

Insurance Europe response to the Call for Evidence on updating and simplifying the EU Taxonomy Technical Screening Criteria

April 2026

Insurance Europe welcomes the European Commission's initiative to review and update the Technical Screening Criteria (TSC) under the EU Taxonomy Climate and Environmental Delegated Acts and **supports the overarching objective** of directing capital towards sustainable activities in line with the EU's climate and environmental ambitions. Reflecting on the first years of implementation, a targeted review is timely and provides an important opportunity to **enhance the clarity, usability and practical relevance** of the framework as a whole, including both the TSC and the related reporting requirements.

At the same time, experience with implementation indicates **that the EU Taxonomy has not yet fully achieved its intended decision-usefulness**, in particular for financial institutions. Further refinements are needed to ensure that the framework effectively supports the transition of the real economy and does not become primarily a compliance-driven reporting exercise.

For insurers, challenges remain linked to the complexity of the criteria, their limited applicability to significant parts of insurance activities and portfolios, and ongoing data and methodological constraints. Addressing these issues would help improve comparability, strengthen confidence in reported indicators and better enable the Taxonomy to inform meaningful capital allocation decisions.

Against this background, while the current call for feedback does not explicitly cover insurance-specific TSC, Insurance Europe identifies several targeted improvements that are directly relevant to the functioning, credibility and practical usefulness of the EU Taxonomy for insurers.

Need for simplification and proportionality

Experience from the first years of implementation highlights the importance of **greater simplification and proportionality in the design and application of the TSC and DNSH requirements**. In particular:

- TSC and DNSH requirements should remain environmentally robust while being operationally workable for reporting entities, considering the realities of available data and existing processes.
- Excessive granularity or rigidity, especially where data are unavailable or unreliable, can result in systematic conservative exclusions that do not accurately reflect underlying economic activity or transition efforts.
- Proportionality is particularly important for activities involving retail clients, small properties, SMEs or private individuals, where access to CSRD-level data is inherently limited and where national legislation already ensures compliance with the underlying policy objectives.

With regard to Minimum Safeguards, Insurance Europe supports a move towards a **more risk-based approach to evidencing compliance**. A risk-based approach would help reduce unnecessary administrative burdens while facilitating broader uptake of taxonomy-aligned activities. This would be consistent with the recently endorsed changes to the CSDDD and aligned with OECD principles, which emphasise continuous improvement.

Data availability, guidance and documentation

Insurance Europe shares the Commission's objective of **improving the quality, consistency and comparability** of EU Taxonomy disclosures. However, persistent data gaps, the late issuance of guidance and divergent interpretations by undertakings and auditors have contributed to inconsistent market practices. To address these challenges, the review of the TSC should be accompanied by:

- Clearer EU-level guidance on the interpretation and application of criteria.
- More harmonised templates and calculation rules.
- Additional illustrative examples, including for financial institutions.

In addition, **greater flexibility in documentation requirements** is needed, particularly during transitional phases and where data availability remains constrained. Allowing a broader use of estimates, combined with

transparency on data quality and methodologies, would reduce administrative burden and better reflect real-world financing and insurance activities.

Targeted improvements of high relevance for insurers

Insurance Europe supports targeted amendments to the TSC that improve clarity, coherence and proportionality across the framework and enhance its usability.

■ **Amendments for Activity 7.1 – Construction of new buildings:**

- Compliance with Article 11 of Directive (EU) 2024/1275 (EPBD) should expressly refer to the fulfilment of zero-emission building (ZEB) requirements, including applicable maximum energy demand thresholds, as defined by Member States in accordance with that Directive and taking into account Annex VII to the Commission Notice providing guidance on new or substantially modified provisions of Directive (EU) 2024/1275.
- Regarding the calculation of the Global Warming Potential (GWP), clarify that the data selection, scenario definition and calculations shall be carried out in accordance with EN 15978:2011 Sustainability of construction works — Assessment of environmental performance of buildings — Calculation method, taking into account any subsequent standards relating to the sustainability of construction works and the assessment of environmental performance of buildings, in line with Annex III to Directive (EU) 2024/1275.

■ **Ensure coherence for real estate** (CDA 7.7) by:

- Aligning criteria with the recast Energy Performance of Buildings Directive (EPBD), Commission transition pathways and Platform on Sustainable Finance recommendations.
- Harmonise Energy Performance Certificates (EPCs) requirements with the recast EPBD and integrating carbon-reduction pathways (e.g. EPC carbon-intensity indicators or Carbon Risk Real Estate Monitor (CRREM) as a fourth alignment option for real estate (beyond the newly added PED reduction option).
- Introducing complementary floor-area thresholds for Heating, Ventilation and Air Conditioning (HVAC) output requirements.
- Aligning building operation requirements with EPBD obligations on automation and control systems.
- **Introduce a new substantial contribution criterion (Climate Change Mitigation) as an alternative option:**
 - d) *The building demonstrates alignment with a decarbonisation pathway consistent with the Union's climate neutrality objective, ensuring that its operational greenhouse gas emissions do not exceed absolute carbon intensity thresholds over time and reach net-zero by 2050¹.*
 - For the purpose of this criterion (CCM), and where this alternative option is applied, where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW or larger than 2.000m²)
 - For EPC Class A¹, it should be specified that "Energy Performance Certificate" refers to an EPC issued in accordance with Article 19 of Directive (EU) 2024/1275, developed at national level and consistent with the methodology and guidance set out in Annex III to Commission Notice C/2025/6438, providing guidance on new or substantially modified provisions of the recast EPBD."

