Brussels, 10th September 2020

Letter on the Role of Hydropower in Sustainable Finance and in the TEG-Report

Dear Director-General Berrigan,
Dear Director-General Juul-Jorgensen,
Dear Director-General Petriccione,
Dear Director-General Fink-Hooijer,

we, the signatory companies and associations, are addressing this letter to you regarding the Final Report of the Technical Expert Group on Sustainable Finance ("TEG-Report") that was published in March 2020. While the hydropower sector welcomes and supports the initiative and its goals, the TEG-report has also raised concerns as it classifies the production of electricity from hydropower as a transitional activity within the "Climate Change Mitigation"-category. Transitional being defined by the report as: "*economic activities that are considered transitional activities as a result of having emissions performance levels that are below the substantial contribution threshold, but are not near to zero, are indicated as such".*

The TEG-report itself does not further clarify on which arguments and data this classification is based. Neither does it apply a similar classification for the other two main renewable electricity generation technologies, wind and solar. Based on findings of the International Hydropower Association (IHA) from 2018, hydropower produces average life-cycle emissions of around 18g CO_2-eq/kWh.[1] In comparison wind (offshore) and solar PV (utility scale) emit respectively on average 12g CO_2-eq/kWh and 48g CO_2-eq/kWh.
It is noteworthy, that the TEG-report itself makes reference to the IHA's expertise on life-cycle emissions in other parts of the document. It is therefore not comprehensible why hydropower is classified as a transitional technology, while the IHA's numbers clearly show that hydropower, like wind and solar, ranks amongst the best-performing electricity generation technologies with respect to life-cycle emissions.

We therefore ask the European Commission to ensure that hydropower is treated equally to other renewable electricity generation technologies such as wind and solar. This holds particularly true for the technical screening criteria for energy, that will be drafted as delegated acts to complement the Taxonomy Regulation. It appears this request is also in line with a separate call signed by a group of Members of the European Parliament led by MEP Claudia Gamon, who sent a letter on the same issue to Vice-Presidents Timmermans and Dombrovskis as well as Commissioners Simson and Sinkevičius, in July 2020.

This matter is of great concern to the hydropower sector. Particularly, as hydropower facilities are very capital intensive due to their long life-cycles and the high amount of upfront investments. Casting doubt on the investment security of hydropower would put into question investments into a sector which is currently providing the largest share of renewable electricity to consumers,[2] plays a key role in fulfilling the flexibility needs of the EU's electric systems and provides by far the largest renewable electricity storage capacity in the EU.

[1] https://www.hydropower.org/news/study-shows-hydropower's-carbon-footprint, retrieved 21.07.2020
[2] https://ec.europa.eu/eurostat/cache/infographs/energy/bloc-3b.html, retrieved 22.07.2020

Hydropower will therefore play an essential role in reaching the ambitious climate targets envisaged in the European Commission's Green Deal Communication.

We remain at your disposal and are looking forward to your response.

Kind regards

COMPANIES

ASSOCIATIONS