

EU Taxonomy Regulation – With a special focus on its energy and buildings

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Ema Potocnik
Tibor Schaffhauser

EU ACTION PLAN ON FINANCING SUSTAINABLE GROWTH

- The European Commission established a **High-level expert group on sustainable finance (HLEG)** in December 2016.
- The group was **mandated to provide advice** to the Commission on how to:
 - **steer the flow** of public and private **capital towards sustainable investments**,
 - **identify the steps** that financial institutions and supervisors should take to **protect the stability** of the financial system **from risks related to the environment**,
 - **deploy these policies** on a pan-European scale.
- **The recommendations** of the HLEG **form the basis of the action plan** on sustainable finance adopted by the Commission in March 2018. The action plan set out a **comprehensive strategy to further connect finance with sustainability**.



EU ACTION PLAN ON FINANCING SUSTAINABLE GROWTH

A Reorienting capital flows towards a more sustainable economy

- 1 Establishing a clear and detailed EU taxonomy, a classification system for sustainable activities.
- 2 Creating an EU Green Bond Standard and labels for green financial products
- 3 Fostering investment in sustainable projects
- 4 Incorporating sustainability in financial advice
- 5 Developing sustainability benchmarks

B Mainstreaming sustainability into risk management

- 6 Better integrating sustainability in ratings and market research
- 7 Clarifying asset managers' and institutional investors' duties regarding sustainability

C Fostering transparency and long-termism

- 8 Introducing a 'green supporting factor' in the EU prudential rules for banks and insurance companies
- 9 Strengthening sustainability disclosure and accounting rule-making
- 10 Fostering sustainable corporate governance and attenuating short-termism in capital markets

EU TAXONOMY: GOALS, MAIN ELEMENTS

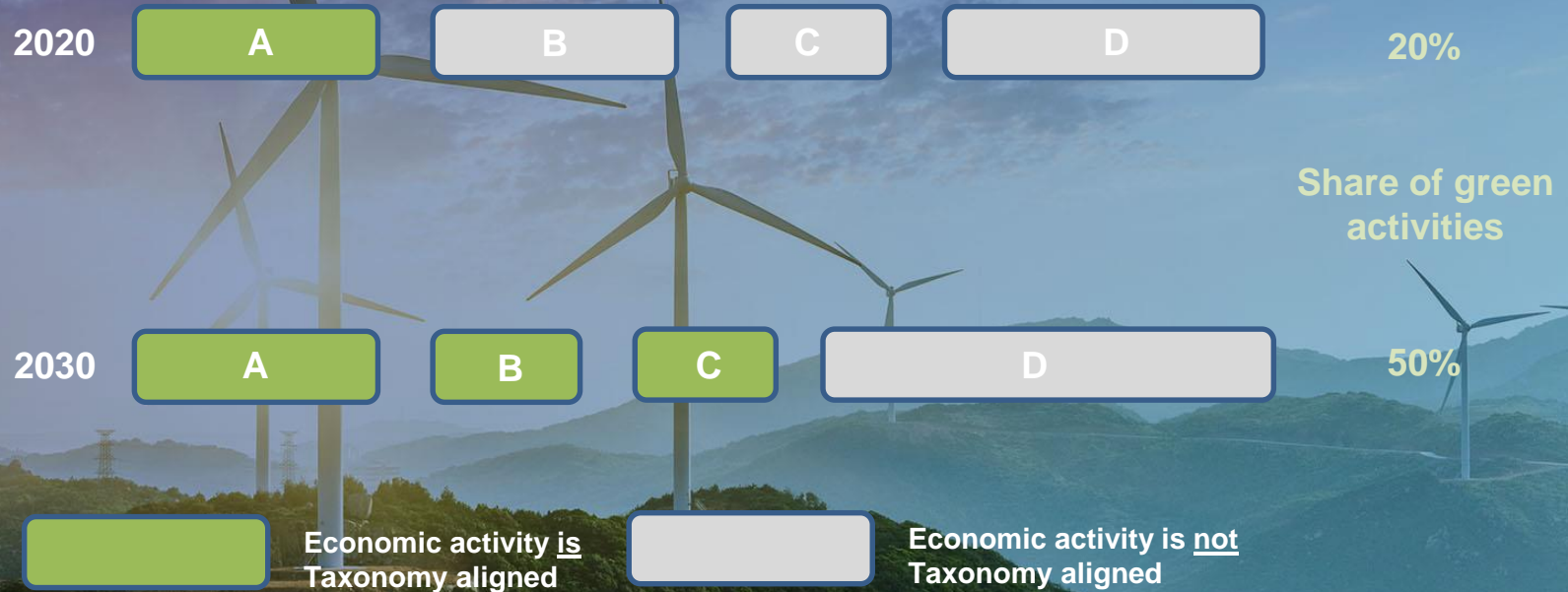
- Regulation (EU) 2020/852 on the Establishment of a Framework to Facilitate Sustainable Investment (**EU Taxonomy**):
 - **Translates** the goals of the **SDGs** and the **Paris Agreement**;
 - Is a **classification and measurement tool** on activities contributing to **environmentally sustainable objectives**;
 - **Prevents the fragmentation** of different Member States' systems and **standardises** across the EU;
 - Fosters **avoiding** the practice of "**greenwashing**";
 - **Raises additional investment** in environmentally sustainable and transitional economic activities;
 - **Reorients capital flows and provides guidance** to governments, bank, financial institutions, investors, companies, issuers and project promoters.
- Taxonomy will be used by:
 - **Mandatory** for **Financial Market Participants** and **EU Member States**;
 - **Voluntary** for **Companies, Credit institutions, Local authorities**.

