

EGMONT POLICY BRIEF 391

– OCTOBER 2025 –

Strengthening EU Participatory Governance: Lessons Learnt from the Platform on Sustainable Finance

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The European Commission's participatory governance framework plays a crucial role in shaping EU policies, as exemplified by the Platform on Sustainable Finance (PSF). However, the PSF's first two mandates revealed deficiencies in terms of transparency, balance, fairness, and accountability, limiting the body's capacity to enhance the effectiveness and legitimacy of policymaking. As the PSF's second mandate ended in March 2025, this policy brief discusses several lessons that can be learnt from this experience. It recommends structural reforms to strengthen both the legitimacy and quality of EU sustainable finance policymaking and to enhance participatory governance in the EU more broadly.

INTRODUCTION

Policymaking in the EU has always been a complex endeavour, characterised by its technical nature and the need to balance a wide array of interests. This complexity has intensified in recent decades due to increasing contestation of the EU and its policies. This is **especially evident in the case of sustainable finance**, where policymaking demands expertise from various fields, impacts numerous stakeholders, and is highly contested, particularly following the European Commission's turn towards simplification.

To ensure effective and democratic policymaking despite this complexity, participatory governance is essential. However, past attempts at fostering participatory governance in the EU have fallen short, as seen with the **EU Platform on Sustainable Finance (PSF)**. With the platform's second mandate having ended and the third

mandate set to begin in the first quarter of 2026, now is the time to assess its shortcomings and extract lessons for future improvements of participatory governance in the field of sustainable finance and beyond.

THE PSF AS A CASE OF PARTICIPATORY GOVERNANCE

The European Union has long embraced participatory governance to achieve **two primary goals**: On the one hand, given the institutions' limited in-house expertise, involving stakeholders and external experts helps them to **improve the quality of their policies and make them more effective**. On the other hand, participation can also be used as an **additional source of legitimacy**, addressing the EU's perceived democratic deficit.

Participatory governance is particularly valuable in policy fields that are both complex and controversial, such as sustainable finance standard setting. In this case, policymakers need both **additional sources of expertise** to understand the interplay of climate science and economics and **additional sources of legitimacy** to secure the trust of investors and the public.

The PSF, one of 1,136 active expert groups advising the Commission,¹ was established in October 2020 for a two-year mandate and reconvened for a second term from February 2023 to March 2025. The second mandate included 35 members and 14 observers from the corporate and public sectors, academia, civil society, and financial markets, working in three subgroups on different topics.

The PSF followed two previous advisory groups: the High-Level Expert Group (HLEG, 2016-2018) and the Technical

Expert Group (TEG, 2018-2020) on sustainable finance. Unlike its predecessors, the PSF was legally **established under Article 20 of the 2020 EU Taxonomy Regulation**,² which provides clear guidelines on its structure and purpose. The regulation specifies that stakeholder groups must be represented “in a balanced manner” and outlines the PSF’s responsibilities, including advising on technical screening criteria for the Taxonomy, assessing usability, and monitoring capital flows into sustainable investments. These tasks are to be carried out “in accordance with the principle of transparency.”

A BODY WITH SHORTCOMINGS

While the Taxonomy Regulation aimed to create an advisory body that would enhance both policy quality and legitimacy, the experience of the first two mandates suggests it has only partially met these objectives. There are four key causes for this problem:

