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GREENGOV THEMATIC BRIEF EU TAXONOMY

EUROPEAN TAXONOMY: GENERAL FRAMEWORK

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The **EU Taxonomy** is the cornerstone of the **sustainable finance regulatory framework**. It serves as a **transparency tool** designed to **guide investments** towards economic activities that **support transition** to a climate-neutral economy, in line with the European Green Deal.

It provides a classification system which **sets criteria for economic activities aligned with a net-zero trajectory by 2050** and other environmental goals. In this way, it enables financial and non-financial actors to adopt a **shared understanding** of what constitutes an **environmentally sustainable activity**.

To be considered as sustainable, an activity must:

- **Substantially contribute** to one or more environmental objectives
- **Do No Significant Harm** (DNSH) to one or more environmental objectives,
- Comply with **minimum social safeguards**,
- Meet the **technical screening criteria** set by the European Commission.

THE GREENGOV PROJECT

GreenGov is an Interreg Europe project that promotes sustainability by fostering the implementation of the EU Taxonomy and improving European Regions' sustainability financing schemes.

GreenGov's mission is to support local authorities in the EU and candidate countries in understanding the EU Taxonomy, and turning its implementation into an opportunity to improve the governance of public financing schemes.

In the first phase of the project, GreenGov partners are working towards a harmonised approach to implementing the EU Taxonomy within regional policy instruments.

The objective of this document is to popularise Taxonomy key concepts, harmonise main challenges and areas of improvements among local authorities and equip them with concrete best practices.

EUROPEAN TAXONOMY: THE TRANSPORTATION SECTOR

Transitioning the transportation sector is essential for achieving net-zero emissions by 2050, given that it currently accounts for **29% of EU greenhouse gas emissions**. The EU Taxonomy provides a clear regulatory framework, that offers technical screening criteria and **classifies transport activities as sustainable or not**. The assesment follows a two-steps process: activities must **make a substantial contribution** to the **climate change mitigation objective** (Table 1) and they must **do no significant harm** of the other environmnetal objectives (Table 2).

As shown in Table 1, **zero direct CO2 emissions** is the central substantial contribution criteria for transportation activities to be considered sustainable.

When compliance to this objective is more complex, for example in sectors with no carbon-free alternatives, **certain activities** relying on fossil fuels **can be considered ‘transitional’ under strict conditions**. Despite not being sustainable, they represent the **best available performance** and therefore allow a significant emission reduction compared to other practices. The **progressive hardening of the ‘transitional’ criteria until 2050** highlight that the Taxonomy is both realistic and thought to support the transition to a climate neutral economy.

Table 1
Non exhaustive list of Activities and screening criteria contained in ‘Transport’ section (Annex I, Taxonomy, Climate Delegated Act)

| | Code | Activity name | Substantial contribution to climate mitigation |
|--------------|------|-------------------------------------|---|
| Land | 66 | Freight transport by road | Zero CO2 emissions <i>Transitional:</i> ‘Low emissions’ for vehicles over 7,5 tonnes + not dedicated to transport of fossil fuels |
| Water | 67 | Inland passenger water transport | Zero direct CO2 emissions <i>Transitional:</i> Where not feasible to comply with zero emissions, progressive reduction of maximum yearly greenhouse gas intensity (from 76,4 g CO2e/MJ in 2026 to 0 in 2050) |
| Air | 619 | Air transport (passenger & freight) | Zero direct CO2 emissions <i>Transitional:</i> From 2030, aircraft operated with minimum share of sustainable aviation fuels (SAF), corresponding to 15 % in 2030 and increased by 2 percentage points annually |

