



**TO: Ms Mairead McGuinness**

*European Commissioner for Financial Services, Financial Stability and the Capital Markets Union*

**Mr Valdis Dombrovskis**

*European Commission Executive Vice-President for An Economy that Works for People*

**CC: Mr Frans Timmermans**

*European Commission Executive Vice-President for the European Green Deal*

**Ms Kadri Simson**

*European Commissioner for Energy*

Brussels, 13 April 2021

Dear Executive Vice-President Dombrovskis,

Dear Commissioner McGuinness,

We are convinced that the Taxonomy Regulation is crucial for the European Union to achieve both the new greenhouse gas emissions reduction target for 2030 and climate neutrality by 2050. Additionally, the Regulation should help strengthening the European Union's strategic resilience and global economic competitiveness, maintaining its energy security and affordability, boosting growth and job creation and supporting a just and inclusive energy transition that leaves nobody behind.

However, to what extent the Taxonomy Regulation will ultimately meet these expectations depends primarily on the technical screening criteria (TSC) defined in the Delegated Act on climate change mitigation and adaptation. We understand the European Commission will publish it later this month, whereupon the European Parliament may make full use of its scrutinizing prerogatives under Article 290 TFEU. In advance of its publication, we would like to share with you some of our major concerns regarding the revised draft version of this delegated act.

Firstly, it is indispensable that the Taxonomy Regulation takes into account transition at the energy system level and supports the most cost-efficient decarbonisation pathway for each Member State in line with the principle of technology neutrality. In this context, it is key to acknowledge the role of gaseous fuels. While the transformation of the EU gas sector accelerates with growing investments in renewable and low-carbon gases, natural gas will play an important role as an enabling and bridging technology. As a stable and flexible source of heat and electricity production, natural gas facilitates phasing-out of solid fossil fuels-based power and heating and cooling units, therefore significantly reducing GHG emissions. At the same time, it enables accelerated deployment of intermittent renewable energy sources by providing essential back up and grid balance.



Therefore, it is pivotal to set the proposed emission performance standard (EPS) of 100g CO<sub>2</sub>/kWh at a level technically feasible for state-of-the-art gas generation or to introduce an additional carbon budget threshold mechanism allowing for the calculation of annual emissions output of a plant. This applies for the production of electricity from gaseous and liquid fuels (Annex I, 4.7), cogeneration of heat/cool and power from gaseous and liquid fuels (Annex I, 4.19), production of heat/cool from gaseous and liquid fuels (Annex I, 4.23) and for the transmission and distribution of electricity (Annex I and II, 4.9).

Moreover, the “do no significant harm” EPS of 270 g CO<sub>2</sub>/kWh (Annex II) should also be set at a realistic and science-based level of at least 380 g CO<sub>2</sub>/kWh, as proposed by the European Commission during the negotiations on the modernization of the Energy Charter Treaty (ECT).

Secondly, it is vital to either make the deadline of 2025 (Annex I, 4.26 and 4.27) the year of final investment decision instead of the year of starting the operation of the new facility or to extend this time limit to a more realistic deadline of 2030. The latter would be most compatible with the date by when certain gas and coal-to-gas switch projects are considered eligible for EU financing e.g. under the Multiannual Financial Framework (European Regional Development Fund/Cohesion Fund) or under the EU Emissions Trading Scheme (Modernisation Fund). Without this amendment, the activities described in Annex I (4.26 and 4.27) will remain unusable, as there is no realistic possibility for any newly planned gas investments to be operational by the end of 2025.

Thirdly, the enormous energy transition challenges of the Member States as a whole goes above the substantial social challenges of their just transition regions. Although these regions are the most challenged, numerous regions operate coal-powered plants that need to be replaced. This is why the provision entailing the necessity for the highly emitting retired facility to be located only in one of the JTF regions (Annex I, 4.26 and 4.27) is too prescriptive and it is necessary to broaden the scope of these provisions. The aim of the Taxonomy Regulation is to incentivise GHG emission reductions and to accelerate this process. Focusing only on a limited number of EU regions would unjustifiably restrict the potential for emission reduction. Moreover, the replacement of coal CHP plants with gas plants has a significant impact on reducing the emission of harmful substances and fighting air pollution.

Last but not least, the principle of technological neutrality should be adopted for the threshold related to the manufacture of hydrogen (Annex I, 3.10). Only by including a threshold of 5,8 t CO<sub>2</sub> eq/tH<sub>2</sub> (instead of 3 t CO<sub>2</sub> eq/tH<sub>2</sub>) will it be possible to accelerate the development of the hydrogen market and scale up the production of renewable and decarbonised hydrogen quickly and in the most cost-efficient manner.

We, undersigned, have concerns that the initial objectives of the Regulation are being lost in an overly technical process, which risks ignoring the practical needs of all parties involved in the transition and creating an unusable tool that hinders rather than helps the successive progress needed in order to meet our goals. Low usability of the Taxonomy Regulation would not only undermine credibility of the European Green Deal agenda, but will also hamper efforts of these companies which follow the decarbonisation path set out by the European Union and its Member States.



Therefore, we would kindly like to ask you to take into account all our suggestions while preparing the final delegated act on climate change mitigation and adaptation. We are confident that substantially improving the technical screening criteria in this way would make the taxonomy an ambitious, effective and pragmatic tool to accelerate just transition towards the EU's 2030 and 2050 climate goals. We also recognise the importance of progressing swiftly with establishing the criteria and believe our proposals represent a secure basis for obtaining a stable majority in the European Parliament for the Delegated Act and therefore for the timely implementation of this needed criteria.

We look forward to working further with you to realise our shared goals in this area.

Yours sincerely,

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