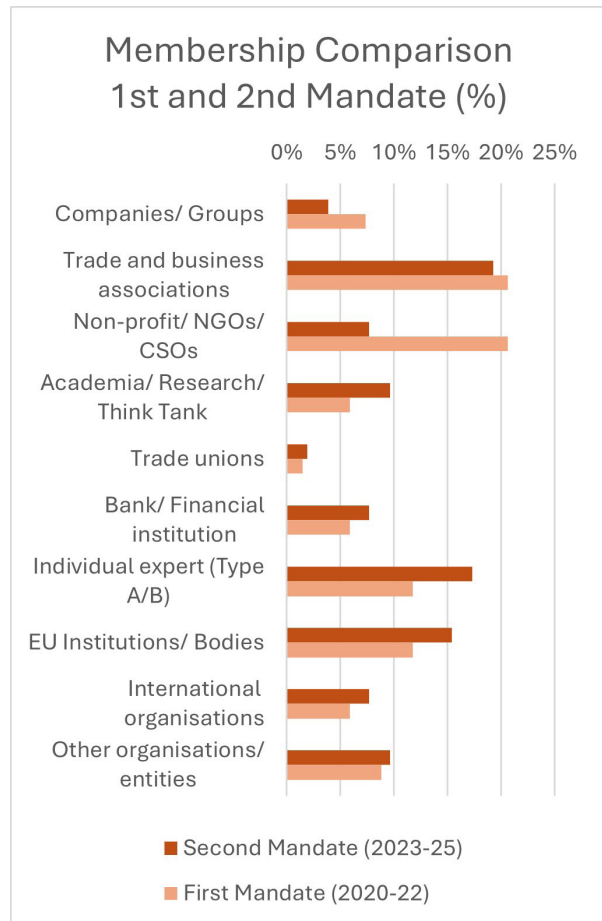
1. Lack of transparency

The **process of selecting PSF members has been opaque**. While the calls for applications specified some criteria, it was never clearly explained how the final selections were made from over 200 applicants. This lack of transparency led to confusion among applicants and external observers. One CSO representative, for example, reported being surprised by their selection despite lacking major expertise in sustainable finance. Meanwhile, well-qualified organizations were left out – whether because they didn’t apply or because they were not chosen remains unclear. Given that the Taxonomy Regulation explicitly mandates transparency, more insights into the selection process would have strengthened the legitimacy of the PSF and, in turn, of EU policymaking in this field.

2. Lack of balance

The **composition of the PSF has been imbalanced**, especially in its second mandate. This is particularly problematic for CSOs, whose proportion has decreased significantly from 21% in the first mandate to 8% in the second. While some major CSOs, like WWF, opted not to

reapply due to negative experiences in the first mandate, the Commission may also have intentionally reduced CSO participation to avoid further controversies.



Regardless of the reasons, an unbalanced composition undermines both the legitimacy of the PSF in the eyes of the public and its ability to provide comprehensive, high-quality policy advice.

3. Lack of fairness

PSF members faced heavy workloads, often working under intense pressure without compensation. Some members reported being solely responsible for drafting entire sets of technical screening criteria. Additionally, response deadlines were often unreasonably short. For instance, the highly contentious Complementary Delegated Act on nuclear and gas was published on

December 31, 2021, with feedback required by January 12, 2022, which didn't give members enough time to achieve consensus on all points.³ In the current political context, where the Commission seeks quick progress on simplification, the time pressure on advisory bodies might be even higher. Such conditions are not only unfair but also limit the PSF's ability to provide thorough policy advice.

4. Lack of accountability

Perhaps most critically, the **Commission has repeatedly ignored PSF recommendations without justification.** The most prominent example was the classification of nuclear energy and gas as "green" under the Taxonomy, despite opposition from the PSF. Even before that, the Commission's decision to include industrial logging and tree burning in the Taxonomy had already prompted five CSOs to temporarily withdraw from the PSF in protest.⁴ While the Commission is not obligated to follow PSF recommendations, completely disregarding expert input without explanation undermines both the effectiveness and legitimacy of participatory governance. Ultimately, allowing for participation while disregarding input can be worse than excluding stakeholders altogether.

FAR-REACHING CONSEQUENCES

Weak participatory processes can have far-reaching consequences on policymaking. This is demonstrated by the case of the PSF, where the combination of the shortcomings described above risks undermining the EU's entire sustainable finance framework.

While participatory governance has the potential to enhance the quality and legitimacy of policymaking, the PSF has failed to achieve either. As the Commission often disregarded its advice and its members lacked fair conditions to contribute effectively, it could not meet expectations in terms of improving policymaking quality. Additionally, due to the lack of transparency and balanced representation, it also failed to fulfil expectations in terms of enhancing policymaking legitimacy.

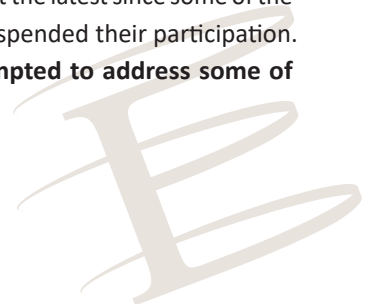
As a result, the **PSF missed the opportunity to enhance the quality and legitimacy of the Taxonomy itself.** Initially conceived as an anti-greenwashing tool, it is now widely criticized for enabling greenwashing, calling into question its very purpose.