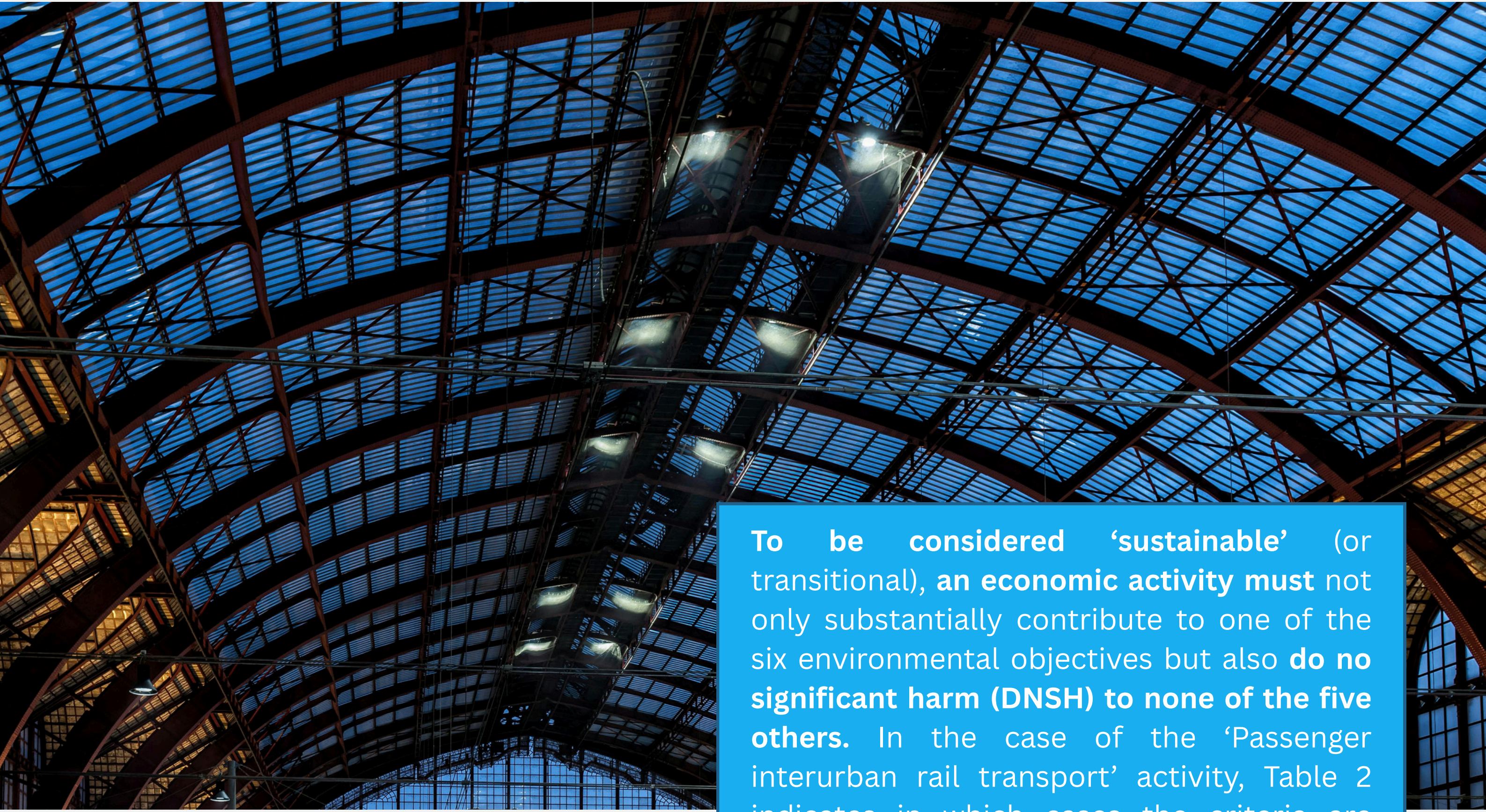
EUROPEAN TAXONOMY: THE TRANSPORTATION SECTOR

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To be considered ‘sustainable’ (or transitional), an economic activity must not only substantially contribute to one of the six environmental objectives but also **do no significant harm (DNSH) to none of the five others**. In the case of the ‘Passenger interurban rail transport’ activity, Table 2 indicates in which cases the criteria are applicable and how.

