EC Roadmap for a Delegated Regulation on Taxonomy-related disclosures by undertakings non-financial information

A Eurelectric response paper

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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.
Sustainable finance is a building block of a European decarbonisation roadmap. The EU electricity industry is striving to achieve carbon-neutral electricity by 2045 and contributing to meet the EU climate objectives. A framework for sustainable finance should catalyse investments in long-term innovation and enable rapid deployment of the best available solutions for the decarbonisation, electrification and digitalisation of the economy. As such, the Delegated Regulation on taxonomy-related disclosures should contribute to driving investments into carbon-neutral and low-carbon energy sources.

Eurelectric supports the harmonisation of the definition of environmentally sustainable economic activities at Union level by providing specifications of the requirements for entities subject to Non-Financial Reporting Directive (NFRD) on how and to what extent their activities are associated with the EU taxonomy. Yet, we are concerned by the fact that, as part of a delegated act, such specifications won’t be easily adjustable to reflect reality and future developments of the Real Economy. Also, being adopted before the application of the Taxonomy Regulation, the delegated act won’t integrate the stakeholders’ experience facing the new obligations, and the overlapping timelines will create a challenge for companies adjusting to the new requirements. Therefore, we urge the European Commission to closely interact with the Real Economy as part of the delegated act’s adoption process.

Eurelectric agrees to take into consideration the company size subject to the obligations. SMEs will play a crucial role in the green transformation. Thus, some minimum reporting standards for more companies should be considered. Yet, disproportionate reporting obligations and additional costs should be avoided especially in the case of SMEs where these elements may induce real challenges.

Importantly, coherence should be secured between the delegated act and the EU acquis to only seek for data significantly adding to the wanted transparency to be mandatory. Such coherence should apply both for sector-specific rules and the generic rules, as well as for the development of regulatory technical standards by the European Supervisory Authorities under the Regulation on sustainability-related disclosures in the financial services sector. Hence, attention should be given to avoiding any additional administrative burden, especially in terms of reporting.

Therefore, we recommend taking into account the following elements:

- Non-financial reporting requirements should be complemented with a sense of proportion about company’s relevant non-financial information. Non-binding guidelines issued by the EC should additionally support the undertakings in the reporting process.

- It is important to respond to the growing demand for data and information from investors and other stakeholders. Thus, when assessing whether non-financial reporting practices meet certain objectives, it should be done based on the justified needs of stakeholders rather than expectations that can create additional reporting burdens for companies without real added value.

- Energy companies often consist of several subsidiaries for regulatory or practical reasons. Hence, a parent company should be allowed to comply with the obligations on behalf of the group, as some of these subsidiaries may unduly fall into the NFRD scope, by fulfilling two of three criteria. The focus of investors is the whole group’s impact. Thus, for subsidiaries the comprehensive work being subject to NFRD or delegated acts does not measure up with needs and resources spent.
- The delegated act should not lead to a disproportionate additional burden on the reporting companies compared to the full employment equivalent or financial expenditure involved. Hence, the administrative costs of financial and non-financial reporting obligations of companies should not increase what can be duly justified and relevant for all sectors.
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