

# SF Platform consultation on EU Taxonomy extension

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A Eurelectric response paper

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.

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## Introduction

### Disclaimer:

This call for feedback is part of ongoing work by the [Platform on Sustainable Finance](#), which was set up by the Commission to provide advice on the further development of the EU taxonomy framework.

This feedback process is not an official Commission consultation. The draft report produced by the Platform is not an official Commission document. Nothing in this feedback process commits the Commission nor does it preclude any policy outcomes.

In March 2018 the Commission published its [action plan: financing sustainable growth](#), based on the advice of the [High Level Expert Group \(HLEG\)](#). Action 1 of the Commission's action plan calls for the establishment of an EU classification system for sustainable activities, or taxonomy. The Commission followed through on this action by proposing a regulation for such a taxonomy. The [Taxonomy Regulation](#) was adopted by the co-legislators in June 2020. It establishes the basis for the [EU taxonomy](#) by setting out 4 overarching conditions that an economic activity has to meet in order to qualify as making a substantial contribution to environmental objectives.

Development of the EU taxonomy relies on extensive input from experts from across the economy and civil society. The [Platform on Sustainable Finance](#) plays a key role in enabling such cooperation by bringing together the best expertise on sustainability from the corporate and public sector, from industry as well as academia, civil society and the financial industry join forces.

As a permanent expert group of the Commission that has been established under Article 20 of the Taxonomy Regulation, the Platform has been tasked to advise the Commission on further developing the EU taxonomy, improving its usability and exploring its expansion to social objectives, activities that significantly harm environmental sustainability or activities that have no significant impact on environmental sustainability.

In October 2020, the Commission established the Platform with five working groups, including the [subgroup on negative and low impact activities](#). The subgroup has been tasked to advise the Commission on the development of the taxonomy with regard to economic activities that do not have a significant impact on environmental sustainability and economic activities that significantly harm environmental sustainability.

The environmental challenges we face put an immense task ahead of us: to transition to a low carbon, climate-resilient, and environmentally sustainable economy. The aim of sustainable finance policies is to help all economic actors navigate that transition with the urgency needed to avoid risks and meet climate and environmental goals.

The EU taxonomy creates a common definition and gives recognition to economic activities that make a substantial contribution to an environmental objective, while not doing significant harm to any other environmental objective and meeting minimum social safeguards. In this setting, the taxonomy framework already defines levels of 'significant harm'. Co-legislators mandated the Commission to explore whether this framework could be extended to further categories of environmental performance: activities that do significant harm and activities with no significant impact.

There are many ways in which the taxonomy framework could be extended. Those that make a substantial contribution without undermining any of the goals and while ensuring they are socially sustainable, are already recognised, as the transition could not succeed without having a lot more of such green activities. But a successful transition also means that actors that do not make a substantial contribution can also start and continue their transition, including taking valid

and robust interim steps towards sustainability. The objective of this analysis is to explore how an extended taxonomy could help economic actors on this urgent environmental transition pathway, irrespective of what level of environmental performance they start from.

On 12 July 2021, the Platform published its [first draft proposal for an extended taxonomy to support economic transition](#). The report explores the main considerations behind the questions of this consultation. You are kindly invited to read that report before filling in this questionnaire.

### **Call for feedback**

The Platform is inviting stakeholders to provide feedback on the draft report through this online questionnaire.

**The deadline for providing feedback is Friday 27 August close of business.**

In the online questionnaire, you will be asked to comment on certain aspects of the report and make suggestions.

### **Next steps**

The Platform is still working on some important aspects of these questions and will proceed to develop its final report and final recommendations after considering the stakeholder input collected through this call for feedback.

The Platform will submit the final report with their advice to the Commission in autumn 2021. The Commission will analyse and consider the report in view of the continuous developing of the EU taxonomy, as anticipated in the new [sustainable finance strategy](#).

By the end of 2021, the Commission will publish a report on the provisions required for a social taxonomy, as required by the Taxonomy Regulation.

Please note: In order to ensure a fair and transparent consultation process only responses received through our online questionnaire will be taken into account and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [fisma-platform-sf@ec.europa.eu](mailto:fisma-platform-sf@ec.europa.eu).

