Solar Energy UK

Consultation Response

UK Green Taxonomy

February 2025

About us

Since 1978, Solar Energy UK has worked to promote the benefits of solar energy and to make its adoption easy and profitable for domestic and commercial users. A not-for- profit association, we are funded entirely by our membership, which includes installers, manufacturers, distributors, large-scale developers, investors, and law firms.

Our mission is to empower the UK solar transformation. We are catalysing our members to pave the way for 70GW of solar energy capacity by 2035. We represent solar heat, solar power and energy storage, with a proven track record of securing breakthroughs for all three.

Respondent details

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- **Would you like this response to remain confidential**: No
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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, by defining criteria for "green" activities, may help mitigate greenwashing risks and prevent companies from misleading investors and other market participants. A **robust** Taxonomy can support sustainability disclosures and transition planning, guiding businesses toward environmentally responsible practices. A **science-based** Taxonomy improves market transparency, builds investor confidence, and facilitates financing for legitimate transition activities. Ultimately, the UK Taxonomy could enhance market integrity, promote sustainable investment, and help the UK achieve its climate and solar deployment goals. Solar Energy UK (SEUK) would also stress the need for rapid implementation – as we are quickly approaching the UK Government's 2030 target for delivering a Clean Power system

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

      There are a series of instruments and initiatives that in our view complement and/or support the above objectives the taxonomy could be supplementary and be coherent with the following in order to better meet the needs of stakeholders.

      1. Carbon Pricing (Carbon Tax/ETS): directly incentivises companies to reduce emissions and invest in greener practices, offering a financial incentive to align with sustainability goals.

      2. Task Force on Climate-related Financial Disclosures (TCFD): Encourages UK companies to disclose climate-related risks and opportunities.

      3. Green Bonds and Public Investment: The UK government can issue green bonds or create public-private funds to finance sustainable infrastructure projects, directing capital into impactful environmental initiatives. A taxonomy can support the certified labelling of public/private bonds as green.

4. Sustainable Development Goals (SDGs) Alignment: The UK government can strengthen its alignment with the SDGs, integrating environmental, social, and economic sustainability into national policies and ensuring a more holistic approach to sustainable development in line with its Taxonomy.

5. Enhanced Corporate Reporting Requirements: Requiring companies to report more comprehensively on sustainability efforts, transition plans, and environmental impacts ensures better transparency and reduces greenwashing by providing verified data.

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)?

Activity-level standards and data provide measurable criteria for evaluating sustainability at a granular level, enabling informed decision-making for investors and businesses. They can complement entity-level data, such as ISSB disclosures or transition plans, by offering insights into the environmental impact of specific activities or sectors, enabling more precise assessments of transition risks and opportunities.

By aligning activity-level standards with broader policies, such as government sustainable finance frameworks, stakeholders can ensure targeted capital allocation, enhance transparency, and reduce greenwashing. Together, these data layers create a comprehensive view of sustainability performance, supporting more effective policy implementation and investment strategies.

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)?**

    We recognize the broad and significant benefits of the proposed use cases outlined in paragraph 2.2. We view the UK Taxonomy as a valuable tool for improving the consistency and comparability of investments in the solar industry, aiding project and business finance decisions and supporting environmentally conscious investors (retail and wholesale) and delivery of the UK's 2030 and 2035 solar targets.

    The taxonomy could be pivotal in supporting investor stewardship and engagement by providing a transparent framework for evaluating the sustainability credentials of solar. The Taxonomy could also be instrumental in developing sustainability-focused financial products, and -as mentioned previously- contribute to the government's solar targets.

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

    A UK taxonomy could provide job seekers and purchasing managers in the solar sector with clear criteria for identifying environmentally sustainable companies, helping them target organizations aligned with sustainability. By understanding which firms meet "green" standards, job seekers can more easily find roles in businesses committed to sustainability. Likewise, purchasing managers can more easily enhance the sustainability of their procurement choices.

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

    - By ensuring consistent, transparent standards for green investments and reducing greenwashing market integrity is promoted.
    - By facilitating informed decision-making for investors and businesses, capital flow towards sectors crucial for the transition.

- By supporting the competitiveness in hiring of firms aligned with taxonomy criteria a competitive advantage in labour is given to sectors crucial for the transition such as solar.