Table 2 - DNSH screening criteria for activity 6.1 “Passenger rail transport”

| Taxonomy Objective | DNSH criteria |
|---------------------------------------|--|
| 2 - Climate change adaption | <p>Perform a risk & vulnerability assessment:</p> <ul style="list-style-type: none"> identifying which climate risks* may affect performance of the activity during its lifetime where at risk, a vulnerability assessment implementation of adaptation solutions <p>* changing temperature, wind & precipitation patterns, erosion, sea level rise, heat waves, storms, floods...</p> |
| 3 - Water and marine resources | Not applicable |
| 4 - Circular economy | Measures are in place to manage waste in accordance with the waste hierarchy |
| 5 - Pollution prevention | Engines comply with emission limits set out in Regulation (EU) 2016/1628 |
| 6 - Biodiversity | Not applicable |

EU TAXONOMY: IMPLEMENTATION IN PUBLIC POLICIES

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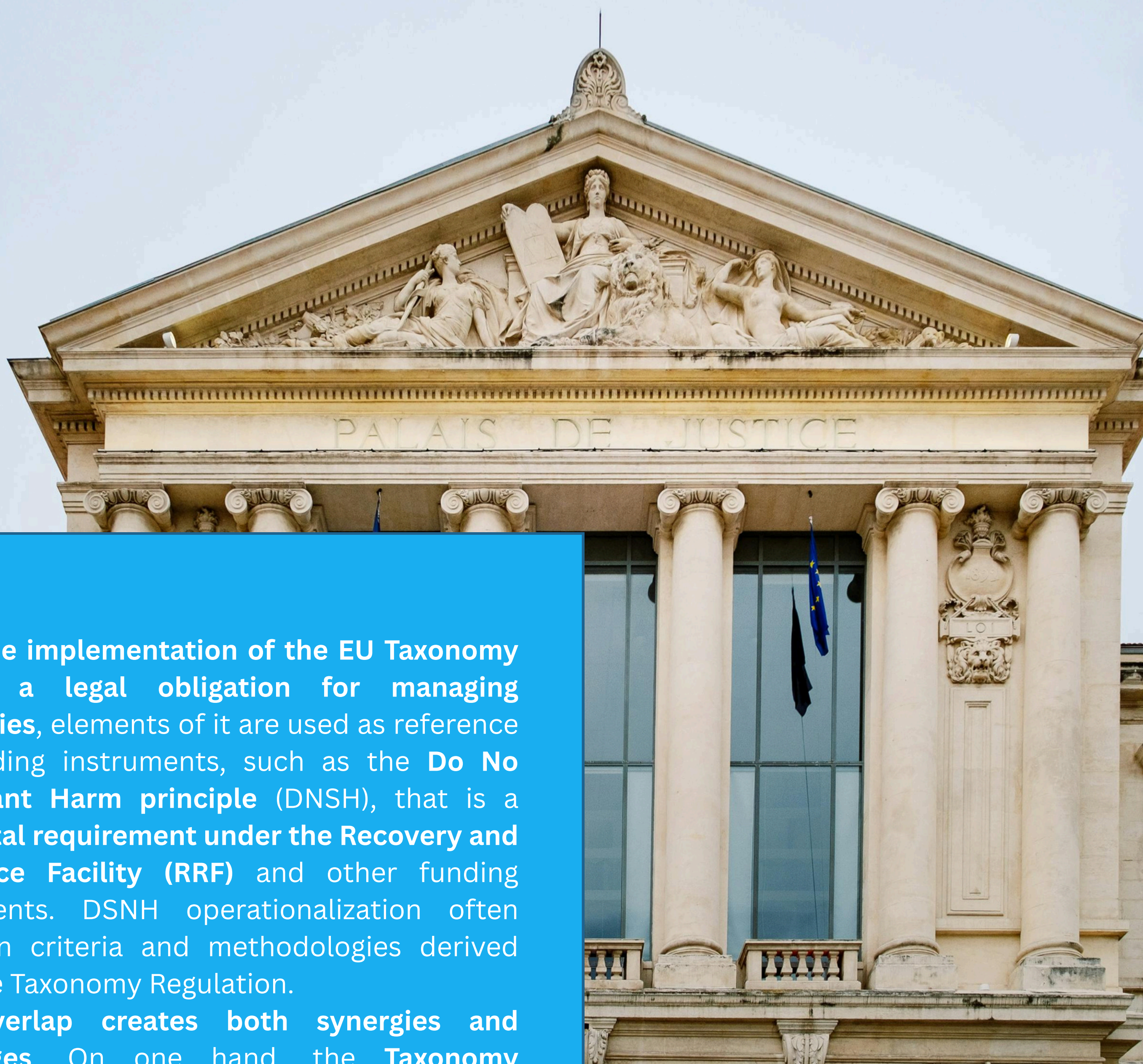