### **More information on**

[the call for feedback document](#)

[the draft report on an extended taxonomy to support economic transition](#)

[the publication of the 2 draft reports](#)

[the Platform on Sustainable Finance](#)

[sustainable finance](#)

[the protection of personal data regime for this call for feedback](#)

## Your opinion

### Question 1. Which environmental performance levels should the taxonomy distinguish, with a view to help the environmental transition?

Please select all of those that you would prioritise:

- Substantial contribution
- Intermediate performance
- Significantly harmful - but can improve to sustainability
- Significantly harmful - but can improve not to do significant harm
- Significantly harmful - but cannot improve sufficiently to avoid doing no significant harm
- No significant impact

### Question 2. How could policies ensure that recognising the transition from significantly harmful to intermediate performance will not slow down the transition to green activities (that evidence shows we need to accelerate)?

Please select all that you agree with:

- Not relevant
- Distinguish different levels of environmental performance clearly throughout the taxonomy and in other instruments
- Recognise only improvements from and to a well-defined level of environmental performance, rather than recognising activities sitting in a given level of performance below substantial contribution
- Require continued improvement beyond the relevant investment plan
- Require associated entity level transition strategy to understand the credibility of the intermediate transition.
- Recognise multiple ways of transition depending on type of Technical Screening Criteria.
- Other safeguards would be needed

### Question 3. Do you consider that recognising/naming the significant harm performance level would be important?

- Yes
- No
- Don't know / no opinion / not applicable

If yes, Question 3.1 Please select the answer you agree with:

- voluntary disclosures and guidance are sufficient
- voluntary reporting is not effective, the mandatory solution is needed urgently

- agree with the staged approach in the report to first work with voluntary disclosures/ guidance and in a later stage introduce mandatory reporting
- Don't know / no opinion / not applicable

### **'Significantly harmful' taxonomy**

**Question 4. In your view what would be the advantages and disadvantages of a 'significantly harmful' taxonomy as designed by the Platform (i.e. accompanied by an assessment of the existing and needed EU policy and legislative initiatives aimed at incentivising finance for urgent transition away from significantly harmful activities, for building climate-resilience and to support greening of the whole economy)?**

**Advantages – a 'significantly harmful' taxonomy would:**

- increase the transparency of environmental performance levels of activities
- improve the communication of transitions and transition plans on activity level
- help companies to develop strategies and investment plans for moving away from significantly harmful performance levels and meeting environmental objectives
- help markets define and develop instruments for financing the transition
- enhance risk management frameworks
- help policymakers to provide subsidies for decommissioning
- other

**Please elaborate on your answer on the advantages of a 'significantly harmful' taxonomy. Could advantages be further enhanced? If so how?**

*1000 character(s) maximum*

For the time being, there is no need to establish a "significantly harmful" taxonomy. Closer to 2050, it might be necessary to consider a harder setup for harmful activities if the current and future initiatives to support green activities that have not been fruitful after they are duly assessed. A "red" listing approach risks penalising ("name and shame" approach) those actors who are transitioning away from not decarbonised assets, making it more difficult to attract the necessary investments to get there, in particular in case of investments related to coal phase-out. On this background, introducing a "significantly harmful taxonomy" needs further assessment e.g. with regard to the risk of stranded assets as activities which would fall under the "significantly harmful taxonomy".

At this stage, efforts should be focused on finalising the green taxonomy, in particular, the Climate DA and Environmental DA, to evaluate the need for and potentially set up an extended Taxonomy.

