

HM Treasury



By email

4 February 2025

Dear Sir/Madam,

UK Green Taxonomy Consultation

The UK's Financial Conduct Authority (FCA) Smaller Business Practitioner Panel (the Panel) is a statutory Panel created by the FCA with the key remit of representing the interests of practitioners of small and medium sized firms, and providing input to the FCA from the industry in order to help it in meeting its statutory and operational objectives in an effective manner. Further details of the Panel are available on its website at: <https://www.fca.org.uk/panels/smaller-business-practitioner-panel>.

We understand that the development of a UK green taxonomy has been on the agenda for several years and would make the following general observations.

The advancement of government policy on sustainability disclosures helping to establish a framework for channelling capital to environmentally sustainable outcomes and to prevent greenwashing has been significant in recent years. As a consequence, the case for introducing a UK Taxonomy is now less clear. Given the competing demands on the sector and the need to support the Government's growth agenda, we suggest this initiative is put on hold.

If introduced, it will be important that any UK Taxonomy is proportionate and consistent with other relevant existing regulatory initiatives such as Sustainability Disclosure Requirements and the Taskforce on Climate-Related Financial Disclosures. We are concerned with the sustainability of smaller businesses in the finance sector and believe that a UK Taxonomy would inevitably add further complexity and regulatory costs into the sector. Any change should be carefully introduced to reduce the risk and operational burden placed on firms.

Reporting obligations placed on firms in the sector continue to accelerate and as such it will be important to phase in any new obligations to ensure firms have the time needed to comply with any new rules and data requirements. For firms operating in more than one jurisdiction it will also be important to consider harmonisation with other taxonomies such as the EU.

The small business sector in any economy provides the main foundation for economic growth and correspondingly a phased and proportionate approach to policy and regulatory change remains paramount to help achieve economic growth and innovation.

We would be happy to discuss any of these points further.

Yours faithfully,

[signed]

Andy Mielczarek
Chair, FCA Smaller Business Practitioner Panel