



PLATFORM ON
SUSTAINABLE FINANCE

**The report is under embargo until
10:00 CET on Monday 24th January 2022**

**Briefing note on
Response to the
Complementary
Delegated Act**

Background

- The EU Platform on Sustainable Finance has been asked by the European Commission to assess its draft Taxonomy Complementary Delegated Act (CDA). That Act includes new economic activities proposed to be reported as Green, related to energy generation from gaseous fossil fuels and nuclear energy.
- The Platform has done its best to address the key concerns of the draft CDA in the short time (three weeks) available for review.
- The purpose of the Taxonomy, per the Taxonomy Regulation (Article 1), is to give investors clear guidance on sustainable economic activities that make a substantial contribution to EU's six environmental objectives. This will help direct investments towards these activities as well as prevent greenwashing.
- The most urgent sustainability challenge we face is climate change. The Taxonomy identifies investments that make a substantial contribution to Europe's ambitious 2030 and 2050 climate goals, consistent with the critically important 1.5 degrees C temperature goal of the Paris Agreement and which do not compromise the EU's other environmental objectives or minimum social safeguards.
- The Platform has assessed the environmental performance of the economic activities in the draft CDA against the provisions in the Taxonomy Regulation and the Climate Delegated Act from December 2021, which already covers many Taxonomy energy sector activities. It has analysed financial product implications and implications for the Paris goals and Europe's own 2030 and 2050 goals.

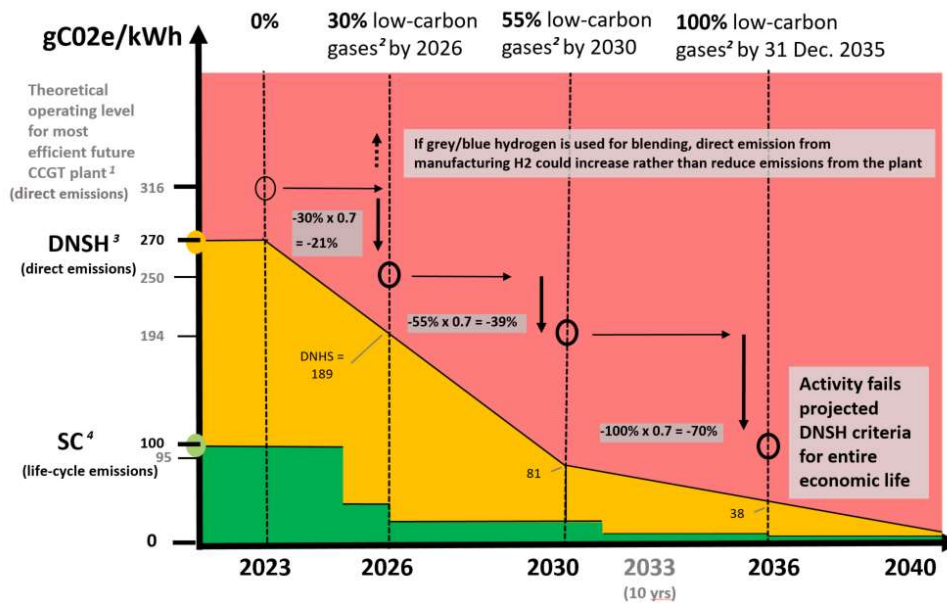
Summary Platform Feedback

- The Technical Screening Criteria (TSCs) proposed differ in fundamental ways to the TSCs in the already in-force Climate Delegated Act and are **not consistent** with the provisions of the Taxonomy Regulation (specifically Article 10.2 and the provisions of Article 19).
- Energy generation from gaseous fossil fuels: Only lifecycle GHG emissions from the generation of electricity using fossil gaseous fuels lower than 100 g CO₂e/kWh ensures a substantial contribution to climate change mitigation from individual gas-fired energy facilities. Alternative criteria presented in the draft CDA **do not ensure sustainable performance** in line with the taxonomy regulation, and indeed are far from making a substantial contribution: far from Green. (See our fossil gas fired energy diagram below)
- Nuclear energy: The criteria **do not ensure no significant harm** to other environmental objectives (the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, or the protection and restoration of biodiversity and ecosystems.) as stipulated in the taxonomy regulation.
- Assessment of environmental impacts or any implications for financial markets because of an implementation of the draft CDA have **not been provided as stipulated** in the Taxonomy Regulation.
- (If the draft CDA is adopted, going against the Platform's recommendation) Disclosure arrangements are **unsuitable** for financial markets (as they do not sufficiently distinguish the draft CDA activities from other Taxonomy aligned disclosures). The measurement and verification requirements are **insufficient** for monitoring performance of the TSCs that are proposed.

Modelling by Platform members of new fossil gas fired energy facilities

- shows major inconsistency with current Substantial Contribution (SC) and Do No Significant Harm (DNSH) Taxonomy criteria *for any energy generating activity listed in the* already in-force Climate Delegated Act which requires GHG Life Cycle emissions to be below 100 g CO2e/kWh (SC) and direct emissions to be below 270 g CO2e/kWh (DNSH).
- indicates that even for most efficient gas-fired power known (starting at 316 g CO2e/kWh direct emissions), the whole activity/asset/CCGT is not Green at any point in its life when compared with existing and projected Substantial Contribution criteria for any energy generation activity; and thus, no improvement CAPEX could be reported as Green under Art 8.
- Additionally, indicates that the proposal sets a performance that is far from being Green would be likely to be Significantly Harming the climate objective over its whole life in the case of gas-fired electricity generation. Most new gas plants will operate with higher GHG emissions than this theoretical high performing plant – making the situation worse.
- The analysis examines the environmental performance criteria of activity 4.29 in the draft CDA only and makes no assumptions about energy supply pricing or emission regulations that would affect pricing.

CDA proposal for Activity 4.29 Technical Screening Criteria 1.b) for conventional gas-fired power, starts, and continues, to cause Significant Harm against current and projected criteria until even after 2036



For modelling assumptions and resources, please see section 4.29, 2.6) of the Synthesis Report

Links to report and charts will be published on Monday January 24th 2022, at 10.00 CET.

Quotes from Nathan Fabian, Chair at European Platform on Sustainable Finance

“Now is not the time to blur the lines on the environmental realities of climate neutrality. As it stands, this is what the draft CDA does.”

“What we need most urgently is clarity about what needs to be done to meet our climate and environmental goals – the Taxonomy’s job. Then we need to use every ounce of our ingenuity - industrial, policy, financial - to get there.”

“For the Taxonomy to be useful, it must be environmentally robust when describing the economic choices ahead of us. This is what the Platform response to the European Commission says.”

“If more tools are needed to describe the intermediate steps as our industries transition to meet environmental goals, we should take care to develop them properly.”

Media contacts

Duncan Smith duncan.smith@unpri.org

Rojîn Kiadeh roj.in.kiadeh@unpri.org

Nathan Fabian nathan.fabian@unpri.org