Civil Society Statement: Ten Priorities for the Climate Taxonomy

Draft Delegated Act

December 2020

Following the release of the European Commission's <u>draft Delegated Act</u> (hereafter identified as 'draft DA') on the EU Sustainable Taxonomy, we, a coalition of NGOs, think-tanks, experts, scientists, shareholder associations, and sustainable investment associations representing millions of citizens in Europe and the global South, are writing to stress our strong support for an EU sustainable taxonomy rooted in climate and environmental science.

The global climate strikes have consistently made a simple demand: listen to the science. We agree. Just as experts and evidence have been key assets in addressing the COVID-19 pandemic, so too must they, and not sectoral interests, determine our policies to fight the climate crisis.

While we recognise that the draft DA has taken into account the <u>recommendations of the Commission's</u> <u>Technical Expert Group</u> (TEG) on the climate taxonomy to a large extent, we would like to voice substantial concerns that the draft DA has ignored or weakened the TEG's scientific advice for several activities.

We outline the ten most important areas that need to be revised to produce a taxonomy that is based on scientific evidence, supports fully sustainable economic activities, accelerates the shift from unsustainable to sustainable activities, and truly reduces the risk of greenwashing. In addition to these ten priorities, we strongly support the development of an unsustainable taxonomy, which is crucial to reliably identify risky sectors and accelerate their transition.

A . Economic activities that were rightly excluded and should not be reincluded¹

1. Fossil fuels (including gas)

Fossil fuels clearly operate on emissions that are far beyond the 100 gCO2/KWh threshold identified by the TEG. Commendably, the Commission has identified that this mitigation threshold should not be weakened and the draft DA has correctly maintained it. Weakening this threshold would bring the entire taxonomy into disrepute. In fact, the threshold should be tightened at least every 5 years, as rightly proposed by the TEG. Mid-stream oil and gas is also excluded and should not be reincluded.

Similarly, the adaptation criteria for both substantial contribution and DNSH should be reviewed to reduce loopholes enabling investments in unabated fossil fuels. As the draft DAs stand, creative interpretation of the adaptation criteria could lead to investments prolonging the life-span of high-emitting activities,

¹ This section does not address nuclear power, which was rightly excluded by the TEG but has been accorded a special process by the EU following strong corporate lobbying. This process creates a dangerous precedent. We are opposed to the inclusion of nuclear power in the taxonomy.

delaying the transition to a low-carbon economy. The Commission should clarify the draft DAs and strengthen the climate adaptation criterias' impact safeguards.

2. Incineration

The draft DA rightly follows the TEG recommendation to exclude waste incineration as it undermines upper-tier activities of the EU waste hierarchy which are more protective of the climate. However, it has problematically deleted the TEG recommendation to exclude burning refuse-derived fuel (RDF) in cement plants, which the TEG made on the basis that "co-incineration of RDF has significant impacts on health and environment due to the polluting nature of the associated emissions and may undermine waste minimisation efforts". The TEG's expert opinion should be followed.

B. Economic activities to be improved with tighter criteria

3. Bioenergy

The draft DA has chosen to accept that all forest biomass - wood sourced directly from forests - may be burned as feedstocks and that almost any activity that is aligned with the flawed Renewable Energy Directive is counted as sustainable, including the use of dedicated cropland.

This is completely unscientific. It contradicts all recent authoritative scientific research and the Commission's own <u>impact assessment on bioenergy</u>, which stated that the idea that forest biomass can mitigate climate change is extremely problematic and acknowledged that demand for forest biomass is hindering EU forests' ability to act as a carbon sink. Separately, <u>100 civil society groups</u> have called for an end to subsidies and other incentives for burning all forest biomass.

The Commission should reverse its decision to classify the burning of all forest biomass for energy as sustainable and exclude from eligibility all bioenergy feedstocks that increase emissions compared to fossil fuels, including purpose-grown crops.

4. Hydropower

The draft DA does not follow the TEG recommendation that "construction of small hydropower (<10MW) should be avoided" considering the massive negative impacts of small installations on freshwater biodiversity. <u>150 NGOs</u> have also asked that no new hydropower is built in Europe, given the already excessive number of hydropower plants which heavily disrupt freshwater ecosystems and the negligible benefit of new hydropower in transitioning to carbon neutrality. The draft DA should at the very least follow the TEG recommendation.