■ **Clarify Climate Risk Assessment and adaptation requirements** (Appendix A), including by:

¹ Such alignment may be demonstrated through comparison with European or market-recognized decarbonization trajectories, including indicative carbon intensity thresholds (kgCO₂eq/m²/year) decreasing over time in line with a pathway to net-zero operational emissions by 2050.

² This can be demonstrated, for example, through the presence of an Energy Performance Contract or a building automation and control system *in accordance with Article 14 (4) and Article 15 (4), of Directive 2010/31/EU.*

- Align the wording of Climate Risk Assessment process with the Draft ESRS E1-11 to ensure consistent application across the board.
- Reintroduce the requirement to implement adaptation solutions in case of significant physical risk on the asset.
- Clarify that adaptation solutions in case of significant physical risk include both physical and non-physical measures, explicitly referring to insurance policies, that can effectively reduce or transfer the significant risk.
- Proposed updated wording for Appendix A:
 - **Screening:** "The activity was screened to assess whether it may be exposed to any of the climate-related hazards from the list in Section II of this Appendix during its expected lifetime³".
 - **Climate Risk Assessment:** "Only where the screening referred to in the point above revealed a potential significant exposure of the activity to those hazards, a climate risk for the relevant hazards was assessed to confirm or dismiss the significance of the risk on the activity, taking into account the scale and lifetime of the activity⁴".
 - **Adaptation plan:** "Physical and non-physical⁵ adaptation solutions to the identified significant risks were assessed⁶ and included explained in an adaptation plan".
 - **Implementation:** "For existing activities and new activities using existing physical assets, the economic operator starts implementing the adaptation plan⁷ within a period of time of up to five years".
- **Recalibrate DNSH and Minimum Safeguards:**
 - Applying DNSH in the numerator is operationally complex and often requires customer-level data insurers do not possess, leading to conservative exclusions. If retained, DNSH should be supported by clear methodologies and remain proportionate to insurance activities.
 - Current expectations often duplicate CSRD and CSDDD requirements and are disproportionate at product level. These should be streamlined to avoid overlaps and clarified as risk-based and continuous improvement processes, consistent with OECD Guidelines.

More fundamentally, Insurance Europe encourages the Commission to **reassess the extent to which insurance-specific TSC are genuinely linked to the Climate Change Adaptation (CCA) objective**, rather than addressing broader policy goals. In addition, **a clearer differentiation between personal lines (including SMEs) and commercial lines** would improve relevance and proportionality, with criteria tailored accordingly.

In this context, insurance-specific TSC should:

- **Ensure relevance and proportionality**, by avoiding requirements that cannot be operationalised within underwriting processes, particularly those relying on granular customer-level data that insurers do not collect. Criteria should focus on actions and information that insurers can reasonably obtain and that directly support climate adaptation outcomes. This includes clarifying TSC 4.2 ('data sharing'), where the concept of 'interested third parties' remains overly broad, by specifying both the type of data and intended recipients and limiting obligations to what is strictly necessary.

³ For example using relevant tools of EU origin, such as the Climate Hazard Screening tool co-developed by EIB and ECMWF under the Copernicus programme [Available as of October 2026].

⁴ The climate risk assessment shall assess the extent to which the activity and its assets are sensitive to the identified climate-related hazards, taking into consideration the likelihood, magnitude and duration of them, as well as the locations of its assets and business dependencies in its value-chain (for climate-related hazards).

⁵ Non-physical adaptation solutions can include i. e.: creation or revision of policies, technical rules, stakeholder networks, incentive mechanisms or insurance policies; research and innovation; training and knowledge transfer; decision support tools.

⁶ An assessment can take into consideration the availability of solutions and technologies and their costs and benefits.

⁷ The adaptation solutions included in the adaptation plan substantially reduce or transfer the identified significant risk.

- **Improve clarity and reduce overlap**, including by merging overlapping criteria (e.g. 1.3 and 2.1) and removing requirements that conflict with legal obligations or established market practices.
 - Address feasibility and coherence concerns, for example where requirements may conflict with indemnity principles (criterion 1.4), create social inequities (criterion 2.1), are too broad to be meaningfully evidenced (criterion 3), or lack a clear link to CCA outcomes (criterion 5).
 - Ensure relevance for reinsurers' business models, noting that certain sub-criteria (e.g. 2.1 and 3.1) may currently lead, under narrow audit interpretations, to zero-alignment outcomes without reflecting actual risk-transfer activity.
- **Revisions to underwriting-specific TSC (CDA 10.1 – Non-life insurance)** to better reflect insurance practice and supervisory expectations:
 - Pricing-related criteria should be grounded in core actuarial risk drivers (such as location, hazard and vulnerability), rather than generic forward-looking climate scenarios that fall outside realistic underwriting horizons.
 - Product design criteria should incentivise feasible and cost-effective adaptation measures, consistent with EIOPA's work on climate adaptation and insurance.
 - National flat-rate or solidarity-based NatCat schemes should be explicitly recognised where risk-based pricing cannot apply.
 - Hazard lists should be treated as illustrative rather than exhaustive, allowing undertakings to focus on material perils.
- **Proposed amendment to TSC 2.1 "Product design" (Activity 10.1 – Non-life insurance):**
 - "Insurance products sold under the insurance activity offer risk-based rewards for preventive actions taken by policyholders, taking into consideration the availability of solutions and technologies and their costs and benefits (the proposed wording is aligned with the new DNSH adaptation reference "Possible adaptation solutions to the identified significant risks were assessed and explained in an adaptation plan, taking into consideration the availability of solutions and technologies and their costs and benefits").
 - For the purpose of this point, where a policyholder has invested in adaptation measures, lower premiums, lower deductibles and higher sub-limits may be considered as a risk-based reward for preventive actions taken by policyholders.