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FEDIL feedback to the European Commission’s draft act on the review of the EU taxonomy climate delegated act

1. Introduction

This paper sets out FEDIL’s contribution to the European Commission’s public consultation on the draft revision of the technical screening criteria (TSC) under the EU Taxonomy framework, in particular the targeted amendments to the Climate and Environmental Delegated Acts published on 17 March 2026. These amendments introduce extensive updates to the TSC and activity descriptions across a broad range of economic activities.

FEDIL supports the Commission’s initiative to review the existing TSC in light of the practical experience gained since their initial application. This review represents an important opportunity to address implementation challenges and enhance the overall effectiveness of the framework, thereby strengthening the EU Taxonomy as a tool for guiding sustainable investment and supporting market transparency.

In this context, we welcome the Commission’s objective to streamline and clarify the criteria, reduce unnecessary administrative burden, and improve coherence with the evolving EU regulatory framework. It is particularly positive that the Commission explicitly acknowledges the operational challenges associated with the application of the TSC, including the complexity of demonstrating compliance with Do No Significant Harm (DNSH) requirements.

At the same time, the proposed amendments remain targeted in nature and should primarily be understood as an adjustment and clarification of existing requirements, rather than a revision of the underlying policy framework or environmental ambition of the Taxonomy.

2. Positive elements of the proposed revisions

We welcome several aspects of the proposed revisions which respond to issues identified during the implementation phase.

First, the effort to improve the clarity, structure and overall usability of the TSC is a positive step. The Commission’s recognition that certain criteria have proven overly complex or difficult to apply consistently in practice is particularly important.

Second, we support the intention to streamline requirements and enhance consistency across activities and DNSH appendices, which can contribute to reducing unnecessary complexity and improving practical implementation.

Third, we welcome the objective of improving coherence with existing EU legislation and reflecting recent regulatory developments, which is essential to enhance legal certainty and avoid overlapping or conflicting requirements.

Fourth, the revisions introduce useful elements of proportionality in certain areas (for example in sector-specific criteria such as forestry), which represent a constructive step towards a more operational

framework. These targeted adjustments illustrate a constructive effort to improve the operational feasibility of the framework.

In addition, we welcome clarifications allowing, in certain cases, the assessment of climate performance at the level of the overall installation for integrated industrial processes. This represents a more realistic and operational approach for sectors with highly interconnected production steps, such as steel.

Finally, we welcome the broader policy direction reflected in recent legislative developments, including the introduction of materiality thresholds under the Omnibus framework, which confirms the importance of a more proportionate and targeted application of sustainability-related requirements. The consolidation and simplification of chemicals-related requirements (notably in Appendix C), including alignment with recent Omnibus-related amendments, also represent a positive step towards improving usability and consistency with EU chemicals legislation.

Overall, these elements demonstrate that key horizontal concerns raised by stakeholders, in particular regarding complexity, usability and coherence, have been taken into account.

3. Remaining challenges and key concerns

While the proposed revisions represent a step in the right direction, they do not fully address several structural challenges that continue to affect the effective implementation of the EU Taxonomy.

a. Complexity and practical applicability

Despite simplification efforts, the framework remains highly complex from both a technical and operational perspective.

Recent market evidence shows a significant gap between taxonomy eligibility and alignment, with around one-third of turnover reported as eligible but only around one-tenth as aligned. This highlights that companies are generally able to identify relevant activities but face significant challenges in meeting the full set of TSC and DNSH requirements.¹

This reflects the practical difficulty of translating eligible activities into aligned ones, due to the cumulative effect of:

- detailed technical requirements
- extensive documentation obligations
- interpretative uncertainties

Persistent ambiguities and inconsistent interpretation across sectors and jurisdictions continue to undermine comparability and legal certainty.

As a result, the main challenge remains not the environmental ambition of the criteria, but their practical applicability and usability for companies.

¹ According to the [EY EU Taxonomy Barometer 2025](#) (pages 7-8) for fiscal year 2024, on average approximately 36% of companies' turnover is reported as taxonomy-eligible, while only around 10% is taxonomy-aligned.

b. Administrative burden and proportionality

The overall administrative burden associated with compliance remains significant.

Companies continue to face challenges related to:

- data collection and availability
- reliance on external expertise and data providers
- audit and verification requirements
- fragmented or manual internal processes

In practice, market evidence highlights that companies often have to rely on fragmented or non-centralised data systems and manual data collection processes,² which further increases the complexity of compliance and audit readiness.

