

Moving forward with the EU Taxonomy

Eurelectric views on Technical Expert Group on Sustainable
Finance (TEG) final recommendations

March 2020

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

Dépôt légal:

WG Financial Regulation & Market Integrity
WG Social Sustainability

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The Technical Expert Group (TEG) on Sustainable Finance released on 9th March the final version of its EU Taxonomy Report. With this document and its Technical Annex, independent experts provide recommendations to the European Commission on technical screening criteria (TSC) for elaborating an EU-wide classification tool to identify environmentally sustainable activities.

Following the political agreement on the Regulation proposal last December, **the TEG report is an additional step in creating a common language for public institutions, private investors and markets participants.** In particular, it plays a crucial role in making concrete recommendations for TSC on activities that will contribute to a clean European economy. To this end, **the TEG Report recognises the decisive role that electrification will play to decarbonise the economy,** supported by reliable electricity infrastructure and equipment.

Meeting the objectives of the Paris Agreement will require a deep decarbonisation of the EU economy. **The electricity industry is already actively contributing to this effort and committed to become carbon-neutral well before 2050.** To achieve such ambition, our recent [Decarbonisation Pathways study](#) shows that a significant ramp-up of investments is required to reach 80-95% EU economy decarbonisation before 2050. Around 100 EUR bn average investment will be needed per year from 2020 to 2045.

In its upcoming work to develop the Taxonomy Regulation implementing rules, **Eurelectric calls on the European Commission to ensure that TSC give a realistic picture to private investors about activities that will enable cost-efficient GHG emissions reduction.** While remaining technology-open, the taxonomy should drive investments into carbon-neutral and low-carbon energy sources. **It is key to ensure that the implementing rules go beyond the technology-specific screening criteria and recognise the necessity of a system approach:** the possibility to evaluate technologies based on their ability to support a system with high shares of variable RES and therefore contribute to security of supply should be included. With this in mind, Eurelectric welcomes the introduction of the “transition” and “enabling” activities as part of the Taxonomy Regulation.

Eurelectric would like to provide the following comments regarding TEG’s final recommendations for criteria applying to the production of electricity and related activities:

- **We welcome the inclusion of the concept of “enabling” activities in the TEG’s recommendations - mirroring the Taxonomy Regulation.** This concept is a positive evolution, especially for the manufacturing of “low-carbon technologies” (i.e. the manufacturing of products, key components and machinery that are essential for eligible renewable energy technologies; the manufacturing of low-carbon transport vehicles, fleets and vessels; the manufacturing of energy efficiency equipment for buildings and other low-carbon technologies that result in substantial GHG emission reductions in further sectors of the economy).
- **The new metric proposed (ISO 14067) for the life cycle assessment (LCA) of electricity production activities is a step forward.** With the new standard, the focus has now shifted from a management-oriented approach (reflected by ISO 14044 previously used) towards a product perspective. This is positive but we still strongly believe that this standard does not give sufficiently detailed advice on how or what exactly would be required in a LCA analysis. Therefore, we recommend to 1) complement the selected ISO standard with other relevant

ISO standards depending on the technology in question and 2) explore the possible use of existing international standards for Life Cycle Assessment.