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While the implementation of the EU Taxonomy is not a legal obligation for managing authorities, elements of it are used as reference for funding instruments, such as the **Do No Significant Harm principle (DNSH)**, that is a **horizontal requirement under the Recovery and Resilience Facility (RRF)** and other funding instruments. DNSH operationalization often relies on criteria and methodologies derived from the Taxonomy Regulation.

This overlap creates both synergies and challenges. On one hand, the Taxonomy provides a **structured and science-based reference** for assessing environmental impacts, which can support DNSH compliance. On the other hand, the Taxonomy's **sectoral thresholds and screening criteria are not always adapted to the diversity of projects at regional or local levels.**



EU TAXONOMY: IMPLEMENTATION IN PUBLIC POLICIES

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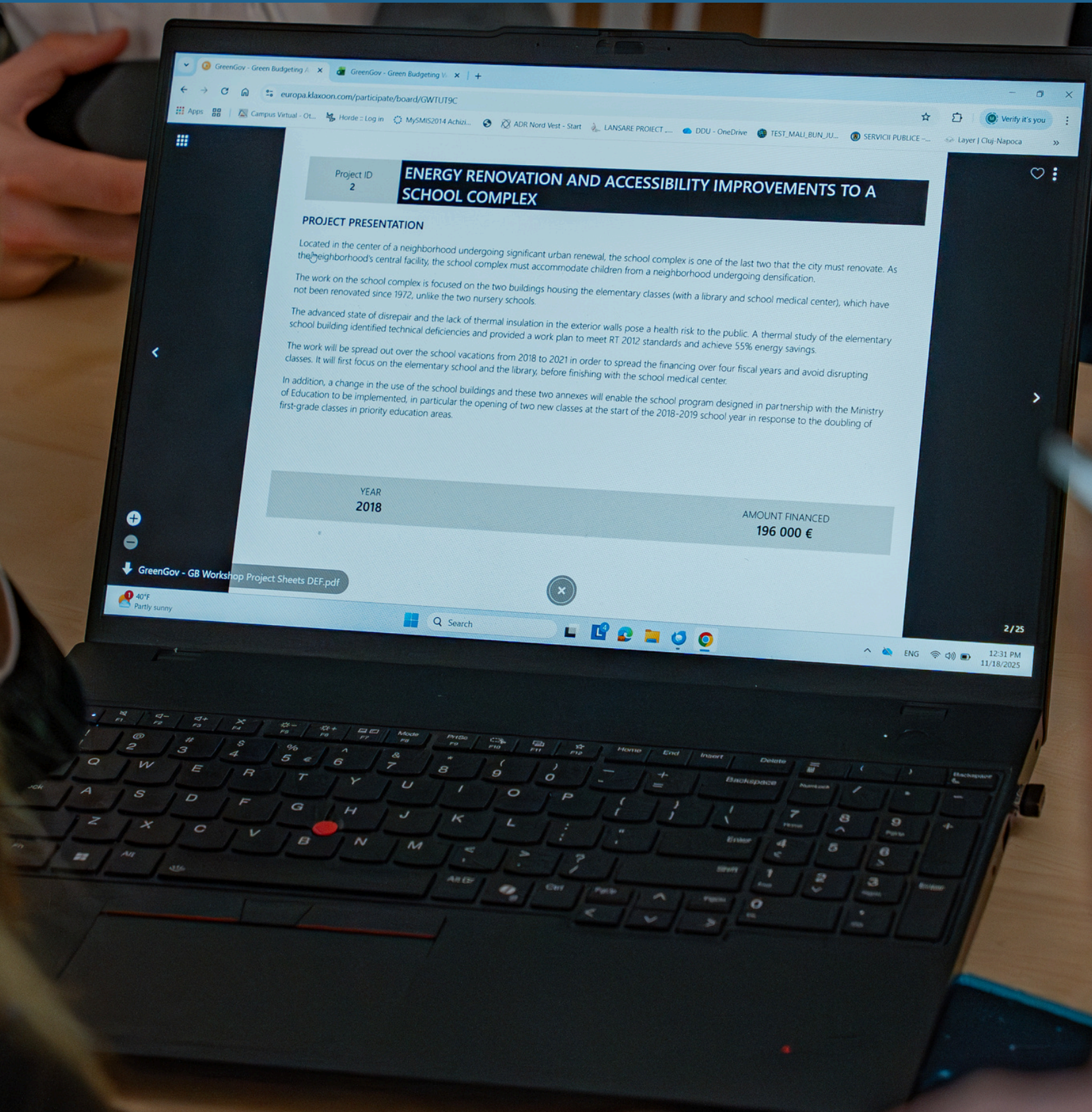
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The rigidity of Taxonomy's thresholds and criteria raises questions about **proportionality, administrative burden, and the risk of excluding innovative or transitional projects** that do not yet meet Taxonomy thresholds but still contribute to sustainability goals.