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

Companies that could benefit from a UK Taxonomy:

1. Solar energy companies
2. Energy storage and battery manufacturers
3. Electric vehicles and green transport
4. Sustainable agriculture and food production
5. Green building and construction
6. Recycling and waste management
7. Water management and clean technology
8. Environmental consulting and carbon capture

In addition, as users the following could benefit from a clear taxonomy: financial, charitable, and government organizations, specifically:

1. Financial institutions (banks, investment firms, insurance companies) – The Taxonomy can help them assess and channel investments into sustainable projects, ensuring compliance with green standards and supporting responsible investment strategies.
2. Pension funds and asset managers – By using the Taxonomy, they can make informed decisions on green investments and meet sustainability disclosure requirements.
3. Charitable foundations and NGOs – They can use the Taxonomy to direct funding towards projects aligned with sustainability goals, ensuring transparency in their environmental impact.
4. Government departments and agencies – The Taxonomy can guide policy development and inform public funding decisions related to climate action, facilitating alignment with national environmental strategies.

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

For project and business finance decisions, ensuring consistent application across sectors is difficult, as defining "green" activities can be complex and subjective. In investor stewardship, challenges include assessing smaller solar businesses' adherence to standards and data quality issues. Regarding sustainability-focused financial products, we are concerned about the need to balance alignment with Taxonomy criteria whilst continuing to promote innovation (key in the solar and energy storage sectors).

Global firms may also struggle with managing multiple taxonomies, as differing regional standards create inconsistencies and increased compliance costs. Lastly, regarding the government's climate strategy, concerns include integrating the Taxonomy within existing frameworks.

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)?**

The government may indeed play a key role in each use case identified by providing oversight, implementing legislation, and ensuring ongoing maintenance of the UK Taxonomy. For project and business finance decisions, the government should seek to set **clear standards**. In investor stewardship and engagement, the government could mandate disclosure requirements to ensure transparency.

For **sustainability-focused financial products**, the government's role may include developing regulations that promote the creation of green finance products while ensuring alignment with the Taxonomy. In investment fund disclosures, the government can enforce mandatory reporting frameworks.

Finally, in supporting the government's solar strategy, the government should integrate the Taxonomy into broader environmental policies, ensuring it remains updated and relevant through regular bi-annual reviews. This ongoing involvement helps maintain the integrity and effectiveness of the Taxonomy.

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 can be an effective tool for supporting the allocation of transition finance -particularly towards the solar sector- alongside transition planning. A well-structured taxonomy should offer clear definitions, criteria, and guidelines for assessing activities and investments aligned with climate transition goals.

3.1 Clear Definition of Transition Activities

The UK Taxonomy can set clear criteria for "transition activities," helping investors, businesses, and financial institutions identify projects aligned with environmental goals, reducing ambiguity and ensuring transition finance is directed towards decarbonisation efforts.

Example: Activities like solar panel deployment, and battery storage can be defined clearly, directing finance to genuine transition projects.

3.2 Facilitating Investment Decisions

The taxonomy can provide a framework to assess whether investments align with transition goals, guiding investors towards sustainable projects, supporting investments in sectors like renewable energy, low-carbon transport, and sustainable agriculture, while avoiding those inconsistent with climate targets.

Example: A company transitioning from fossil gas to solar can be evaluated through the taxonomy's criteria, helping investors assess the viability of such transitions.

3.3 Transparency and Accountability

A taxonomy promotes transparency by setting **science-based criteria** and requiring relevant disclosures, holding businesses accountable for their environmental impact. This builds trust among investors and stakeholders, ensuring funds are allocated to measurable decarbonisation contribution

Example: A utility scale solar project in the UK can be evaluated against environmental criteria, ensuring it meets low-carbon thresholds and provides transparency for investors.

3.4 Supporting a Transition Pathway
The taxonomy supports creating a transition pathway by outlining the stages of decarbonisation. It can allocate transition finance to projects with a credible path towards net-zero.

Example: Sectors like steel or cement could receive finance for projects reducing emissions, such as adopting carbon capture or alternative fuels.

3.5 Alignment with Policy and Regulatory Frameworks
The UK Taxonomy can ensure that transition finance aligns with national and international climate policies, such as the UK's target of net-zero emissions by 2050. It helps businesses and financial institutions align with these goals, ensuring consistency with broader climate commitments.