- **A clear signal is given to drive investments into renewable energy technologies.** Wind, solar and hydro will represent more than 80% of energy supply by 2045 according to Eurelectric's Decarbonisation Pathways Study. The exemption of a lifecycle assessment for technologies, on which there is a widely shared consensus that they will drive the decarbonisation of the power sector, underlines the necessity to drive investments in these technologies. As mentioned during the September 2019 consultation, the proposed Life Cycle Evaluation (LCE) should be uniformly applied in form of technology-specific standard values for the upstream LCE instead of project-specific individual measurements to avoid unnecessary administrative burden. On the basis of those technology-specific LCE standard values, technologies that have sufficient evidence of being far below or far above the threshold of the Emission Performance Standard of 100g CO₂/kWh should be exempted from the LCE assessment. For example, on this basis, investments in wind, solar, new and existing hydropower projects, nuclear and new and existing geothermal power plant should be exempted from the LCE assessment.
- **The exemption for hydropower facilities with a power density above 5 W/m² to conduct the PCF or GHG Lifecycle Assessment is welcomed.** This derogation should be kept in the future as most recent scientific data clearly show that hydropower projects – with worldwide median lifecycle emissions of 24 gCO₂eq/kWh – are well below the threshold of 100 gCO₂eq/kWh.
- **Clarity regarding small hydropower is required.** In the TEG report, it is stated that the construction of small hydropower (<10MW) should be avoided. In this context, we would like to point out that no distinction should be made between micro, small, medium or large hydropower as possible positive as well as adverse effects of a plant are site and water body specific and cannot be related to the size of a project.
- **Additional expertise is needed regarding nuclear.** We call on the European Commission to follow the recommendations of the TEG and swiftly appoint an expert group of scientifically qualified radiation protection specialists to finalise the assessment of nuclear energy under the Taxonomy. We request that the further nuclear assessment work required proceeds promptly and is completed in 2020, to guide the adoption of the Commission's delegated acts. It will remove the current uncertainty for the nuclear sector specifically, and the power sector more generally. This is essential if potential delays and/or additional costs to achieve carbon-neutrality by 2050 are to be avoided. Finally, any delay in the nuclear assessment risks undermining the ability of the Member States to develop a pathway towards climate neutrality, taking advantage of all the low-carbon options available.
- **For the production of electricity from bioenergy, an alignment between existing requirements and the proposed threshold is needed.** The 80% threshold is lower compared to the initial TEG proposals but is much stricter than the threshold from RED II which is 70% for installations starting operation after 2021 and 80% for installations starting operation after 2026. The proposed threshold can be difficult for bioenergy consumers to comply with, especially when it is increased going forward towards 2050.
- **The clarity regarding the role of highly efficient gas-fired units and the retrofit of gas infrastructure is welcomed.** A transitional flexible set-up for highly efficient natural gas-fired

units is needed. TEG's recommendations provide additional criteria based on the role of abatement technologies and electricity generation from other gases than natural gas. We also appreciate the introduction of methane leakage measurements in the lifecycle assessment. Moreover, Eurelectric welcomes the eligibility of gas T&D networks retrofitting whose main purpose is the integration of hydrogen and other low-carbon or decarbonised gases.

- **TEG's views on the Transmission and Distribution (T&D) of electricity are reflecting the evolution of the power grid.** Together with other European electricity distribution system operators, we already raised the crucial role of electricity distribution networks to achieve the environmental objectives.¹ Eurelectric supports the view of the TEG Report to include in the taxonomy all electricity T&D infrastructure or equipment in systems, which are on a trajectory to full decarbonisation. The second criterion of average system grid emissions factor could be difficult to meet for several systems during the transition period due to different starting points (e.g. countries reliant on fossil fuel generation). During the reviews, it should be ensured that criteria do not penalise law-abiding countries and systems in transition.
- **We appreciate that all electricity storage activities are eligible under the Taxonomy,** but believe it should also be the case for pumped storage, which has to follow the specific thresholds and criteria for hydropower. Today, storage and pumped storage hydropower is the only mature large-scale storage technology. It can provide large volumes of electricity over long periods of time at very short notice and at competitive prices.

Eurelectric already took an important part in the debate to shape a sustainable European finance. With a representative within the Green Bond TEG Sub-group, we contributed to the recommendations for elaborating the standard. Eurelectric also provided [comprehensive response](#) to the June 2019 call for feedback on draft TSC. As mentioned in [a letter](#) to Commissioner Dombrovskis, we stand ready to continue our collaboration with the European Commission and the relevant experts in the drafting of the TSC. **In particular, we are committed to take an active role in the upcoming Platform by providing the necessary technical insight from the electricity industry.** In addition to developing additional TSC, the Platform should ensure the consistency between the reference tool that the EU taxonomy represent and the Union's environmental and climate objective.

¹ [E.DSO, Eurelectric and GEODE Joint letter](#), 31 October 2019

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



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