These challenges significantly increase the cost and operational effort associated with compliance.

While simplification is welcome, further efforts are needed to ensure a stronger application of the principle of proportionality.

Recent legislative developments, including the narrowing of the scope of sustainability reporting requirements to larger undertakings, confirm the importance of a targeted and proportionate approach. The application of the Taxonomy should be consistent with this logic.

c. DNSH as a structural bottleneck

The “Do No Significant Harm” principle continues to represent one of the most structurally complex elements of the Taxonomy.

Across its different components (climate adaptation, water, pollution, biodiversity), key issues remain:

- complexity and lack of standardisation
- reliance on external data and methodologies
- high documentation requirements
- difficulties in interpretation and verification

While the proposed revisions introduce certain simplifications, they do not fully address the structural challenges associated with DNSH.

In particular, this reflects concerns raised by stakeholders regarding overly detailed assessments with limited impact on final outcomes. Further improvements would be needed to:

- enhance consistency across DNSH appendices
- introduce a more proportionate and materiality-based approach
- focus requirements on elements that are most relevant to environmental outcomes

d. Alignment with existing EU legislation

While the proposed revisions aim to improve coherence with EU legislation, further efforts are still needed.

In some cases, Taxonomy requirements appear to:

² EY EU Taxonomy Barometer 2025, page 16

- go beyond existing regulatory frameworks
- duplicate obligations already covered under EU law

This is particularly relevant for pollution prevention and control requirements under DNSH, where additional or diverging criteria compared to existing EU environmental and chemicals legislation (e.g. Industrial Emissions Directive, REACH) may create unnecessary complexity and legal uncertainty.

While recent revisions introduce useful clarifications — including recognition of controlled use of certain substances and improved alignment with existing frameworks — further efforts are needed to ensure that DNSH requirements do not go beyond or duplicate well-established regulatory regimes, and that national risk management frameworks are appropriately recognised.

Such situations may create legal uncertainty and increase compliance costs without necessarily improving environmental outcomes.

Ensuring full alignment with existing EU legislation should remain a priority to enhance clarity and facilitate implementation. This also has implications for the technical feasibility of applying certain criteria in practice.

In this context, it is also important to ensure that existing national technical risk management frameworks are recognised, where appropriate, as meeting the requirement for operation under “controlled conditions”.

e. Technical feasibility and market reality

Beyond regulatory alignment challenges, certain criteria and thresholds remain difficult to meet in practice given current technological and market conditions.

It is important that the Taxonomy:

- reflects realistic and achievable performance levels
- supports transition pathways
- does not unintentionally exclude activities that contribute to the green transition

A number of sector-specific concerns raised by stakeholders do not appear to have been addressed in the current revision. As indicated by the Commission, more substantial changes — including the potential inclusion of new activities or more fundamental adjustments — appear to have been deferred to future initiatives. However, we consider that this revision provides an appropriate opportunity to address certain elements.

This is notably the case for the steel sector, where uncertainties remain regarding the scope and practical application of the activity “manufacture of iron and steel”.

Currently the EU Taxonomy and its Climate Delegated Act define the economic activity “manufacture of iron and steel” broadly, covering the entire steelmaking process under the relevant NACE codes. This is correct, however, the technical screening criteria in the Climate Delegated Act present doubts (guidance for ‘Manufacture of Iron and Steel’ question 11 in the EU Taxonomy Q&A, published 29 November 2024) regarding its applicability only to the continuous casting stage, corresponding to production of crude steel.

This creates a practical gap, making taxonomy practically not applicable for the sector: crude steel is an intermediate product, not the final product sold on the market, and companies do not report economic data or turnover at this stage.

Instead, revenue is generated from finished steel products, which result from downstream processes such as rolling, coating, forming and other first transformation steps. These processes convert crude steel into marketable products like sheets, coils, bars, sections etc, essential for sectors such as construction, automotive, industry and other manufacturing. Although these steps are part of the same economic activity, they are being interpreted by this Q&A as not explicitly covered by the current technical screening criteria.

If downstream processes are excluded, even fully decarbonized steel production would not qualify as Taxonomy-aligned, leading to zero eligible turnover for the sector. This outcome contradicts the intent of the Regulation and undermines its relevance for investors, who rely on Taxonomy indicators to assess both capital allocation toward decarbonization and the share of aligned revenue in hard-to-abate sectors like steel.