Example: A firm shifting towards cleaner (solar) production can align its financial support with UK carbon reduction policies, ensuring smooth transition financing.

3.6 Long-Term Investments
A taxonomy could encourage long-term investments, enabling investors to assess the sustainability of projects. Transition projects may take time but can offer sustainable returns in the future.

Example: Investments in solar technology or infrastructure may take longer to deliver returns but align with the transition to net-zero**.**

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?**

The success of a UK Taxonomy can be evaluated through measurable key performance indicators (KPIs) such as: (i) the proportion of turnover and investments aligned with taxonomy criteria, (ii) the number of companies disclosing transition plans in line with taxonomy standards, and (iii) the

reduction in UK emissions from financed projects. (iv) The proportion of turnover, capex and opex that is not aligned with the taxonomy is also a valid KPI.

Albeit on the subject of operating expenditure (OpEx) as a way to measure taxonomy alignment, we are concerned that this metric is subject to management judgement and does not align with UK-adopted International Financial Reporting Standards, we advocate the inclusion of operating profit instead. This provides a clearer economic picture and serves as a better indicator of the value added by the investment. Other KPIs include the growth in green and transition finance markets, the alignment of financial products with sustainability goals, and stakeholder satisfaction in terms of transparency and accountability.

Tracking the percentage of industries adopting taxonomy-defined practices and the progress toward national climate goals would also provide insights into its effectiveness in driving the transition to net-zero.

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?**

   n/a

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 naming, or thresholds and metrics.**

   SEUK strongly advocates for interoperability with the EU Taxonomy, with standardised naming conventions and frameworks. However, thresholds and metrics should align with UK-specific policies or standards where they already exist (e.g., the UK Hydrogen Standard for the definition of low carbon hydrogen). Interoperability with existing taxonomies would be most beneficial in several key areas of the UK Taxonomy design. However, we believe that the most sensible approach would be to align with and improve upon the existing EU Taxonomy framework.

   a. Format and Structure: Ensuring that the format and structure of the UK Taxonomy align with other established taxonomies -specially the EU

Taxonomy- could simplify cross-border comparisons and reduce complexity for global firms adhering to multiple standards. A standardised framework would facilitate data sharing and ensure compatibility across regions.

b. Naming Conventions: Consistent naming conventions across taxonomies would help avoid confusion, enabling clearer communication about green activities. This alignment would improve transparency for investors and businesses navigating multiple taxonomies.
c. Thresholds and Metrics: Harmonising thresholds and metrics for determining "green" activities would support greater consistency and enable smoother transitions between different taxonomies. It would also ensure that sustainability claims are credible and comparable across borders, fostering investor confidence and reducing the risk of greenwashing.

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

a. **Clear and Consistent Criteria:** The controversy surrounding the role of fossil gas in the EU Taxonomy highlights the need for clear and consistent criteria in the UK Taxonomy. **The EU Taxonomy has faced legal challenges over the inclusion of fossil gas**, with environmental groups taking the EU to court for classifying it as a "green" activity (Court of Justice of the European Union, 2023). This underscores the importance of avoiding ambiguity about which activities qualify as "green" to maintain credibility and prevent greenwashing.
b. Transparency and Stakeholder Engagement: The EU Taxonomy's issues arose -in our view- mostly from lobbying from countries heavily reliant on fossil gas, such as Germany and Italy. The UK Taxonomy could benefit from extensive stakeholder engagement, ensuring that diverse voices, including scientific experts, are heard in the decision-making process. This could help avoid contentious decisions, such as including controversial energy sources like fossil gas. In terms of global leadership, we note that the Chinese Taxonomy equivalent excludes fossil gas, LNG, and coal from its definition of "green," which serves as an important example of maintaining strict environmental standards.

c. Flexibility and Periodic Review: Given the evolving nature of sustainability criteria, the UK Taxonomy should incorporate flexibility, allowing for regular updates to reflect new scientific evidence and market changes, preferably every 3 years (in line with the EU approach). This approach would ensure that the taxonomy remains dynamic and responsive to emerging environmental challenges, avoiding outdated inclusions.
d. Alignment with Broader Climate and Environmental Goals: The UK Taxonomy should ensure that its criteria are firmly aligned with the UK's climate goals, such as net-zero emissions by 2050. By prioritising genuinely sustainable activities and avoiding controversial inclusions, the taxonomy would strengthen its role in driving capital towards sectors that are truly critical for the transition to a low-carbon economy.

