



73rd CIMAC WG 5 - Reports on Regulatory Developments – Stationary Power Plants

Vaasa/Finland





THE EU TAXONOMY



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1. Abbreviations

- **CDA** Climate Delegated Act
- **DA** Delegated Act
- **DNSH** Do Not Significant Harm
- **CO_{2e}** unit of measurement that is used to standardise the climate effects of various gases. In addition to the most important man-made greenhouse gas, carbon dioxide (CO₂), there are other greenhouse gases such as methane or nitrous oxide.
- **EU** European Union
- **GHG** Greenhouse Gas
- **NGO** Non-Governmental Organization
- **OJ** EU Official Journal
- **PSF** Platform on Sustainable Finance
- **SC** Substantial Contribution
- **TSC** Technical Screening Criteria



2. Taxonomy

- 2.0 General Aspects**
- 2.1 Complimentary CDA**
- 2.2 Second (Environmental) DA**



2.0. General Taxonomy Aspects - Six Environmental Objectives + Others

First and Complementary Climate Delegated Act(s) (CDA):

1. Climate change mitigation
2. Climate change adaptation

Second (Environmental) Delegated Act (DA):

3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

+ Minimum Safeguards

- Social Taxonomy
- Extended Taxonomy (“Environment Transition Economy” - “Traffic Light”)



2.1. Complementary Taxonomy CDA



2.1.1 PROCEEDINGS

- The *first* Taxonomy “Climate Delegated Act” delegated act is applicable from 1 January 2022. Natural gas and nuclear power were **not included in this first delegated act**.
- Taxonomy Complementary Climate Delegated Act (“CDA”):
 - **Introduces additional economic activities from the energy sector into the EU Taxonomy.** The text sets out clear and strict conditions, under Article 10(2) of the Taxonomy Regulation (EU 2020/852), subject to which certain nuclear and gas activities can be added as transitional activities.
 - Draft approved in principle by the European Commission on 2 February 2022 and its formal adoption in all EU official languages took place on 9 March 2022, when all the language versions were made available.



2.1.1 PROCEEDINGS Cont.

- On 14th June 2022, Members of the European Parliament's Environment and Economic Affairs Committees in a joint meeting **endorsed the veto** in a tight vote (76 votes to 62 votes and 4 abstentions).
- On 6th July, the European Parliament **approved** the Complimentary CDA on EU taxonomy. (278 MEPs voted in favour of the resolution to oppose Taxonomy Complimentary CDA proposal, 328 against and 33 abstained.)
- Co-legislators scrutiny period, ended on 11th July 2022 without any objection.
- Taxonomy Complimentary CDA was published in the EU OJ on 15th July 2022 - apply from 1.1 2023.
- *Environmental groups started legal action 19.09 2022 **against** EU's gas and nuclear greenwashing ... (See ANNEX 2)*



2.1.2 Selected Activities:

Activities of main interest for stationary engine manufacturers:

- 4.29 *Electricity generation from fossil gaseous fuels (See ANNEX 1)*
- 4.30 *High-efficiency co-generation of heat/cold and power from fossil gaseous fuels*
- 4.31 *Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system*

For more information see source /1/.



2.2. Second Taxonomy (Environmental) DA



2.2.1 Proceedings /3/

- Platform on Sustainable Finance (PSF) published 3rd August 2021
Draft Report “Taxonomy Pack for feedback August 2021” + Annex
 - Deadline for feedback 28 September 2021
 - Preliminary recommendations on TSC for remaining four environmental objectives

Euromot feedback Position Paper submitted 23 September 2021
- Platform on Sustainable Finance’s **published 30 March 2022** a report + Annex with recommendations on technical screening criteria for the *four remaining environmental objectives** of the EU Taxonomy for the Commission
- Commission Proposal adoption publication **Q4 2022** for consulting ??



2.2.2 Platform SFC “Remaining environmental objectives” (March 2022) 1/2

General:

Due to time and resources available only prioritised economic activities included.

Topics:

- Ensuring consistency with the climate mitigation and adaptation approach
 - E.g. What constitutes a substantial contribution for the objectives and relationship to climate mitigation and adaption objectives? A potential overlap between the climate mitigation objective and the pollution prevention and control thresholds.
- Value chain consideration (Taxonomy requires LCA approach for the TSC)
 - A way to reduce negative impact is e.g. by substituting the activity → deprioritize certain activities
 - E.g. Use renewables in electricity generation instead of coal
- Sectors with expected greatest contribution (environmental impact and potential improvement)



2.2.2 Platform SFC “Remaining environmental objectives” (March 2022) 2/2

- Enabling activities outside of the prioritisation – may be addressed in the future
- Activities not included in the remaining 4 environmental objectives may be addressed in the future
- Etc.

See Annex 3 for prioritised economic activities in sectors – note sector “Energy” – only production from (*existing*) hydropower included! Some existing activity technical screening criteria in Annex 3 are still under work – will be released in May.

For activities *with lacking evidence or approach for delivering for substantial contribution* is not clear – these are not currently being developed but might be considered for future work.



2.2.3 Part B – Annex Technical Screening Criteria – some reflections 1/2

Manufacturing Sector:

- Activity “2.9 Manufacture of equipment generating electricity and/or heat” not in Annex 1 (present in August 2021 draft proposal) of March proposal.
- Present e.g. activity 2.10 “Repair, refurbishment and remanufacturing and sale of spare parts”:
 - Substantial contribution to *transition to a circular economy*
 - Note! DNSH criteria for ***climate change mitigation direct maximum 270 g CO_{2e}/kWh*** for if company has on-site generation of heat/cool or co-generation.

In case of new parts added as part of repair, refurbishment or remanufacturing, the activity ensures that these changes did not affect negatively the energy efficiency performance of the product.