HOW TAXONOMY SUPPORTS GREEN TRANSITION

Company has plans to:

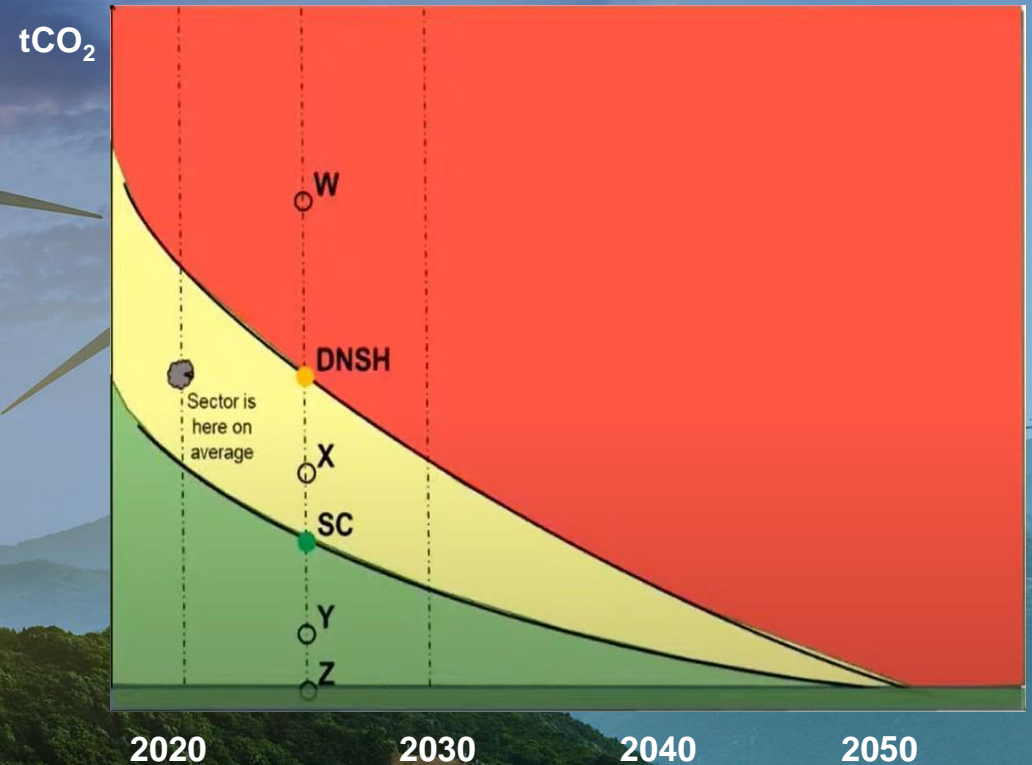
1. Increase RES share in portfolio;
2. Increase EE of office buildings;
3. Invest in R&D to improve RES performance.

