



## PRESS RELEASE

# EU taxonomy: FIEC welcomes entry into force and application of new sustainable finance criteria for circular economy in the EU Member States

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In December 2023, new technical and construction-related criteria for circular economy (“Environmental Delegated Act”) under the ***Taxonomy for sustainable activities*** have entered into force.

**These criteria have been applicable in the 27 Member States since 1st January 2024.** The EU’s sustainable finance agenda has achieved another important milestone with the entry into force of these new criteria.

FIEC welcomes the new circular economy criteria and the targeted amendments to the “Climate Delegated Act”. Continuous fine-tuning of the criteria based on the experience gained from their practical application **will be essential to ensure the framework’s effectiveness** and to **mobilise much needed capital** for sustainable construction activities in the coming years.

### Environmental Delegated Act crucial step towards sustainable investment in circular construction

The new [Delegated Regulation 2023/2486](#), supplementing the 2020 Taxonomy Regulation and establishing technical screening and “Do No Significant Harm” criteria for construction and real estate activities under the environmental objective “Transition to a circular economy”, has been applicable since **1st January 2024** in all 27 Member States.

Commenting on the entry into force and application of the Environmental Delegated Act and the [Delegated Regulation amending the Climate Delegated Act](#), **Pekka Vuorinen, FIEC’s former representative in the Platform on Sustainable Finance, says:**

*“The entry into force of the new technical criteria is a crucial step towards more sustainable investment in the EU and towards circular and environmentally friendly construction. We thank the European Commission services involved in the EU taxonomy for the huge amount of work done since 2020. The new criteria are very demanding but more balanced than the draft criteria in the 2022 recommendations of the Platform on Sustainable Finance. If we get the application of the Environmental Delegated and Climate Delegated Act right, the EU taxonomy has the potential to become a real game changer for the sustainable transition of the whole sector”.*

## Since 2020, FIEC has been lobbying for a usable EU taxonomy. The framework still needs to be more closely aligned with the sectors' reality

The EU taxonomy, the European Commission's classification system for sustainable economic activities, was launched in July 2020. FIEC was appointed as a member of the first iteration of the *Platform on Sustainable Finance* in October 2020, and was able to co-develop the first set of technical criteria. **Creating a usable framework that adds value to the sector has been a priority for FIEC from the outset.**

An internal FIEC survey on the EU taxonomy conducted among its member federations<sup>1</sup> in 2023 showed that the framework is already adding value to construction companies by **helping them to identify what is considered "sustainable"**. It also offers them the opportunity to proactively position themselves in the sustainability market, align their service portfolio with regulatory and market expectations, and **attract financing**. However, the members and companies surveyed<sup>2</sup> have encountered **numerous problems** with the interpretation of the technical requirements and with reporting against the Taxonomy.

*"It is well known that the devil is in the detail. Our member federations and their companies firmly believe in the conceptual strength of the EU taxonomy, but it cannot be denied that several issues exist in the practical application of the criteria and will continue to emerge", Vuorinen adds. Against this background, FIEC (see also FIEC's updated Position Paper) considers it essential for the optimal implementation of the framework and to ensure its reliability and robustness that:*

- 1. A continuous "reality check" and fine-tuning** of the existing **technical criteria** is carried out by the *Platform* and the European Commission as the "application experience" of construction companies progresses. New criteria need to be added to the framework gradually, **allowing for a "healthy evolution" of the EU taxonomy.**
- 2. A regular exchange** between the construction industry, the financial sector and the Commission is (re-) established, taking due account of the specificities of the construction value chain<sup>3</sup>; and **construction experts** are regularly consulted to advise the *Platform* (**not just on an ad hoc basis**).
- 3.** The EU taxonomy is increasingly perceived as a **reliable** framework; to this end, as many as **"grey areas"** and **technical errors** as possible should be **removed** from the technical framework.
- 4.** The EU taxonomy is made **more "SME-friendly"** as smaller companies often lack the necessary resources to comply with the framework.
- 5.** More **sector and country-specific user guides** are published.

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<sup>1</sup> Member federations surveyed in October/November 2023: ANCE (Italy), Bauindustrie, Zentralverband Deutsches Baugewerbe (Germany), Koninklijke Bouwend Nederland (Netherlands), EMBUILD (Belgium), Construction Industry Federation (Ireland).

<sup>2</sup> Companies active in the construction of new buildings (residential and non-residential) and the renovation of existing buildings, civil engineering (roads, railways, bridges, tunnels, water supply and wastewater treatment plants, remediation of contaminated sites, construction of energy infrastructure (electrical, photovoltaic...)).

<sup>3</sup> Fragmentation, many actors involved, sub-contracting...



**Giulia Garofalo**  
Press & Communications Officer

FIEC - European Construction Industry Federation  
Avenue des Arts 20, BE-1000 Brussels - +32 2 514 55 35 - [info@fiiec.eu](mailto:info@fiiec.eu)  
Transparency Reg. 92221016212-42 aisbl Nr Enterprise: BE 0688919.140

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INDUSTRY FEDERATION