2.2.3 Part B – Annex Technical Screening Criteria – some reflections 2/2

Energy sector:

- Activity “3.9 Electricity generation from natural gas, and related cogeneration” **not** in Annex 1 of the March 2022 document.
- Present activity “3.1 Environmental refurbishment of facilities that produce electricity from hydropower” (> 10 MWe)
 - Substantial contribution *for protection and restoration of biodiversity and ecosystems*
 - Climate change mitigation direct DNSH criteria: *direct* GHG emissions from the generation of electricity from hydropower are lower than 270gCO₂e/kWh
 - **Only existing** hydropower plants with comprehensive environmental mitigation and restoration measures can qualify under certain conditions !



3. Sources

/1/ Taxonomy Complimentary CDA, March 2022; <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1214&from=EN>

/2A/ Client Earth, 19.09-22 at web:

<https://www.clientearth.org/latest/press-office/press/eu-taxonomy-environmental-groups-start-legal-action-against-sustainable-gas-classification/>

[We've started legal action against the classification of gas as 'sustainable' | ClientEarth](#)

/2B/ Greenpeace 19.09-22 at web: [Taxonomy: Greenpeace takes legal action against the EU's gas and nuclear greenwashing - Greenpeace European Unit](#)

/3/ Platform of Sustainable Platform at web [Platform on Sustainable Finance \(europa.eu\)](#)



ANNEX I: 4.29 Electricity generation from fossil gaseous fuels. Technical Screening Criteria (TSC) for substantial contribution (SC) 1/4 /1/

1. The activity meets **either of** the following criteria:
 - a) **Life-cycle GHG** emissions from the generation of electricity using fossil gaseous fuels are lower than **100 g CO_{2e}/kWh**. Life-cycle GHG emissions are calculated based on project-specific data, where available, using Commission Recommendation 2013/179/EU62 or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. ...
 - b) for facilities, for which the construction permit is granted **by 31 December 2030 comply with all:**
 - (i). **direct GHG** emissions of the activity are **lower than 270g CO_{2e}/kWh** of the output energy, **or annual direct GHG** emissions of the activity **do not exceed an average of 550kg CO_{2e}/kW** of the facility's capacity **over 20 years**, and



ANNEX I: 4.29 Electricity generation from fossil gaseous fuels. Technical Screening Criteria (TSC) for substantial contribution (SC) 2/4 /1/

- (ii). the power to be replaced **cannot be generated** from renewable energy sources, based on a comparative assessment with the most cost-effective and technically feasible renewable alternative for the same capacity identified;...
- (iii). the activity **replaces** an existing high emitting electricity generation activity that uses solid or liquid fossil fuels;
- (iv). the newly installed production capacity does not exceed the capacity of the replaced facility by more than 15 %;
- (v). the facility is designed and constructed to use renewable and/or low-carbon gaseous fuels and the switch to full use of renewable and/or low-carbon gaseous fuels takes **place by 31 December 2035**, with a commitment and verifiable plan approved by the management body of the undertaking



ANNEX I: 4.29 Electricity generation from fossil gaseous fuels. Technical Screening Criteria (TSC) for substantial contribution (SC) 3/4 /1/

(vi). the replacement leads to a reduction in emissions of **at least 55 % GHG** over the lifetime of the newly installed production capacity

(vii). where the activity takes place on the territory of a Member State that has committed to **phase-out the use of energy generation from coal** and has reported this in its integrated national energy and climate plan referred to in Article 3 of Regulation EU/2018/1999 or in another instrument. ...

Note! Option 1b consists of 7 criteria all to be fulfilled for compliance ..



ANNEX I: 4.29 Electricity generation from fossil gaseous fuels. Technical Screening Criteria (TSC) for substantial contribution (SC) 4/4 /1/

2. The activity meets either of the following criteria:

- (a) at construction, measurement **equipment for monitoring** of physical emissions, such as those from methane leakage, is installed or a leak detection and repair programme is introduced.
- (b) at operation, physical measurement of emissions are reported and leak is eliminated.

3. Where the activity blends fossil gaseous fuels with gaseous or liquid biofuels , the agricultural biomass used for the production of the **biofuels complies with the criteria** laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001 ...



ANNEX 2: “Environmental groups start legal action against EU’s gas and nuclear greenwashing” /2A, 2B/ date 19.09 2022 1/2

- **Client Earth, WWF’s European Policy Office, Transport & Environment (T&E), and BUND** (Friends of the Earth Germany) are starting legal action to prevent fossil gas from featuring in the EU’s sustainable finance Taxonomy. **Greenpeace** organisations are taking legal action and challenging the inclusion of fossil gas **and** nuclear energy in the EU’s list of sustainable investments, the taxonomy.
- The groups argue the CDA clashes with other EU laws, in particular the Taxonomy Regulation itself and the European Climate Law. It also does not respect the EU’s obligations under the Paris Agreement.
- The groups have been able to commence legal action through a request for internal review – a mechanism now open for use by NGOs and the public after a [major reform of EU access to justice laws last year](#) – (EU Parliament amended



ANNEX 2: “Environmental groups start legal action against EU’s gas and nuclear greenwashing” /2A, 2B/ date 19.09 2022 2/2

cont. .. EU access to justice law “the **Aarhus Regulation**”, enabling NGOs and individuals to challenge many more EU decisions that break environmental law than was previously possible under EU law.)

- The groups request the EU Commission to repeal the Complementary Delegated Act. The European Commission now has up to 22 weeks to reply. If the Commission refuses, the groups will be able to ask the Court of Justice of the EU to rule.
- The desired end result could be a judgement that forces the Commission to repeal the Complementary Delegated Act.



ANNEX 3. Included Activities, March 2022 Draft 2. Taxonomy DA /3/ 1/6

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