**Disadvantages – a 'significantly harmful' taxonomy would:**

- be a departure from the positive spirit of the green taxonomy
- negatively impact the ability of companies to raise finance for transition

- accelerate transition risks and risks creating “stranded asset by legislation”
- negatively impact banks with high shares of lending to certain companies both among retail customers and on the wholesale markets
- disadvantage EU companies vs non-EU jurisdiction
- increase complexity, reporting burden and affect usability of the taxonomy
- other

**Please elaborate on your answer on the disadvantages of a ‘significantly harmful’ taxonomy. How could they be addressed?**

*1000 character(s) maximum*

See comment q.4

The Taxonomy is still in the process of being implemented and will only take effect in 2022. Moreover, Art. 8 requirements will increase the Taxonomy-alignment transparency. Thus, it is too early to assess whether additional categories will be necessary. If needed, it would be better to develop positive incentives for substantially contributing activities instead of penalising less green ones. Finally, the current Taxonomy Regulation includes the possibility to support transitional activities without a “technologically and economically feasible low-carbon alternative” (Art. 10.2). As such, a dedicated approach for transitional activities should be implemented. Art. 10. 2 can be used to propose appropriate and realistic TSC that would be regularly adapted in line with technological developments. Such TSC should include both quantitative and qualitative elements that allow transitional activities to be classified as environmentally sustainable activities. It would allow for a regular stock-taking exercise and ensure a level-playing field on the BAT being used as a benchmark.

### **Two types of significantly harmful activities**

The report distinguishes two types of significantly harmful activities

- those that are ‘always significantly harmful’ (no technical option to transition to an environmental performance not causing significant harm)
- and those that can transition out of causing significant harm

### **Question 5. Do you agree with the following statements?**

**Please check all boxes that you agree with:**

- Always significantly harmful activities should be distinguished from those activities that have a potential to transition out of significant harm
- Criteria should be added under the green taxonomy to recognise as green the closure / decommissioning for such always significantly harmful activities
- Mandatory reporting on turnover from and capex/opex related to always significantly harmful activities should be introduced

### **Question 6. Do you consider recognising/naming the intermediate performance level useful to encourage mitigating significant harm?**

- Yes

- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 6:**

*1000 character(s) maximum*

The Taxonomy is still in the process of being implemented. At this stage, it is too early to assess whether specifically and further identifying/labelling other categories will be necessary.

In future, we consider that an intermediate performance level would be useful if it doesn't result in increased administrative costs or complexity in reporting. On this premise, it would allow for the recognition of companies' transition efforts. As such, the intermediate level would be less about mitigating significant harm but more about moving away from it, in line with the current positive spirit of the Taxonomy which does not penalise activities that are not yet substantially contributing to one environmental objective but can still play a role to transition to a carbon-neutral economy.

If put forward, the intermediate performance level should be developed in consideration of the existing provisions of Art. 10. 2 of the Taxonomy Regulation.

**Question 7. For activities that are in the intermediate performance space (in between significant harm and substantial contribution):**

**a) should all turnover from such activities be recognised as intermediate turnover, and all opex as intermediate opex?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 7. a):**

*1000 character(s) maximum*

As mentioned above, the Taxonomy is still being implemented. At this stage, it is too early to assess whether specifically and further identifying/labelling other categories will be necessary.

If an intermediate level is put forward, it might be challenging to refer to the OpEx indicator for all companies. For some businesses, the key financials are revenue & CapEx, and OpEx does not play a large role. OpEx is often difficult to attribute to specific Taxonomy activities. Therefore, it is of utmost importance that the OpEx is disclosed only "where relevant". Thus, in practice, it should not be mandatory or – at least – the level of data necessary should be seen in light of the limited usability for data receivers.

Eurelectric recommends reconsidering the opportunity of including EBITDA among the financial metrics to report the level of alignment to the EU Taxonomy criteria. EBITDA provides a better idea than turnover concerning the operating performance of a business, as it determines the business's ability to generate cash flow from operations.

**b) should all capex be recognised as 'intermediate capex' irrespective of whether or not it improves environmental performance of the activity and by how much?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 7. b):**

*1000 character(s) maximum*

As mentioned above, the Taxonomy is still being implemented. At this stage, it is too early to assess whether specifically and further identifying/labelling other categories will be necessary.

If an intermediate level is put forward, on the basis of the Art. 8 DA, we find CapEx is the most relevant metric to measure the progress on a sustainable path generally and specifically to secure the successful transition of the energy sector.

### **Intermediate transition**

The report recommends to recognise 'intermediate transition', differentiated from green transition.

