



Brussels, 27 April 2020

ECOS Position on the Final Report of the Technical Expert Group on Sustainable Finance

ECOS welcomes this opportunity to provide feedback to the European Commission roadmap for the adoption of a delegated act supplementing the Taxonomy Regulation.

Being the result of two years of discussions, directly involving over 200 experts, we consider that the work of the Technical Expert Group is overall science-based and robust. Therefore, we invite the European Commission to follow most of the TEG's proposals regarding the activities which need to be included in the taxonomy as well as the recommended thresholds.

The aspects we call on the European Commission to absolutely keep are the following:

- The exclusion of a number of environmentally harmful activities on the basis of the do no significant harm assessment, such as **nuclear energy and incineration of waste**. Regarding the latter, the TEG has recognised the environmental impact and lock-in caused by incineration, which undermines the waste hierarchy and the circular economy objectives of the Taxonomy Regulation. The Circular Economy Action Plan and the Waste Framework Directive set goals for preventing, reuse and recycling of resources that regrettably are currently being used as incinerator's feedstock. Moreover, CO₂ emissions from waste incineration have increased by around 50% since 2010, resulting in CO₂ emissions from waste incinerators are intensifying, hindering the EU climate neutrality goal by 2050. Lastly, large parts of the incineration feedstock are produced from fossil fuels, thus resulting in plain CO₂ emissions from fossil fuels burning.
- The **technology neutral threshold for electricity, heat and power set at 100gCO₂/kWh**.

Although some activities' criteria have improved since the previous TEG report, these still need to be further tightened:

- We do welcome the **tightening of thresholds and screening criteria for the manufacturing of primary plastics** promoting reusable alternatives, in line with ECOS' comments of the previous TEG report. The final report of the TEG includes a new eligibility criterion, **limited to plastic manufacturers whose at least 90% of their production is not used for single use consumer products and is not recycled**. While this criterion could have gone even further in promoting reusable alternatives (for instance in separating the single use and recycling threshold), this sets a **very promising precedent**, as it requires product manufacturers and investors to look at the overall value chain, and in particular, to the final use of the intermediate goods. ECOS had pushed for similar requirements in the **forestry sector**, for instance pushing for forest managers to be eligible only if their timber production would end up in durable goods rather than in bioenergy, and we urge the European Commission to look into this aspect.

- We welcome the **exclusion of crop-based biofuels from the production of biofuels. However, their use in the transportation sector still enables other activities to be taxonomy compliant, for instance by trucks and ships.** This **double standard** needs to be amended before the taxonomy is adopted.

Certain activities' criteria and thresholds were substantially amended without providing any justification, sometimes leading to create a non-level playing field with other activities. This requires correction prior to their adoption in the taxonomy:

- We are very surprised about **much higher threshold applying to the manufacturing of hydrogen**. Since the previous version, the threshold applying to the manufacture of hydrogen was **multiplied by 6, raising from 0,95 tCO₂e/t hydrogen to 5,8 t CO₂e/t of hydrogen**, neither providing the source for that high threshold nor the rationale behind the chosen figure. The TEG however states that this threshold is *'in alignment with energy thresholds in the taxonomy'* – corresponding to a technology neutral threshold of 100gCO₂e/kWh, for electricity, heat and cool. There is a first issue of transparency around the fact that the TEG report uses different units than the ones applying to the energy threshold. Besides, the newly proposed threshold for the manufacture of hydrogen seems too high when converting it into gCO₂/kWh : indeed, 1 ton of hydrogen contains [33333kWh](#). The final TEG report sets the limit at: $5800/33333=0,174$ kgCO₂e/kWh, **so 174 gCO₂e/kWh - which is substantially higher than the energy threshold**. Finally, the energy threshold of 100gCO₂e/kWh applies to the production of the 'final product' (i.e. electricity, heat and cool) while this one only includes the production of hydrogen – a mere energy carrier – which needs to be further converted into electricity, heat, cool or transport fuel. This transformation requires energy, thus is likely to lead to additional CO₂ emission, not accounted for in this activity.
- We urge the European Commission to reconsider the **very high threshold applying to the refrigerants used in electric heat pumps**. Although they play a central role in the decarbonisation of the heating sector, electric heat pumps contain fluorinated gases as refrigerants that can undermine emission savings in case of leakage and release into the atmosphere. It is therefore important that the global warming potential (GWP) of refrigerants is low or equal to zero. Alternatives with low GWP (for example propane, GWP = 3) exist and [are widely applied](#) in the heat pump sector. Since the previous version, the GWP threshold **was multiplied by 67,5, raising from a GWP equal or lower than 10 to a GWP equal of lower than 675**. Although there are no placing-on-the-market restrictions for heat pumps, the new threshold is **much worse than the bans applied to similar products to 2022 by the EU F-Gas Regulation** (e.g. commercial refrigerators using refrigerants with GWP < 150 will no longer be allowed on the EU market as from 2022). Furthermore, the Technical Expert Group did not motivate this new threshold value, nor did it provide any scientific reference in that regard. this new threshold. The previous threshold of GWP = 10 should hence be kept.

Finally, some economic activities and technologies should simply be excluded from the final taxonomy, such as:

- **Livestock production:** livestock production is a highly carbon-intensive, and polluting industry, and currently one of the main drivers of deforestation. The recognition of the possibility for livestock production to be considered environmentally sustainable risks slowing

down the transition to a more sustainable plant-based diet, as required in most Paris-compliant climate scenarios.

- **CCS.** CCS is referred to as an ‘abatement technology’ which can be used to reach the CO2 emissions reduction of the listed activities (such as the cement or energy sector for hydrogen or gas). Although the final report adds criteria around the use of CCS, some issues flagged following the interim report remain unsolved. The system boundaries of what CCS covered and what attribution rules should be followed to claim the emissions sequestered are not specified. The main risk in this regard is double counting of sequestered emissions.
We call on the taxonomy to focus primarily on channelling investments towards activities emitting less, rather than in activities increasing artificial carbon sinks such as the CCS technologies, as explained in [our position paper](#) of September 2019.
- **Combustion engine in the transport sector (trucks and ships).** Although we welcome the tight criteria set for passenger cars, other transport activities such as trucks and ships still contain loose criteria, difficult to operationalise. Freight services by road and water transport services are eligible, provided the fleet uses renewable fuels. **There is practically no way to ensure that this requirement is fulfilled, making likely the risk of non-compliance with the taxonomy.**

About ECOS:

ECOS is a non-profit organisation working to promote environmental aspects in the development of standards and specifications at European and international level, especially those produced in support of EU environmental laws and policies. Our goal is to ensure that standardisation contributes to a sustainable economy and, in some cases, allows for the proper and effective implementation of European legislation.

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