By 2030



HOW TAXONOMY SUPPORTS GREEN TRANSITION

- The graph represents a **high impact sector with a transition to net zero**;
- SC and DNSH criteria **will tighten over time, regulations will follow** as well;
- EU has already decided **to become green**
 - question is the **speed and investments needed** to reach the target;
- **Cost of capital** for green investments **will go down** to support the transition;
- **Spill over effect** of the EU taxonomy to other sectors and third countries receiving EU finance.



ENERGY ASPECT OF THE EU GREEN TAXONOMY

- **EU Taxonomy** (objectives and criteria)
- **COMMISSION DELEGATED REGULATION (EU) .../...of 4.6.2021**
 - **Economic activities regarding:**
 - Transmission and distribution of electricity
 - Transmission and distribution networks for renewable and low-carbon gases
- **Next steps**

EU TAXONOMY: GOALS, MAIN ELEMENTS

Regulation (EU) 2020/852

■ To be aligned with the EU Taxonomy the economic activity has to:

Make a substantive contribution to one of six environmental objectives

Do no significant harm (DNSH) to the other five

Comply with minimum safeguards

Adhere to technical screening criteria

■ The six environmental objectives are:



Climate change mitigation



Climate change adaptation



Sustainable use and protection of water and marine resources



Transition to a circular economy, waste prevention and recycling



Pollution prevention and control



Protection of healthy ecosystems

COMMISSION DELEGATED REGULATION (EU) .../... of 4.6.2021

- Supplementing Regulation (EU) 2020/852.
- Approved on 21 April 2021 and formally adopted on 4 June 2021.
- Regarding two objectives:
 - **climate change mitigation** and
 - **climate change adaptation.**
- A second delegated act for the remaining objectives will be published in 2022.

COMMISSION DELEGATED REGULATION (EU) .../... of 4.6.2021

Annex 1

Climate change mitigation

- Forestry
- Environmental protection and restoration activities
- Manufacturing
- **Energy**
- Water supply, sewerage, waste management and remediation
- Transport
- Construction and real estate activities
- Information and communication
- Professional, scientific and technical activities

Annex 2

Climate change adaptation

- Forestry
- Environmental protection and restoration activities
- Manufacturing
- **Energy**
- Water supply, sewerage, waste management and remediation
- Transport
- Construction and real estate activities
- Information and communication
- Professional, scientific and technical activities

COMMISSION DELEGATED REGULATION (EU) .../... of 4.6.2021

- **Energy** related economic activities that are included in Annex 1 and Annex 2:
 - Electricity generation using solar photovoltaic technology
 - Electricity generation using concentrated solar power (CSP) technology
 - Electricity generation from wind power
 - Electricity generation from ocean energy technologies
 - Electricity generation from hydropower
 - Electricity generation from geothermal energy
 - Electricity generation from renewable non-fossil gaseous and liquid fuels
 - Electricity generation from bioenergy
 - **Transmission and distribution of electricity**
 - Storage of electricity, thermal energy and hydrogen

COMMISSION DELEGATED REGULATION (EU) .../... of 4.6.2021

- Manufacture of biogas and biofuels for use in transport and of bioliquids
- Transmission and distribution networks for renewable and low-carbon gases
- District heating/cooling distribution
- Installation and operation of electric heat pumps
- Cogeneration of heat/cool and power from solar energy; geothermal energy; renewable non-fossil gaseous and liquid fuels; bioenergy
- Production of heat/cool from solar thermal heating; geothermal energy; renewable non-fossil gaseous and liquid fuels; bioenergy; waste heat

TRANSMISSION AND DISTRIBUTION OF ELECTRICITY (Annex 1, p. 86-89)