Since the Taxonomy is a cornerstone of the EU's sustainable finance framework, its weaknesses **risk undermining other crucial components of the system,** such as corporate sustainability reporting. If these interconnected policies begin to break down, **sustainable finance in the EU could lose momentum entirely.** Given this vital role in the EU's response to the economic and climate crises, the failure of sustainable finance as a policy instrument would be a severe setback. In addition, **it would increase uncertainty among financial investors and companies,** who depend on clear and feasible guidelines to plan their future investments and business strategies to stay competitive in a global economy.

Beyond the case of sustainable finance, the weak legitimacy of the PSF, combined with the Commission's approach to handling it, also **harms the European Commission and, ultimately, the EU as a whole.** This issue became particularly visible when the Commission's decision to classify nuclear and gas as "green" sparked widespread public debate. The controversy reached a broad audience, including those who might not usually follow EU politics or sustainable finance discussions. For many, this episode may have reinforced negative perceptions of the Commission's commitment to sustainability, and perhaps even of the EU's policymaking processes more broadly. If such controversies continue to arise, public trust in the Commission and the EU itself will erode further, making policymaking even more challenging in the future.

WHERE WE ARE NOW AND HOW TO MOVE FORWARD

The Commission is undoubtedly aware of at least some of the issues related to the PSF, at the latest since some of the CSOs of the first mandate suspended their participation. The Commission then **attempted to address some of**



these challenges, committing to more transparency and improved collaboration.⁵ However, these efforts were soon **overshadowed by the adoption of the Complementary Climate Delegated Act** on nuclear and gas, which not only contradicted the PSF’s recommendations but also left the Platform with an extremely short window to respond – further entrenching existing problems.

For the second PSF mandate, the Commission took steps that suggest an attempt to manage dissent rather than genuinely improve participation. The **number of CSOs involved was reduced**, and the focus of the platform was shifted towards **more technical and less politically sensitive issues**, such as the usability of the Taxonomy. While this approach may have helped reduce public controversy – the second mandate attracted far less media attention than the first – the **fundamental deficiencies of the PSF remain unresolved**.

Against this background, the Commission now faces **two possible policy options** which differ in terms of their potential to bring the PSF closer to enhancing both the quality and legitimacy of EU policymaking.

Option A: Maintaining the status quo

One possibility is to launch a third PSF mandate without major changes to its structure or functioning. This would allow the Commission to **continue benefiting from the expertise of platform members without significantly altering its own commitment**.

However, this approach would also come with serious risks. Globally speaking, all the **shortcomings of the first and second mandates would persist**, leading to continued legitimacy issues and potential reputational damage. And **these problems are likely to become even more pronounced in the future**: While there was broad political consensus in recent years on the necessity of sustainable finance policies, **the political landscape has shifted**. Green policies are facing increasing pushback, not least through the simplification drive which could jeopardize the EU’s ambitious climate goals. If stakeholders and experts who raise concerns

about the Commission’s most recent simplification plans feel sidelined, **the credibility of the entire sustainable finance framework will suffer**. In this context, maintaining the current approach could lead to greater reputational harm and further erode trust in EU policymaking.

Option B: Reforming the PSF

The more promising option is therefore to **relaunch the PSF with significant structural and procedural improvements**. Although this would require the Commission to change how it interacts with its expert group, the benefits would likely outweigh the challenges.

On the one hand, a transparent, balanced, fairly treated, and respected expert group would provide the Commission with a **reliable source of external expertise**, reducing the burden on in-house staff and improving the overall quality of policymaking. This is particularly important in the context of the current simplification agenda, which requires making difficult decisions quickly.

On the other hand, such a PSF could also **enhance the legitimacy of EU sustainable finance policies**, thus strengthening public trust and reducing opposition. Given the recent criticisms surrounding the Commission’s simplification efforts, a reformed PSF could help to pour oil on troubled waters.



RECOMMENDATIONS

To implement the necessary structural reforms, changes should be made both when setting up and operating the new platform. When **setting up** the new platform, the Commission should:

- **Ensure a balanced composition of the next PSF**, without giving preference to any one group over another. Specifically, there should be a stronger representation of CSOs compared to the current make-up – the 21% share in the first mandate could be used as a benchmark. Additionally, to advise the Commission on how simplification could be achieved while ensuring consistency and preserving ambition, the new PSF should include both members who were involved in designing the current sustainable finance framework *and* people who were involved in implementing it, for example in companies.
- **Communicate transparently after selecting members**, clearly explaining why certain applications were accepted and others were rejected. While this doesn't require a detailed statement on every individual application, the Commission could publish a general list of reasons for selecting and rejecting applications. Furthermore, it could increase transparency by publishing a list of all applicants, provided that they consent.

