bp comments on the draft delegated act on Article 8 of Regulation (EU) 2020/852 ('Taxonomy Regulation')

bp welcomes the opportunity to contribute to this consultation and has contributed to responses of some industry associations. In addition to that input, we wanted to draw attention to one particular point around treatment of capex/investments relating to equity-accounted entities in connection with reporting pursuant to Article 8 of the Taxonomy Regulation.

- As currently drafted, by excluding information about investments in equity-accounted entities, the draft delegated act may hinder comparisons of and under-estimate companies' taxonomy-alignment.

- Due to the significant level of investment needed to decarbonise the energy sector, companies often decide to invest in environmentally sustainable activities through joint arrangements (as defined by IFRS 11) or associates (as defined by IAS 28). Investments in joint ventures and associates are accounted for using the equity accounting method, whereas investments in joint operations are 'proportionately consolidated'. Classification of joint arrangements under IFRS 11 is an area of significant judgement.

- We note that investments made into equity-accounted entities would typically be reported as capex in IFRS financial statements. We also note that, by excluding investments in equity-accounted entities from reported capex, the draft delegated act on Article 8 creates an inconsistency in approach between such investments and joint operations.

- Where this is material, this inconsistency can hinder comparisons of and under-estimate companies' taxonomy-alignment. Without some flexibility in relation to these types of investments, the taxonomy risks creating a misleading picture of reporting entities which fails to give recognition for material investments.

- Recognising that it may often not be practical or possible to undertake a full assessment of taxonomy-aligned turnover, capex and opex within equity-accounted entities, we invite the European Commission to reflect the principle, e.g. by highlighting this in a recital of the draft delegated act, that without allowing companies some flexibility with regard to their reporting relating to equity-accounted entities, the taxonomy risks creating a misleading picture of reporting entities. In addition to the inconsistency with accounting standards it fails to give recognition to reporting entities for material investments.