By learning from the EU and Chinese experiences, the UK Taxonomy can ensure stronger alignment with sustainability goals, enhance public trust, reduce the risk of legal challenges, and foster effective capital mobilisation for green investments.

We are in particular concerned that the inclusion of non-green and non-sustainable activities within the taxonomy will reduce access to low cost capital for genuine low carbon activities such as solar. This could have an adverse impact on the UK net zero targets.

8. What is the preferred scope of a UK Taxonomy in terms of sectors?

We believe that a sectoral alignment with the EU Taxonomy should be the first choice for the UK taxonomy, as the quantum of firms/subjects investing in both environments (UK/EU) has a greater overlap.

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

Ranked by order of priority, we would propose:

1. Climate Change Mitigation (GHG Reduction): The most urgent objective, considering the UK's commitment to net-zero emissions by 2050. This objective should prioritise activities that significantly reduce greenhouse gas (GHG) emissions across all sectors, such as renewable energy, energy efficiency, and low-carbon technologies.

2. Climate Change Adaptation: Ensuring resilience to climate change impacts, such as flooding, heatwaves, and changing weather patterns, is essential. This should involve encouraging investments in infrastructure and technologies that help communities and businesses adapt to environmental changes.
3. Preservation of Biodiversity and Ecosystems: Given the rapid decline of biodiversity, this objective should focus on protecting ecosystems, sustainable land use, and habitat conservation. Activities that reduce deforestation, support regenerative agriculture, and promote biodiversity protection should be prioritised.
4. Pollution Prevention: Activities that reduce pollution (e.g., waste management, water treatment, reducing chemical usage in industries) should be part of the taxonomy, particularly focusing on air, water, and soil pollution.
5. Resource Efficiency and Circular Economy: Encouraging a transition from a linear economy to a circular one, which focuses on reusing, recycling, and reducing waste, would support the transition to a sustainable and resource-efficient economy.

Prioritisation: The most immediate priority should be climate change mitigation, as GHG reduction is essential for meeting the UK's net-zero target. Preservation of biodiversity should be the next priority, given the urgent need to halt the ongoing loss of species and ecosystems. Climate adaptation and pollution prevention can be prioritised subsequently, followed by resource efficiency as a long-term strategy to support sustainability.

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

When developing the UK Taxonomy, key metrics should be established to help companies demonstrate their alignment with the taxonomy's criteria. These metrics would vary by sector, but key examples include:

1. Carbon Intensity (GHG Emissions per Unit of Output): A central metric for assessing alignment with climate change mitigation objectives. Companies could report the number of CO2-equivalent emissions per unit of product or service, with specific targets for reducing carbon intensity over time.

2. Low carbon Energy Share: The percentage of energy a company uses that comes from low carbon sources (e.g., wind, solar, geothermal, nuclear). This metric would show how much a company is contributing to reducing reliance on fossil fuels.
3. Energy Efficiency Improvements: Metrics that measure the reduction in energy consumption per unit of output, such as improvements in energy performance or reduced energy intensity in manufacturing and operations.
4. Biodiversity Impact Carbon Intensity (GHG Emissions per Unit of Output): A central metric for assessing alignment with climate change mitigation objectives. Companies could report the amount of CO2-equivalent emissions per unit of product or service, with specific targets for reducing carbon intensity over time.
5. Low carbon Energy Share: The percentage of energy a company uses that comes from low carbon sources (e.g., wind, solar, geothermal, nuclear). This metric would show how much a company is contributing to reducing reliance on fossil fuels.
6. Metrics related to biodiversity conservation efforts, such as the percentage of land managed sustainably, the implementation of conservation practices, or the amount of deforestation prevented.
7. Water Usage and Efficiency: Water consumption per unit of product or service, along with efforts to reduce water waste and improve water recycling rates, would demonstrate alignment with sustainable water management goals.
8. Waste Reduction and Recycling Rates: Metrics that show how much waste a company generates and how much is recycled or repurposed, supporting the circular economy.
9. Sustainable Sourcing: The percentage of raw materials sourced sustainably, especially for critical commodities like timber, minerals, and agricultural products, aligned with broader environmental goals such as deforestation prevention and sustainable agriculture.
10. Adaptation Strategies: For companies operating in areas vulnerable to climate impacts, metrics around climate adaptation plans and investments

in resilient infrastructure could demonstrate alignment with climate resilience objectives.