CLIMATE CHANGE
MITIGATION

- **Description:** Economic activity involves construction and operation of distribution and transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected systems; and construction and operation of distribution systems that transport electricity on high-voltage, medium-voltage and low-voltage distribution systems
- **TSC** (Substantial contribution to climate change mitigation – activity complies with one of the following criteria):
 - 1. The transmission and distribution **infrastructure or equipment is in an electricity system that complies with at least one** of the following criteria:
 - the system is the **interconnected European system**
 - more than **67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh** measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period
 - the **average system grid emissions factor is below the threshold value of 100 gCO₂e/kWh** measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period

TRANSMISSION AND DISTRIBUTION OF ELECTRICITY (Annex 1, p. 86-89)

CLIMATE CHANGE
MITIGATION

2. The activity is one of the following:

- **construction and operation of direct connection**, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO₂e/kWh measured on a life cycle basis to a substation or network
- **construction and operation of electric vehicle (EV) charging stations and supporting electric infrastructure** for the electrification of transport, subject to compliance with the technical screening criteria under the transport Section of this Annex
- **installation of transmission and distribution transformers** that comply with the Tier 2 EN 88 EN (1 July 2021) requirements set out in Annex I to the Commission Regulation (EU) No 548/2014/178
- construction/installation and **operation of equipment and infrastructure** where the main objective is an increase of the **generation or use of renewable electricity generation**
- (...)

TRANSMISSION AND DISTRIBUTION OF ELECTRICITY (Annex 1, p. 86-89)

CLIMATE CHANGE
MITIGATION

■ DNSH:

■ Climate change adaptation

- the activity complies w. Appendix A, that lists generic criteria for DNSH to climate change adaptation

■ Sustainable use and protection of water and marine resources

- N/A

■ Transition to a circular economy

- A waste management plan is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation

■ Pollution prevention and control

- Listed conditions for high voltage lines (e.g. for construction site activities, activities follow the principles of the IFC General Environmental, Health, and Safety Guidelines)

■ Protection and restoration of biodiversity and ecosystems

- The activity complies with the criteria set out in Appendix D that lists generic criteria for DNSH to protection and restoration of biodiversity and ecosystems

TRANSMISSION AND DISTRIBUTION NETWORKS FOR RENEWABLE AND LOW-CARBON GASES (Annex 2, p. 126-128)

CLIMATE CHANGE
ADAPTATION

■ **Description:** Economic activity involves:

- conversion, repurposing or retrofit of gas networks for the transmission and distribution of renewable and low-carbon gases or
- construction or operation of transmission and distribution pipelines dedicated to the transport of hydrogen and other low-carbon gases.

■ **TSC** (Substantial contribution to climate change adaptation – activity needs to comply with):

1. The economic activity has **implemented physical and non-physical solutions** ('adaptation solutions') that substantially reduce the most important physical climate risks that are material to that activity.
2. The physical climate risks that are material to the activity have been identified from those listed in Appendix A to this Annex by performing a robust **climate risk and vulnerability assessment**. The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan.

TRANSMISSION AND DISTRIBUTION NETWORKS FOR RENEWABLE AND LOW-CARBON GASES (Annex 2, p. 126-128)

CLIMATE CHANGE
ADAPTATION

3. The climate projections and assessment of impacts are **based on best practice and available guidance** and take into account the state-of-the-art science for vulnerability and risk analysis.
4. The adaptation solutions implemented:
 - do **not adversely affect the adaptation efforts** or the level of resilience to physical climate risks of **other people, of nature, of cultural heritage, of assets and of other economic activities**
 - **favour nature-based solutions** or rely on blue or green infrastructure
 - are **consistent** with local, sectoral, regional or national **adaptation plans and strategies**
 - are **monitored and measured** against pre-defined indicators
 - where the solution implemented is physical and consists in an activity for which technical screening criteria have been specified in this Annex, the solution complies with the do no significant harm technical screening criteria for that activity

TRANSMISSION AND DISTRIBUTION NETWORKS FOR RENEWABLE AND LOW-CARBON GASES (Annex 2, p. 126-128)

CLIMATE CHANGE
ADAPTATION

■ DNSH:

■ Climate change mitigation

- The repurposing does not increase gas transmission and distribution capacity.
- The repurposing does not extend the lifespan of the networks beyond their pre-retrofit projected lifespan, unless the network is dedicated to hydrogen or other low-carbon gases.