5. Forestry

The taxonomy relies on the notion of sustainable forest management, which entails cutting less than the annual growth and giving equal consideration to environmental and social aspects, as well as economic ones. However, the draft DA would allow activities such as short-term rotation below 20 years, which is not climate-neutral due to the carbon released. Furthermore, short-term rotation usually employs the wrong type of trees without considering existing forest / tree structures / biomass. Forestry operations

should not qualify if they reduce forests' carbon sink function, lead to irreversible forest degradation or to biodiversity loss.

Finally, afforestation or reforestation of forests is insufficient to replace forests lost to deforestation or which are highly degraded. It is important to protect existing natural forests, restoring and enriching biodiversity as well as the carbon storage potential to generate forests that are resilient. A highly referenced April 2019 study published in Nature concluded that *"restoring natural forests is the best way to remove atmospheric carbon"*. The Commission should accordingly tighten forestry criteria.

6. Inland water transport

As far as inland passenger water transport is concerned, the draft DA ignores the TEG threshold for vehicles with tailpipe emission intensity of 50 g CO2/km to be eligible until 2025, without setting norms that would exclude conventional engines. Furthermore, it introduces a limitation of 50% of the fuel mass that allows, essentially, the use of biofuels until 2025. This is completely misaligned with the Paris Agreement and risks encouraging 'business as usual' in the water transport sector being counted as sustainable. There is a real risk of greenwashing. The draft DA should re-integrate the TEG threshold.

As far as inland freight water transport is concerned, until 2025 the draft DA introduces extremely unambitious targets that refer to trucks' energy efficiency - which is a criterion that is extremely easy for water vessels to meet. In doing so, the draft DA essentially labels most vessels as green. The draft DA should either increase its threshold requirements significantly (from 50% to 85-90%) or replace it with a benchmark of emission levels of best-performing existing vessels.

7. Biofuels and biogas use in transport

The draft DA weakens TEG criteria by making all biofuels and biogas from feedstocks in Annex IX of the REDII eligible. The Draft DA also weakens the TEG's proposal on biogas by proposing that all biogas, including food and feed, should be made eligible for the Taxonomy.

The Taxonomy should, at a minimum, revert to the TEG's recommendations on biofuel and biogas eligibility and possibly improve them by extending the blanket exclusion of food and feedstock also to biogas.

This inclusion is made even more unacceptable as global hunger and malnutrition rise, notably because of the climate crisis, and are further compounded by the ongoing pandemic.

8. Hydrogen

Positively, the draft DA has improved the TEG's emissions threshold. However, the Commission should include an explicit point excluding hydrogen manufactured with fossil and/or non-renewable power from the taxonomy.

C. Economic activities to be removed from the EU sustainable taxonomy

9. Sea and coastal water transport

In breach of the established process that relies on the opinion of technical expert groups, these highlypolluting activities have been introduced without consulting stakeholders. In addition to this unacceptable method comes a requirement to meet extremely low Energy Efficiency standards (EEDI) that allow, essentially, to label all ships as 'environmentally sustainable' until 2025. This activity should not be included in the taxonomy until it is properly assessed by the EU Platform on Sustainable Finance, as planned.

10. Livestock

We recommend not including livestock activities in the taxonomy for the time being as it is difficult and complex to assess its greenhouse gas emissions. The industry as a whole is highly carbon-intensive, polluting, and strongly linked to deforestation. In addition, there are major animal welfare and human health concerns. Including livestock in the taxonomy risks slowing down the transition to a more sustainable, plant-based diet, as required in Paris-compliant climate scenarios. Organic livestock could be an exception and could therefore be included.

If this is judged impossible, the draft DA should at least refocus on reduction of herd sizes rather than the technical solutions, such as adjusted feeding of livestock, which it currently favours.

Finally, it is commendable that the draft DA clarifies for each activity whether it is considered as 'low carbon' in its own performance (43%), as transitional (30%), or as enabling (27%), which goes beyond the TEG recommendations and makes clear that the taxonomy can be a critical tool to assist companies in their transition towards business models that are consistent with the European Green Deal.

The signatories of this statement assure you of their strongest support in any effort to produce a sciencebased taxonomy aligned with the European Green Deal's ambitions.

Sincerely,





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