A more integrated approach may be needed, where **DNSH assessments are informed by Taxonomy principles but remain flexible** enough to accommodate the specificities of public sector investments and territorial development strategies.

The **operationalization of the EU Taxonomy within public policies remains highly uneven across European regions**, despite its growing influence on the design and evaluation of sustainability-related funding. **Some regions have adopted structured methodologies** and monitoring tools, **others are still in exploratory phases or face significant barriers.**

Since Taxonomy is not compulsory for public policies, a strict application is not expected, but it can be used as a **reference to guide the orientation of public investments, to promote coherence and transparency** in funding criteria, and **to support capacity-building** across administrations and beneficiaries.



EU TAXONOMY: THE ROLE OF PUBLIC AUTHORITIES

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The Île-de-France Region began implementing the Taxonomy in 2021 in its **green and sustainability bond framework**, with the aim of channelling investment into future-oriented projects. This is notably the case with the **funds allocated to public transport**, which are **fully aligned with the European Taxonomy**. The alignment process was carried out involving a wide range of **stakeholders** including **public authorities, financial institutions, and research centres**. In particular, Public Authorities can assume two main functions in implementing the Taxonomy: **align investments and provide support**

Align public investments with the EU Taxonomy

- Apply Taxonomy criteria for **green budgeting tagging**
- Use the Taxonomy to guide the **issuance of green bonds**
- Require Taxonomy **compliance for certain public-funded projects**
- Integrate **Taxonomy principles into public procurement**: include Taxonomy-related criteria in tenders for construction, energy & transport
- Apply the **Taxonomy in public-sector reporting**: Require state-owned enterprises and public agencies to report on Taxonomy alignment

* Governance: Who coordinates taxonomy-related issues within local authorities?

* Methodology: How is the DNSH principle verified?

* Tools: Do you have specific tools? Which ones?