Since the majority of CO₂ emissions occur upstream of continuous casting, the alignment of finished steel products with the climate change mitigation objective should be considered equivalent to the alignment of the crude steel from which they are manufactured.

We acknowledge the introduction of a new point (c): this clause relies on carbon related performance classes to be defined under Regulation (EU) 2024/1781 (ESPR) and would apply to finished steel products placed on the market (e.g coils). However, because the ESPR regulates products rather than economic activities, the proposed text does not clearly cover downstream processes, so even after ESPR requirements are adopted, steelmaking first transformation processes can be interpreted as outside the EU Taxonomy.

Establishing a clear and accurate definition of the scope and coverage of the activity “manufacturing of iron and steel” is essential for the EU Taxonomy to be meaningful and applicable to the sector (what is needed, therefore, is greater precision in the language used here).

Urgently addressing these issues is essential to ensure that the Taxonomy can effectively support decarbonisation efforts and investment in hard-to-abate sectors such as steel.

f. Additional considerations on scope and proportionality

The EU Taxonomy is designed as a transparency tool to support investors, undertakings and public authorities in identifying environmentally sustainable economic activities and guiding capital allocation.

In this context, the application of complex and resource-intensive requirements should remain proportionate to their intended purpose.

This is particularly relevant for companies that are not directly accessing public capital markets, such as privately owned companies that are not listed, as well as for smaller companies, where the benefits of standardised disclosure may be more limited compared to the associated compliance costs. This further underlines the importance of ensuring that the application of the framework remains proportionate and aligned with its intended purpose.

While not the central focus of this revision, it is important to ensure that:

- reporting obligations remain aligned with the core objectives of the framework
- unnecessary burdens are avoided where the benefits of disclosure are limited.

4. Recommendations

In light of the above, we would encourage the Commission to consider the following:

- further simplify and streamline TSC, in particular DNSH requirements
- introduce clearer guidance and interpretation tools to reduce ambiguity
- strengthen proportionality, including through materiality-based approaches
- ensure full alignment with existing EU legislation to avoid duplication
- improve consistency across sectors and criteria
- continue engaging with stakeholders to ensure that future revisions address practical implementation challenges
- consider, in future initiatives, more structural adjustments to better reflect transition dynamics and sector-specific realities
- clarify the scope and system boundaries of certain activities (e.g. iron and steel manufacturing), including a clear distinction between primary production, first transformation processes (e.g. rolling, coating, forming) and downstream fabrication, to ensure that the Taxonomy reflects industrial realities and enables meaningful reporting
- include downstream processes (first transformation of steel) explicitly in the scope of the technical screening criteria of the Climate Delegated Act. No additional criteria would be needed as these already cover the most carbon intensive activities (production up to continuous casting)
- ensure consistency between technical screening criteria, eligibility definitions and related guidance to avoid unintended exclusion of activities that are part of the same economic value chain
- allow, where appropriate, the assessment of compliance at the level of integrated industrial processes, avoiding the need for separate assessments of highly interdependent production steps (e.g. coke, sinter, hot metal)

Addressing these elements will be essential to ensure the effective implementation and broad uptake of the EU Taxonomy framework.

About FEDIL

Founded in 1918, FEDIL – The Voice of Luxembourg's Industry is a multisectoral business federation that represents over 750 companies across industry, services, and construction. These members significantly contribute to Luxembourg's economy, accounting for 95% of the nation's industrial production, 75% of private research activity, 25% of national employment, and 35% of the GDP.

As a founding member of BusinessEurope, the European employers' association, FEDIL maintains a dedicated representative office in Brussels to advocate on behalf of its members at the European level.

The federation is also registered in the Luxembourg Chamber of Deputies' transparency register and the EU Transparency Register (number 286194516022-33), underscoring its commitment to transparent and ethical advocacy.

This position paper has been prepared by FEDIL's Sustainability Legislation Expert Forum (SLE Forum), a collaborative platform that addresses evolving sustainability regulations. The SLE Forum offers member companies regulatory insights, advocacy support, and structured collaboration to effectively tackle sustainability legislation challenges.

Your contact at FEDIL

Francesco Fiaschi	Head of European Affairs	T: +352 43 53 66 601
	Permanent Delegate to BusinessEurope	E: francesco.fiaschi@fedil.lu

fedil.lu