

MAS Taxonomy Consultation

[Industry Taskforce launches Third Consultation on Green and Transition Taxonomy \(mas.gov.sg\)](https://www.mas.gov.sg/industry-taskforce-launches-third-consultation-on-green-and-transition-taxonomy)

On 15 February 2023, the Monetary Authority of Singapore (MAS) launched the final public consultation on the green and transition taxonomy for Singapore Financial Institutions (FIs). Submission for feedback to the consultation can be accessed through this [link](#), the deadline for the submission is 15 March 2023 with the final taxonomy expected to be released by mid-2023.

Background

The Green Finance Industry Taskforce (GFIT) was established by the MAS; GFIT had conducted two previous consultations on the green and transition taxonomy in January 2021 and May 2022. The initial consultation established the taxonomy to aid Singapore FIs in identifying activities which were to be considered 'green' or in the process of transition. The taxonomy employed a traffic-light system which classified activities as green, amber (in transition), or red depending on their level of adherence to environmental goals. The initial consultation also produced a handbook which aided FIs in implementing environmental risk management processes. The second consultation in May 2022 built upon the initial taxonomy by introducing specific thresholds and criteria for assessing the environmental impact of economic activities in the energy, transport, and real estate sectors. The thresholds provided by the taxonomy allow FIs to categorise the aforementioned activities more accurately using the traffic-light system. These efforts run alongside Singapore's involvement in the ASEAN Taxonomy which will be an overarching guide for ASEAN member states that caters to the different ASEAN economies, financial systems, and transition paths.

Third Consultation

The third and final public consultation released on 15 February 2023 followed the previous iteration by proposing specific thresholds and criteria for assessing the environmental impact of economic activities in the following five sectors:

1. Agriculture and forestry/land use;
2. Industrial;
3. Waste and water;
4. Information and communications technology;
5. Carbon capture and sequestration.

These five sectors in addition to the three addressed in the second consultation (energy, transport, and real estate) are the eight focus sectors identified by GFIT which account for nearly 90% of greenhouse gas emissions amongst the ASEAN nations.

The consultation proposes that a 'measures-based approach' is applied to the industrial sector. This is as a result of the difficulty in determining specific and objective metrics by which the solutions to achieve carbon net zero within the industrial sector can be measured. The 'measures-based approach' is proposed as the solution to this whereby the underlying raw material production process can be subjected to carbon emission reduction measures in order to promote environmental considerations more accurately.

Further clarification is also provided as to the meaning of the colours within the traffic-light system assessment tool:

Green classification indicates an activity which will contribute substantially to achieving carbon net zero.

Amber classification indicates a transition activity, specifically an activity which is actively moving towards a green classification or is contributing to emissions reduction in the short-term.

Red classification represents activities which are not contributing to carbon net zero goals and are harmful.

The consultation also proposes the introduction of the ‘Do No Significant Harm’ (DNSH) criteria. This set of criteria stipulates that activities which are carried out to aid in achieving carbon net zero through reducing their contribution to climate change should not negatively impact any of the other Environmental Objectives (EOs) of the taxonomy. The five EOs are:

1. Climate change mitigation;
2. Climate change adaptation;
3. Protection of healthy ecosystems and biodiversity;
4. Promotion of resource resilience and a circular economy;
5. Pollution prevention and control.

The DNSH criteria seeks to ensure that measures implemented to achieve environmental objectives do not put any of the other aforementioned EOs in jeopardy. This will seek to encourage FIs to consider a wide range of solutions when implementing their plans to achieve carbon net zero.

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