* Case studies: Which are aligned in your process of being

1. Governance

2. Methodology

3. Tools

4. Case studies

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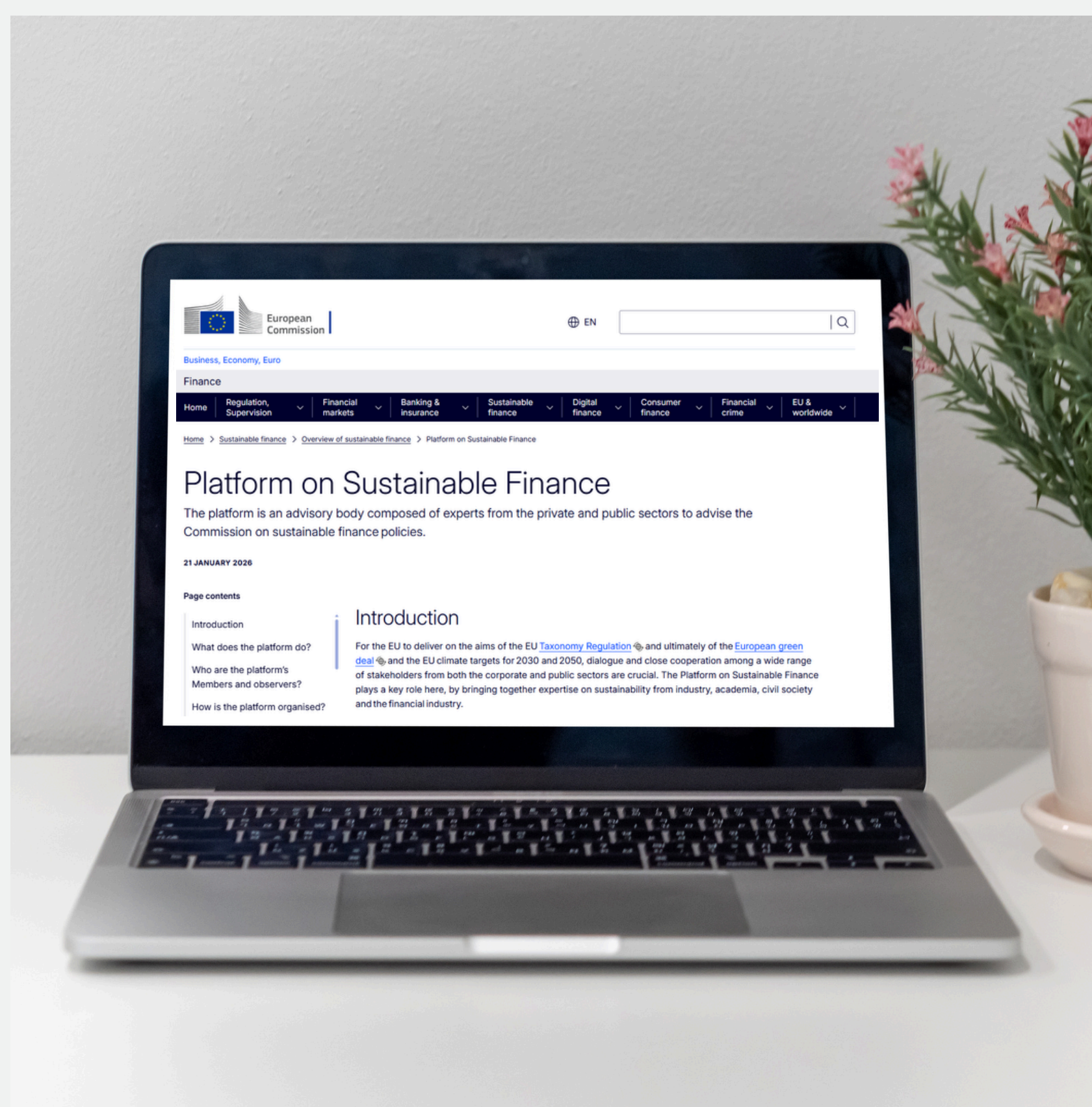


Build capacity, provide support and promote exchange among stakeholders

- Offer **training programs**, **technical assistance** and sector-specific guidance
- Support **pilot projects** to help sectors test Taxonomy integration
- **Facilitate** sector-specific **dialogues** to clarify technical screening criteria and highlight best practices
- Develop **digital platforms** that companies can use to **retrieve data** or parameters necessary for Taxonomy assessments

The **EU Platform on Sustainable Finance** plays a central role in clarifying technical screening criteria, publishing recommendations, and facilitating dialogue between regulators and stakeholders. Its **reports** and usability **guidance documents** are valuable resources for interpreting complex requirements and adapting them to public sector contexts.

The **EU Taxonomy Compass** provides a structured interface to navigate the taxonomy framework, **identify relevant activities** and **assess alignment**. While primarily designed for private actors, it can be adapted by public authorities to support project screening and strategic planning.