**Question 8. What do you think are the essential conditions for recognising such intermediate transitions for activities that can make a substantial contribution to the given environmental objective:**

- a) that the activity reaches the intermediate performance level, in other words does not do significant harm to that particular environmental objective
- b) in addition, that the activity continues to improve its environmental performance in order to stay in that intermediate performance level and not to do significant harm even if in the future the criteria are tightened.
- c) in addition, that the activity continues to improve its environmental performance in order to reach substantial contribution (green) in the future
- d) in addition, that the activity does no significant harm to other environmental objectives
- e) in addition, that the activity does no significant harm to any of the other environmental objectives, with the exception of adaptation (because failing to meet the do no significant harm criteria to adaptation means only a harm on the activity itself)

**If you selected option b) in question 8.**

The criteria for ensuring that the activity will improve to reach substantial contribution should include to:

- have a transition plan in place
- set a deadline for the transition
- have the transition plan validated by the Board
- publish the transition plan
- audit the transition plan
- disclose how the intermediate transition fits within the entity level transition strategy
- other

**If you selected option c) in question 8.**

The criteria for ensuring that the activity will improve to reach substantial contribution should include to:

- have a transition plan in place
- set a deadline for the transition
- have the transition plan validated by the Board
- publish the transition plan
- audit the transition plan
- other

**Question 9. Do you have other suggestions for extending the taxonomy framework for significantly harmful activities, intermediate performance, intermediate transition?**

*1000 character(s) maximum*

As mentioned above, the Taxonomy is still being implemented. At this stage, it is too early to assess whether specifically and further identifying/labelling other categories will be necessary.

In future, a positive approach in the Taxonomy will steer investments in the right direction in a more promising approach than penalising past investment decisions. Today, the Taxonomy ensures that some economic activities cannot qualify as sustainable (Art. 19), and the DNSH criteria exclude harmful activities. Therefore, there is no need to extend the existing technical screening criteria to a “significantly harmful” taxonomy (see q.4).

An intermediate performance level would be useful if it recognises companies’ transition efforts which currently have many significant harmful activities in their portfolio but are transitioning. As such, the intermediate level would be less about mitigating significant harm but more about moving away from it. This category should be developed considering Art. 10. 2 of the Taxonomy Regulation (see q.6).

**‘No significant (environmental) impact’ taxonomy**

**Question 10. In your view what would be the advantages and disadvantages of a ‘no significant (environmental) impact’ taxonomy?**

Check all that apply and add anything you think is missing:

**Advantages – a ‘no significant environmental impact’ taxonomy would:**

- help the ESG analysis
- be beneficial for SME’s to access finance
- be beneficial for SME’s to access green finance (if it can allow for / incentivise greening even within the NSI space, where there is such possibility)
- ensure banks can report green lending to SMEs and continue to develop these markets
- allow easier access to finance for larger companies in these sectors
- other

**Please elaborate on your answer on the advantages of a ‘no significant (environmental) impact’ taxonomy. Could advantages be further enhanced? If so how?**

*1000 character(s) maximum*

At this stage, recognition of economic activities, whose positive environmental impact might not be enough to be recognised within the current SC Taxonomy framework, but which should still be encouraged because they are necessary investments (e. g. into digitalisation) and they do not have negative environmental impacts.

Also, identifying economic activities as "not significant impact" is useful for mapping the entire value chain and making the information to be published more transparent. Regarding this, if an NSI taxonomy will be not established, an important part of the EU economy not causing any harm to the environment would be unable to distinguish itself from those with environmentally harmful activities.

However, NSI activities should not refer to SMEs only.

**Disadvantages – a ‘no significant environmental impact’ taxonomy would:**

- be too complex to manage, as a framework
- imply burdensome reporting obligations
- risk disadvantaging ‘no significant impact activities’ vis-à-vis intermediate contribution activities that are likely to be more polluting
- other

**Please elaborate on your answer on the disadvantages of a ‘no significant (environmental) impact’ taxonomy. How could they be addressed?**

*1000 character(s) maximum*

The objective the Platform seems to pursue by introducing SH and NSI categories is to have the Taxonomy framework be applied to the entire economy. However, at this stage, it is highly questionable whether the benefits of that would outweigh the complexity of the administrative exercise that would be needed to define every single economic activity in the EU.

