

Sustainable finance – EU classification for green investments

REPLY FROM UFE

UFE welcomes the Commission's initiative to allow stakeholders to provide feedback on the climate change mitigation and adaptation taxonomy.

In December 2020, the European Commission will adopt a Delegated Act establishing technical screening criteria determining under which conditions a specific economic activity is considered to substantially contribute to climate change mitigation and to climate change adaptation. Consequently, UFE would like to voice its concerns regarding a few topics that will be covered within the Delegated Act.

First of all, it is paramount to keep in mind that to achieve carbon neutrality by 2050 and reach the soon to be updated target for 2030, it will require Member States to provide a swift and most importantly, pragmatic response. With higher share of renewables coming into the grid (potentially up to 80 % of the electricity mix by 2045), acknowledging the role of the networks within the taxonomy is compulsory in order to live up to expectations. Indeed, networks will have a major role at both transmission and distribution level (ensuring security and continuity of supply, supporting the electrification of transport and buildings, integrating new loads of electricity from renewable energy sources). Furthermore, not only network infrastructures should be included in the climate change and mitigation objective, but they should also be encompassed within the climate change and adaptation objective to fully reflect their role in terms of resilience to climate events. As a consequence, all investments in the electricity grid infrastructure such as interconnectors, as well as all IT investments into networks must be defined, in accordance with the TEG approach, as sustainable. It is also important to note that as screening criteria and thresholds could be re-assessed periodically, long-term investments – which are common basis in the electricity sector – could be jeopardised, especially if a formerly “taxonomy aligned” economic activity were to be no longer eligible. To ensure investments certainty, delegated acts must specify that activities which have been previously considered as sustainable must remain so. Moreover, as already stated, UFE believes that the power system will see a significant increase in variable generation. Flexible low-carbon capacity will therefore be needed to be in line with the above-mentioned climate objectives while ensuring security of supply. This is the case of nuclear power plants are flexible generation units emitting a very low amount of greenhouse gas or any other air pollutants, which is a valuable asset. With regard to the scope of the Delegated Act, UFE would thus like to recall that the European Commission should not push towards a given technology but should rather advocate for technologies that are first and foremost compliant with EU climate targets and necessary for security of supply. In addition, such a structural choice should not be settled by means of a Delegated Act (as it could impact the energy mix of Member States for the next decades) which can only, from a legal point of view, supplement or amend non-essential parts of EU legislative acts.

In addition, UFE believes that the Do No Significant Harm (DNSH) principle should not be understood as a binary criterion. As the DNSH encompass multiple variables, it cannot boil down to simplistic conclusions. Indeed, all power generation unfortunately have their environmental drawbacks (waste, raw materials consumption, land use...): these environmental impacts should in all cases be minimised,

but no technology will ever be able to demonstrate that it does not cause any harm when it comes to the environmental objectives established in the regulation.

The DNSH criterion should therefore be used in a balanced way, taking into account both the environmental impacts and the decarbonisation potential of power generation technologies, (based on their CO₂ emissions, which is an objective criterion). While UFE supports the pressing necessity to adopt measures in order to position the European Union as a leader in the energy transition, it recalls that such a transition should be based on unbiased considerations and on a pragmatic approach. As no form of electricity generation – including renewables – is strictly carbon neutral when considering the whole lifecycle production the executive should not arbitrarily exclude technologies which are needed and proven effective to reach the climate neutrality objective by 2050.