

UK Green Taxonomy Consultation

February 2025

Positive Money welcomes the opportunity to respond to the UK Government's consultation on the UK Green Taxonomy.

[Positive Money](#) is a not-for-profit research and campaigning organisation, working towards reform of the money and banking system to support a fair, democratic and sustainable economy. We are funded by trusts, foundations and small donations.

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?

There are several reasons why a UK taxonomy would provide significant value in supporting the channelling of capital and preventing greenwashing.

Greenwashing remains a significant problem in green finance. Whilst good quality entity-level data such as ISSB disclosures and transition plans can support assessment of greenness, a Taxonomy provides a distinct benefit by establishing clarity and standards as to what activities are considered 'green' (and transitional and dirty, if extended), which can both reduce greenwashing risk and reduce resources required from market actors to develop their own understanding of greenness.

A UK green taxonomy could also play a key role as a mechanism for policy and regulatory coordination, that could help to accelerate the development of policy and regulation to channel capital, as well as providing clarity, coherence and stability to the market. Entity-level data such as transition plans and ISSB data do not provide the activity-level categorisation required for such initiatives.

To be effective in these roles, a taxonomy must be science-based, avoiding decisions made in other jurisdictions that undermine credibility – notably the lack of scientific basis for the inclusion of gas and treatment of bioenergy within the EU's green taxonomy.¹ Moreover, expanding the taxonomy to cover transition activities and activities that must be decommissioned (a 'dirty' taxonomy) would be most effective in providing clarity among investors and policymakers, mitigate against greenwashing and channel capital towards green activities by clearly signaling policy direction.²

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.

¹ ClientEarth (2022). [What's wrong with the EU's new investment rules?](#)

² EU Platform on Sustainable Finance (2022). [The Extended Environmental Taxonomy: Final Report on Taxonomy extension options supporting a sustainable transition.](#)

Within GTAG's list of potential use cases³ we believe that a UK Taxonomy could play a useful role in supporting financial supervisors and monetary policymakers to align policy with climate objectives. Climate change and environmental degradation pose significant risks to price and financial stability, the primary objectives of the Bank of England.⁴ We are concerned that the current lack of alignment of the Bank's policies and activities with a net-zero and nature-positive economy is hindering the Bank's ability to achieve its objectives, as well as the Government's objectives for economic stability, growth and Clean Power mission.

Whilst not a prerequisite for policy action, a Taxonomy could provide a coherent and science-based framework to support the Bank in greening its operations. For example, when the Bank of England 'greened' the Corporate Bond Purchase Scheme (CBPS) in 2021, the Bank was required to develop its own approach to greening.⁵ With this scheme now wound down, the Bank has no active 'green' monetary policy tools. Impactful policies could include the Bank integrating green criteria to the collateral it accepts in its own lending operations (its collateral framework). Quantitative research from Banque du France researched has found that assets accepted by central banks, and on more favourable terms, benefit from higher market prices with firms enjoying cheaper financing conditions,⁶ however the Bank of England's framework currently supports carbon-intensive sectors whilst green sectors are neglected.⁷ Similarly, a UK Taxonomy could be used to support the integration of green criteria into prudential regulation, which currently underestimates climate risks.

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 taxonomy that provides clear and robust standards for transition activities could be a useful tool in supporting the allocation of transition finance. Science-based, 1.5-degree aligned transition plans will also be essential in order to mitigate greenwashing risk in transition finance markets. A 'dirty' taxonomy that outlines economic activities that will need to be phased out or decommissioned, could also help to mitigate against greenwashing in transition finance.

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

³ GTAG (2024). [Advice on the development of a UK green taxonomy](#).

⁴ See, for example: Green Finance Institute (2024) [Assessing the materiality of nature-related risks in the UK](#); Institute and Faculty of Actuaries (2025). [Current climate policies risk catastrophic societal and economic impact](#);

⁵ Bank of England (2021). [Greening our Corporate Bond Purchase Scheme](#).

⁶ M'Esonnier et al. (2022). [The interest of being eligible](#).

⁷ Positive Money (2024). [Greening the Bank of England's Collateral Framework](#).

A UK Taxonomy must be science-based, and learn from failures in other jurisdictions, such as the EU Taxonomy's inclusion of activities that lack scientific basis. The Independent Science Based Taxonomy provides a detailed analysis of the EU taxonomy's criteria in this regard.⁸

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

To maintain credibility and stability over time, governance and oversight arrangements for the Taxonomy will be critical. Whatever body in which the Taxonomy is housed in the long term should be resourced with sufficient expertise to ensure that the Taxonomy is credible and science based and avoid conflicts of interests. Intensive lobbying from industries with vested interests drove the EU Taxonomy's deviation from a scientific basis and the recommendations of the EU's own Technical Expert Group,⁹ which as outlined above, has led to a lack of credibility and usefulness of the Taxonomy.

In 2021, Positive Money proposed that a 'Green Finance Action Taskforce' be established comprising representatives of the Climate Change Committee, the Bank of England, and relevant government departments, that would be tasked with the development of a UK taxonomy, amongst other policy areas, and subject to parliamentary scrutiny with mechanisms for public consultation.¹⁰

For more information on this response or any of Positive Money's wider work, please contact Ellie McLaughlin at ellie.mclaughlin@positivemoney.org.uk or 07554209640.

⁸ [Independent Science Based Taxonomy](#).

⁹ InfluenceMap (2020). [Lobbying on the EU Taxonomy's Green Criteria](#); Reclaim Finance (2021). [Out with science, in with lobbyists: Gas, Nuclear and the EU Taxonomy](#).

¹⁰ Positive Money and NEF (2021). [Greening finance for a build back better recovery](#).