

Eurelectric calls for crucial changes in the new version of the draft delegated act on climate change mitigation and adaptation of the EU Taxonomy regulation

Sustainable finance is a key building block of a European decarbonisation roadmap. European electricity companies are dedicated to the achievement of a carbon-neutral power sector by 2050, in line with the objectives of the EU Taxonomy regulation.

Eurelectric welcomes the improvements from the draft delegated act published in November 2020. However, we believe key issues remain in the new draft delegated act which threatens to hamper the electricity industry's ability to deliver on the EU ambitions cost-efficiently.

- 1) Investments in both electricity transmission and distribution are crucial for the electrification of different sectors of society and delivering on the growth of renewable and carbon-neutral energy by 2050** (chapter 4.9. of Annex I and II).

In this context, three fundamental changes are needed:

- Investments in **electricity grid infrastructure at both transmission and distribution level** should be **classified as “substantially contributing”** to climate change mitigation and adaptation. **Such a classification is key to ensure a level playing field** between different types of infrastructure within the EU Taxonomy and guarantee technology neutrality.
- **High, medium, and low voltage networks must be considered under the delegated act** on climate change mitigation and adaptation to ensure a level playing field between transmission and distribution grid. Distribution system operators (DSOs) will be at the heart of the future decarbonised system as over 85% of all distributed RES generation is already connected at distribution grid level. The electrification of transport (i.e., e-mobility) and buildings will also be closely linked to distribution grids.
- **The EU Taxonomy should ensure a system approach for electricity networks' assessment.** The current version of the delegated act entails that only segments of the network that meet all the conditions set forth in criterion 1 would be eligible automatically. In regulated remuneration models of DSOs, this is impossible to apply in practise. Consequently, we urge the European Commission to **reconsider the previous version of the draft delegated act**, in which conditions set forth in criterion 1 were included separately, without requiring to meet them at the same time.

- 2) Treating hydropower in the same way as other renewable energy is essential to achieving carbon-neutrality of the power sector** (chapter 4.5. of Annex I and II).

The additional reference to the Water Framework Directive (WFD) in the DNSH(3) criterion, without removing the detailed list of measures to be implemented, **creates legal uncertainty.**

The requirement to implement specific mitigation measures is not compliant with the WFD. The additional provisions are, at best, redundant to the WFD and at worst, leave room to interpret the criteria beyond what is required in the WFD.

The current draft does not fulfil the technology neutrality principle of the level 1 regulation. There are no requirements that go beyond existing EU law for other renewable technologies, such as wind and PV.

As such, **all wording in the DNSH(3) criterion must be replaced with: “The activity complies with the provisions of Directive 2000/60/EC, specifically with all the requirements laid down in Article 4 of the Directive”.**

Moreover, **no LCA and power density criteria should apply to any type of hydropower as its emissions are at least comparable with other renewable energy sources.** No other renewable energy is subject to those criteria.