EU Taxonomy: state of play

Gas, nuclear energy and what next?
Energy Community, 29 March 2022
What is taxonomy?

Recent developments: focus on gas and nuclear energy

Impact of taxonomy so far

What next?
### What is intention of taxonomy?

<table>
<thead>
<tr>
<th>Reporting tool</th>
<th>Guidance to investors</th>
<th>Directing private capital towards business willing to transform in a sustainable manner</th>
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**What is intention of taxonomy?**

- **Reporting tool**
  - Financial sector
  - Large & listed companies
  - EU and Member States public institutions

- **Guidance to investors**
  - Activities significantly contributing to six environmental objectives

- **Directing private capital towards business willing to transform in a sustainable manner**
How to be labeled “green” under taxonomy?

- Activity meeting the screening criteria
- Minimum social standards
- Do No Significant Harm
  - compliance with other existing sectoral regulations
- Transitional and enabling activities
  - Activities for which there’s no viable low-emitting alternative
  - Activities which enable other “green” activities
Recent developments in the EU sustainable finance strategy

Taxonomy

- Delegated Act on climate entered into force (January 2022)
- Draft CDA on gas & nuclear (February 2022)
  - EP and Council’s scrutiny: 4-6 months
- Criteria for remaining four environmental objectives (March 2022)
- Extended taxonomy (red & amber) – PSF report released on 28 March
- PSF report on social taxonomy (February 2022)

Disclosure - reporting requirements

- January 2022 - reporting taxonomy eligibility (coverage)
- January 2023 - reporting taxonomy alignment (fulfilling criteria)
- Other “sustainable” reporting
  - SFDR, CSRD, CSDDD, EU Climate Benchmarks

Toolbox

- Green Bonds Standards (based on taxonomy) – legislative process ongoing
Complementary Delegated Act on gas and nuclear energy

Gas and nuclear = transitional activities but separate reporting

Gas used for production of electricity, heat and both can be labeled green, if:

- Construction permit before 2030
- Replaces an existing coal facility which cannot be replaced by renewables
- Gas installation must switch to 100% low carbon gases (incl. H2) by 2035
- Emission threshold 270g CO2e/kWh

Nuclear energy can be labeled as green, if:

- Construction permits for new units before 2045; upgrades of existing plants until 2040
- Application of best available technology – revised every 10 years
- Stricter criteria for nuclear waste management (DNSH)
- Notification to the EC and after positive opinion about fulfilling the criteria
What is impact of taxonomy today?

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<th>Shift in balance between market solutions and government involvement</th>
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<tr>
<td>Noticable flow of capital towards taxonomy aligned assets</td>
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<td>Demanding criteria – coverage of a small portion of economy?</td>
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<td>Not “green” $\neq$ „black“</td>
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<td>Impact on reputation and access to financing transition</td>
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<td>Taxonomy - political label</td>
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<td>Unclear criteria - challenge in uniform reporting</td>
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<td>International impact</td>
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<td>• Reporting of foreign companies?</td>
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<td>• Foreign source of finance?</td>
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<td>Multilayer sustainability reporting requirements</td>
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<td>• Pressure on SMEs</td>
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<td>Spillover of taxonomy to other policies</td>
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What next?

- Extension of taxonomy?
- Social
- Red
- Amber
Thank you!

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