

KBN welcomes the opportunity to comment on the draft Delegated Act on climate change mitigation and adaptation under Taxonomy Regulation. KBN is a repeat green bond issuer with ten years' experience and approx. EUR1,5 bn outstanding in green bonds.

KBN welcomes the Taxonomy as a tool to define and promote sustainable activities. That said, we have a few concerns as listed below.

General remarks

- In its current form and in the absence of pragmatic usability guidance, the burden of implementing the Taxonomy is too high, both in terms of excessively demanding criteria requirements and the administrative burden it entails. The proportionality principle should reflect the diversity of the regions of Europe.
- We fear that project owners (in our case, local authorities) will lose important sustainability incentives if the information burden is too onerous, as documentation requirements for their traditional funding are light, which will reduce the availability of eligible assets.
- The current Taxonomy design risks undermining not only KBN's own ability to contribute to the sustainable finance market but also considerably slow down its harmonization via an EU Green Bond Standard.
- From a financing perspective, the delegated acts should not give rise to undue legal or reputational risks, especially in view of the taxonomy's focus on investments in economic activities with long-term life cycles. Project owners should be required to undertake liability for their projects complying with the Taxonomy requirements and for accuracy of data.

Construction and real estate activities

- The TSCs for buildings are defined in the delegated act by NZEB and EPC classes. However, the methodologies and thresholds of NZEB and EPC classes vary significantly between EU countries and even between countries in the Nordics. As a consequence, the TSCs result in large variations to the eligible share of the building stock from one country to the other, without reflecting actual differences in environmental performance amongst the building stocks. We are concerned that the current TSCs will hamper the development of green bonds as a financing instrument for buildings.

Water supply and sewerage

- The considerably tightened criteria for water and wastewater related activities are effectively barring investments in this sector from being defined as sustainable investments. Considering the chronic underinvestment in this sector which is vital to secure to public health, climate change adaptation and resource conservation, we urge the Commission to reconsider the thresholds such as the front-to-end net zero energy demand for wastewater collection and treatment systems. If the thresholds are kept, they should be clearly defined. Moreover, we ask that the Commission consider modifying the energy efficiency requirements, with respect to determining factors such as topography and climate, as well as to increases in water treatment, such as increased filtration of micro particles and nitrogen.

On DNSH requirements

- Complying with DNSH requirements should be simplified. Where relevant national or EU legislation exists, a 'tick the box' exercise should be a sufficient compliance requirement for the bank where project owners have provided sufficient undertakings that the requirements have been complied with. While such an approach is outlined in the TEG Taxonomy Report, it does not match the detailed criteria laid out in individual DNSH requirements.
- Regarding DNSH assessment the principle of proportionality (in terms of company size, investment size, risk profile, etc.) should prevail, in accordance with established risk management practices. This would support the aims of the DA, namely to "ensure usability and proportionality" and being "easy for economic operators and investors to use".

- Criteria that requires ex-post data gathering will excessively increase the administrative burden and is contrary to current market practice, so should be avoided.