These metrics should be transparent, verifiable, and aligned with international standards to ensure consistency and comparability. Regular reporting and third-party verification could ensure that companies are genuinely contributing to the environmental objectives of the UK Taxonomy.

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)**

To maximise the potential of a UK Taxonomy and ensure its contribution to the stated goals, the following features should be prioritised:

1. Clear and Transparent Criteria: The criteria should be simple and transparent, offering clear guidance for both investors and companies. This avoids ambiguity and ensures alignment with sustainability goals.
2. Balance of Detail: The taxonomy should offer enough detail for sector-specific activities while staying flexible to accommodate new technologies and sectors. Criteria should be adaptable to foster innovation.
3. Quantitative and Qualitative Thresholds: A mix of quantitative (e.g., GHG reductions, renewable energy share) and qualitative criteria (e.g., alignment with broader goals) ensures activities are measurable and aligned with long-term sustainability objectives.
4. Legislative Framework: Incorporating legislative requirements, like the "Do No Significant Harm" principle, will ensure mandatory environmental standards and foster accountability.
5. Usability for Investors: Investors should have easy access to clear, comparable data, with tools for efficient screening and decision-making.
6. Usability for Companies Seeking Investment: Companies should easily understand the sustainability criteria and how to comply with them, including clear guidance on reporting and compliance pathways.

7. Flexibility for Sector-Specific Needs: The taxonomy should provide flexibility for varying sector complexities, allowing for dynamic updates based on technological advancements.

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

The "Do No Significant Harm" (DNSH) principle ensures that activities are environmentally sustainable without causing harm in other areas. To integrate it effectively there should be:

- SEUK believes the DNSH criteria and assessment can be greatly simplified. DNSH criteria should align with existing UK-specific environmental regulations.
- Clear DNSH Criteria: Specific thresholds for significant impact for each environmental objective should ensure activities don't negatively impact other objectives, e.g., a GHG reduction project shouldn't harm biodiversity or water resources. A small degree of residual environmental impact is sometimes unavoidable for green projects that have a positive environmental effect overall. Clear guidance on significance of impact will provide all stakeholders with a common understanding of what "No Significant Harm" means in practice.
- Integration with Sector Criteria: The DNSH principle should be embedded in each sector's criteria to prevent unintended harm. For example, renewable energy projects should be assessed for impacts on ecosystems.
- Regular Assessments and Updates: DNSH thresholds should be reassessed regularly to reflect new scientific evidence, technological advances, and emerging challenges.
- An acknowledgment of trade-offs: DNSH principes should provide guidance of how to handle conflicting concerns

Incorporating DNSH ensures the UK Taxonomy promotes positive environmental outcomes while preventing negative externalities.

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?

Yes

b. Would this pose any practical challenges to users of a UK Taxonomy?

Smaller companies may struggle with the frequency of compliance updates, however it could be expected that solution providers will drive down the cost of compliance over time.

c. Would this timeframe be appropriate for transition plans?

Yes

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

The governance and oversight of a UK Taxonomy should ensure consistency, transparency, and accountability. Key considerations include:

5.1 Independent Oversight Body: A dedicated body should oversee taxonomy updates and application, including academic and scientific experts from relevant sectors and stakeholders like environmental NGOs.

5.2 Regular Consultation: The taxonomy should undergo periodic consultation with businesses, investors, scientists, and civil society groups to stay aligned with evolving trends.

5.3 Clear Accountability: The oversight body should be accountable for ensuring that updates are based on scientific evidence and meet the UK's climate goals.

5.4 Collaboration with International Bodies: Collaboration with international taxonomies (e.g., EU, Chinese) to ensure consistency and avoid fragmentation, particularly in global sectors.

5.5 Transparency in Updates: The update process should be transparent, with clear communication about changes, consultation, and timelines.