For the time of **operation** of the new platform, the Commission should establish clear rules to define its relationship with the PSF, including:

- **A commitment to provide feedback on the platform's recommendations**, particularly when the Commission decides to disregard the platform's advice, as it was already the case several times. While the Commission must retain its decision-making power, acknowledging the PSF's input – especially when it is not implemented – could prevent frustration within the platform and strengthen the legitimacy of Commission decisions in the eyes of the public.
- **A commitment to a minimum timeframe** for members of the platform to respond to requests

from the Commission. A more reasonable timeframe, for example one month, would demonstrate respect for the voluntary work of PSF experts and give them more time to reflect and consult with their respective constituencies, especially given their small number. This would enhance the legitimacy of the platform and improve the quality of the advice provided.

- **A commitment to providing more opportunities for non-PSF stakeholders** to voice their opinions. Judging by the large number of applications for the PSF, many stakeholders are eager to be heard. Existing mechanisms, such as the PSF's Stakeholder Request Mechanism and the Commission's public online consultations, offer valuable ways to consult a wider range of stakeholders. They should be utilized whenever possible to reduce the burden on PSF members and give non-members a stronger voice, ultimately leading to more robust and legitimate advice.

To **get most out of the revamped PSF**, the Commission should

- **Actively consult the PSF on all key questions regarding the implementation of the "omnibus" and further simplification efforts affecting sustainable finance.** As in its first two mandates, where the PSF focused on drafting technical screening criteria and improving the usability of the taxonomy respectively, the third mandate will be guided by specific priorities, including providing advice on the simplification of technical screening criteria. The Commission should take this advice seriously.
- **Task the PSF with monitoring the effects of simplifications once implemented.** Sustainable finance is a young policy field with limited experience, making continuous monitoring of policy decisions essential. The PSF should therefore publish reports summarizing the state of affairs and suggesting corrections where necessary.
- **Use the PSF as a transmission belt between those that are affected by sustainable finance rules and the Commission.** The Commission should encourage the PSF to proactively reach out and listen to those

dealing with sustainability reporting daily, for example through the existing Stakeholder Request Mechanism. At a time when the Commission's back-and-forth on sustainable finance has created significant uncertainty among investors and companies, having a body to gather concerns and suggestions from affected parties and convey them to the political level is invaluable.

Implementing these measures wouldn't require significant resources. While some initial effort would be needed, these reforms would **save resources in the long term**, as less "crisis communication" would be necessary (compared to Option A). Moreover, considering the **timing**, implementing these reforms makes sense right now, as the second mandate of the platform has ended, and the next mandate has not yet started. This creates a window of opportunity for reform. Finally, it is important to note that these reforms wouldn't require additional **finances or expertise**. In fact, establishing a credible and stronger PSF could lead to cost savings and open new ways of valuing expertise.

Although these reforms are relatively straightforward to carry out, they would lead to significant improvements in the EU's sustainable finance policymaking, which are now more needed than ever. Moreover, given the large number of Commission expert groups, these recommendations should serve as inspiration to enhance EU participatory governance more generally.

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Endnotes

- 1 Official Register of Commission Expert Groups (<https://ec.europa.eu/transparency/expert-groups-register/screen/expert-groups?lang=en>).
- 2 Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Text with EEA relevance) (<https://eur-lex.europa.eu/eli/reg/2020/852/oj/eng>).
- 3 The deadline was eventually postponed a few days, but it was still too short for PSF members to come up with a unified response. See the Platform's Response to the Complementary Delegated Act from 21 January 2022 (https://finance.ec.europa.eu/system/files/2022-01/220121-sustainable-finance-platform-response-taxonomy-complementary-delegated-act_en.pdf).
- 4 Open letter from several platform members to the European Commission from 31 March 2021 (https://wwfeu.awsassets.panda.org/downloads/letter_to_european_commission_on_eu_taxonomy_delegated_act_march_2021.pdf).
- 5 ECOS, Press Release from 31 May 2021 (https://ecostandard.org/news_events/european-commission-commits-to-higher-transparency-in-taxonomy-decision-making-ecos-resumes-work-in-official-advisory-group/).





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