EU TAXONOMY: CHALLENGES FACED BY PARTNERS

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The implementation of the EU Taxonomy by regional authorities reveals a series of **structural challenges**. Public administration often operates in **non-market domains**, such as education, social services, or territorial planning, where **environmental impacts are indirect** and difficult to quantify. The requirement to **demonstrate substantial contribution** to environmental objectives, **ensure compliance with DNSH criteria**, and **uphold minimum safeguards** makes it **difficult to transpose** the Taxonomy to administrative or policy-driven functions.

Complexity

The **absence of tailored technical screening-criteria** and reporting templates for **public services** adds complexity and legal uncertainty. Several GreenGOV partners reported **difficulties accessing reliable data, interpreting technical requirements**, and mobilizing sufficient resources to ensure compliance. The **lack of regulatory clarity and methodological guidance** was identified as a major obstacle by nearly all participating regions.

In addition, **stakeholders' engagement** remains uneven. While some regions have successfully involved financial institutions and research centres, others **struggle to mobilize civil society or private actors** which limits the co-construction of relevant indicators and tools. This fragmentation reinforces the **need for shared methodologies and capacity-building efforts** to support public authorities in adapting the Taxonomy to their specific mandates.

Human resources

Many administrations face a **lack of dedicated human resources, limited internal expertise** in sustainable finance, and **insufficient financial capacity** to support Taxonomy implementation.

The implementation process often reveals structural gaps in administrative capacity: sustainable finance remains a relatively new field for most public bodies, and few have dedicated teams or internal expertise to manage Taxonomy-related tasks. This **lack of institutional readiness** is compounded by **limited financial resources**, which restrict the ability to invest in training, data systems, or external support.

Some regions have reported that the absence of regulatory guidance and tailored tools for public services leads to **fragmented approaches and a reliance on ad hoc solutions**. In some cases, external consultants or national institutes temporarily fill in the gap, but this does not resolve the underlying issue of long-term capacity-building.

EU TAXONOMY: AREAS OF IMPROVEMENT

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Improving the implementation of the EU Taxonomy in public policies mainly depends on stronger governance, better coordination, shared expertise, and pragmatic methodologies:

Interregional cooperation

Regions face similar challenges which can be addressed through shared learning. Pooling expertise through common reference frameworks, shared criteria grids, alignment methodologies, and joint training reduces duplication and promotes a more coherent application of the Taxonomy across territories.

Tools & capacity building

Adaptable technical resources such as open-source templates, sector-specific guides, and simplified reporting formats are highlighted by partners to improve project quality and reduce administrative burden. Training is also essential, not only for civil servants but also for beneficiaries of public funds.



Stakeholder involvement

Private companies and universities can contribute to regulatory expertise, scientific support, and practical interpretation of technical criteria. Regions have developed concrete tools to operationalise the Taxonomy. The GreenGOV project shows that co-developed, context-specific tools are the most effective in supporting public sector actors.

Methodological refinement

A proportional approach can reduce barriers for small projects and local actors. Simplified or tiered procedures, along with the recognition of existing sustainability labels and certifications as proxies for compliance, can streamline implementation while maintaining robustness.

Internal governance

Strong coordination among operations, finance, and planning units is essential to prevent fragmented implementation. Bottom up involvement of operational services helps turn the Taxonomy into concrete projects, while dedicated Taxonomy referents can enhance continuity, ownership, and coherent integration of sustainability goals into project design and budgeting.

EU TAXONOMY: CONCLUSION

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The implementation of the EU Taxonomy in public policies is still in the early stages, and regional authorities face a wide range of technical, organisational and strategic challenges. Despite these obstacles, the GreenGOV project has demonstrated the potential for progress through interregional cooperation, pragmatic methodologies, and strengthened governance.

To move forward there is a clear need for a common language, harmonised tools, and enhanced support mechanisms. **Establishing shared criteria, pooling expertise, and developing tailored resources for public sector actors** will be essential to ensure that the Taxonomy becomes not just a compliance framework, but a **strategic lever for sustainable territorial transformation.**

LEARN MORE ABOUT THE PROJECT: INTERREG-EU GREENGOV

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