonomy, however, focus has been on meeting reporting requirements given the high level of complexity.

6. In which areas of the design of a UK Taxonomy would interoperability with these existing taxonomies be most helpful? These could include format, structure and

⁸ [Trade Associations, The EU Taxonomy needs simpler rules to foster low-carbon investments and reflect sustainability efforts, 2023](#)

⁹ [EU Commission, The EU Taxonomy's uptake on the ground, 2024](#)

[naming, or thresholds and metrics.](#)

Aligning the UK Taxonomy's structure, definitions, and metrics with those of existing frameworks, would be highly welcome and can reduce complexity and enhance comparability.

Based in particular on interoperability with the EU taxonomy, the following alignments would be suggested:

- Align with the economic activities, Technical Screening Criteria and Do No Significant Harm criteria. These elements of the EU's taxonomy could be improved but alignment with them would be better than trying to deliver a perfect UK-only solution.
- Do not copy EU's Minimum Social Safeguards, which are not needed given regulation already in place in the UK (as indicated in the consultation document).
- Make reporting voluntary, given the very limited usability and significant administrative burden.
- Only include the revenue metric, eliminate capex and opex. We understand from some financial institutions that they mainly look at the revenue data with the opex metric adding very little value.
- Allow for materiality application.
- Importantly, delivery of the above alignments could then allow for timing of updates to UK taxonomy to follow updates to the EU taxonomies.

[7. Are there any lessons learned, or best practice from other jurisdictional taxonomies that a potential UK Taxonomy could be informed by?](#)

As noted in the response to Q1 and Q3, there are lessons that can be learned from the EU Taxonomy, most notably:

- Simplify Reporting Requirements: Overly detailed templates are a very large reporting burden on companies who are already reporting complex data for other purposes and who may not benefit as much as other stakeholders for its production.
- Clarity in Activity Definitions: Ambiguities can lead to inconsistent reporting, which can reduce or remove the intended benefits of the taxonomy
- Stakeholder Engagement: Involving companies in the development process can identify practical challenges early on as was helpful in the development, implementation and delivery of the TCFD.

[8. What is the preferred scope of a UK Taxonomy in terms of sectors?](#)

As noted previously, the case for the value add of a taxonomy is still to be made, however, similar application to TCFD may be appropriate as a long-term ambition.

As noted in the consultation, having too few companies reporting undermines the objective to be able to compare investments.

9. What environmental objectives should a UK taxonomy focus on (examples listed in paragraph 3.3)? How should these be prioritised?

Prioritising objectives like climate change mitigation and adaptation aligns with urgent global environmental challenges. Clear definitions and metrics for these objectives will guide effective implementation although it is noted that some companies are already reporting this to safety and environmental regulators so alignment should be aimed for if introduced.

10. When developing these objectives, what are the key metrics which could be used for companies to demonstrate alignment with a UK Taxonomy?

Developing specific, measurable criteria for each environmental objective ensures that companies can accurately assess and report their alignment, facilitating transparency and comparability. It is vital that there is an agreed and transparent framework and that full lifecycle/supply chain effects are accounted for (if this means reporting becoming more complex or burdensome then the case for the taxonomy becomes more difficult to make).

11. What are the key design features and characteristics which would maximise the potential of a UK Taxonomy to contribute to the stated goals? Please consider usability both for investors and those seeking investment. This may include but not be limited to the level of detail in the criteria and the type of threshold (e.g. quantitative, qualitative, legislative)

Balancing detail with usability is crucial. Overly complex criteria can deter compliance, while too simplistic standards may fail to capture necessary nuances. Engaging stakeholders in the design process can help achieve this balance, although, given the main beneficiaries we identified in Q2d were investors and regulators we do not have detailed views.

12. What are respondents' views on how to incorporate a Do No Significant Harm principle, and how this could work?

Clear guidelines on a Do No Significant Harm criteria, accompanied by practical examples, can assist companies in understanding and applying this principle effectively, preventing unintended negative impacts. As noted in our response to Q6, we view that the EU taxonomy criteria in this area are already well developed.

13. It is likely a UK Taxonomy would need regular updates, potentially as often as every three years.

a. Do you agree with this regularity?

Regular updates may be necessary to keep the taxonomy relevant, however, this can be avoided by delivering clear criteria and measurement for the taxonomy at its start which are more principles-based and therefore requiring less frequent updates. If a model for the taxonomy requires regular updates then it should be recognised that effectively monitoring progress will be more difficult as baselines will change over time.

c. [Would this pose any practical challenges to users of a UK Taxonomy?](#)

Frequent changes will create uncertainty and increase the burden on companies reporting. Providing transition periods and clear communication can mitigate these challenges.

d. [Would this timeframe be appropriate for transition plans?](#)

It is probably on the short side for transition plans for our sector where investment paybacks may be decades long.

14. [What governance and oversight arrangements should be put in place for ongoing maintenance and updates to accompany a UK Taxonomy?](#)

Governance should involve:

- Central government oversight to ensure alignment with policy goals and existing or new policies which overlap or may be interoperable with a taxonomy if introduced.
- Potential role for financial regulators.
- Independent expert committees to oversee updates.
- Transparent public consultations for stakeholder input.