Furthermore, the Taxonomy is still in the process of being implemented and will only take effect in 2022. Therefore, it is too early to assess whether additional categories to those already foreseen in the current Taxonomy framework are needed to further encourage sustainable investments.

**Question 11. Can you give examples of activities which you think would be considered as NSI?**

*1000 character(s) maximum*

As mentioned above, the Taxonomy is still being implemented. At this stage, it is too early to assess whether specifically and further identifying/labelling other categories will be necessary.

In principle, Eurelectric supports the inclusion of retail activities (sustainable energy services) in the EU Taxonomy.

Power utilities play an important role in providing services such as energy efficiency, which are key to the energy transition. Those activities should clearly be identified and recognised under this Taxonomy.

Therefore, shouldn't these activities be fully included in the EU Taxonomy, and should the extension to NSI activities be foreseen, retail activities could be considered as NSI.

**Question 12. If there was to be an extension of the taxonomy to address NSI activities, should it be a requirement for companies or investors wishing to report activities under the NSI taxonomy to first participate in an environmental labelling or certification scheme (such as EMAS) to validate minimum levels of environmental performance?**

- Yes, reporting of activities should stay voluntary but conditional upon such a certification/labelling
- No, reporting of activities should stay voluntary but there should not be any certification/labelling as a condition
- Don't know / no opinion / not applicable

**Please explain your answer to question 12:**

*1000 character(s) maximum*

At this stage, Eurelectric does not have a position on this topic. The allocated time for the consultation and the period during which this consultation was held didn't allow Eurelectric to organise a transparent and comprehensive internal discussion to properly discuss the Platform's proposal and elaborate a position on this topic. Going forward, we invite the Platform to consider a timeline and timing which would allow for such important discussions to take place.

**Question 13. Do you consider it would be helpful if the Platform prepared non-binding guidance on NSI activities which could be published by the Commission for voluntary use by taxonomy users?**

- Yes
- No
- Don't know / no opinion / not applicable

**Question 13.1 If you consider it would be helpful, what should be the scope of such guidance, for instance in relation to minimum standards of environmental performance?**

**If no/don't know, please explain your answer.**

*1000 character(s) maximum*

At this stage, Eurelectric does not have a position on this topic. The allocated time for the consultation and the period during which this consultation was held didn't allow Eurelectric to organise a transparent and comprehensive internal discussion to properly discuss the Platform's proposal and elaborate a position on this topic. Going forward, we invite the

Platform to consider a timeline and timing which would allow for such important discussions to take place.

**Question 14. Are you in favour of a phased approach where NSI could be recognised as a generic category (through guidance) without L1 change?**

- Yes, it is a priority
- Yes but it should be done in future only
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 14:**

*1000 character(s) maximum*

At this stage, Eurelectric does not have a position on this topic. The allocated time for the consultation and the period during which this consultation was held didn't allow Eurelectric to organise a transparent and comprehensive internal discussion to properly discuss the Platform's proposal and elaborate a position on this topic. Going forward, we invite the Platform to consider a timeline and timing which would allow for such important discussions to take place.

**Question 15. Prior to any L1 change (if at all), do you consider that the Platform should recommend to include some NSI activities in the taxonomy by e.g. creating a generic category for 'green' service providers under the adaptation or other objectives?**

- Yes
- No
- Don't know / no opinion / not applicable

**Please explain your answer to question 15:**

*1000 character(s) maximum*

At this stage, Eurelectric does not have a position on this topic. The allocated time for the consultation and the period during which this consultation was held didn't allow Eurelectric to organise a transparent and comprehensive internal discussion to properly discuss the Platform's proposal and elaborate a position on this topic. Going forward, we invite the Platform to consider a timeline and timing which would allow for such important discussions to take place.

### **Additional information**

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.

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



Union of the Electricity Industry - Eurelectric aisbl  
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium  
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • [www.eurelectric.org](http://www.eurelectric.org)  
EU Transparency Register number: [4271427696-87](https://ec.europa.eu/transparency/regexp1/index.cfm?do=entity.entity_details&entity_id=4271427696-87)