■ Sustainable use and protection of water and marine resources (wmr)

- The activity complies with the criteria set out in Appendix B that lists generic criteria for DNSH to sustainable use and protection of wmr.

■ Transition to a circular economy

- N/A

■ Pollution prevention and control

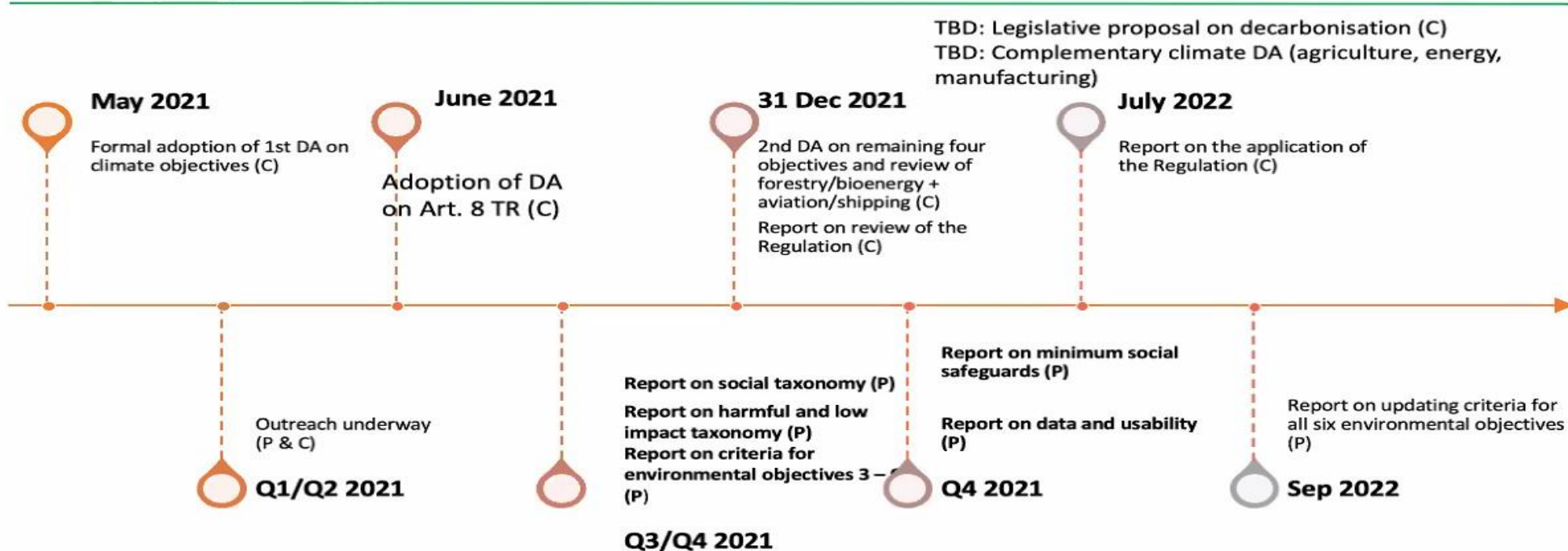
- Fans, compressors, pumps and other equipment used comply, where relevant, with the top class requirements of the energy label and represent the best available technology

■ Protection and restoration of biodiversity and ecosystems

- The activity complies with the criteria set out in Appendix D that lists generic criteria for DNSH to protection and restoration of biodiversity and ecosystems

TIMELINE OF THE EU GREEN TAXONOMY

Next steps





THANK YOU
FOR YOUR ATTENTION!

Ema.Potocnik@energy-community.org
Tibor.Schaffhauser@energy-community.org

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