EU taxonomy

Implications for energy

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Taxonomy – what & why?

• “Green list” - classification system of sustainable economic activities for investment purposes

- Low threshold of 100gCO2/kWh - below which energy generation technologies generally considered “sustainable” (excludes coal from being labelled green, even if fitted with carbon capture & sequestration technology)
- Higher threshold of 270gCO2/kWh - determines energy technologies deemed to make “significant harm” to the environment

❗ NOT a mandatory list of economic activities for investors to invest in

• Improved transparency and comparability in the market
Key elements

1. **Contributes substantially to one or more of the six environmental objectives**

2. **Does not significantly harm any of the six environmental objectives**

3. **Complies with the minimum safeguards (set out in Article 18 of the Taxonomy Regulation)**

4. **Complies with the Technical Screening Criteria (“TSC”) (see below)**
Issues

- Rising costs of capital
- Dependency on coal & gas in CEE region
- Fear of unintended consequences
- Stranded assets
Challenges

• Huge investment needs to upgrade the grids & infrastructure
• Need for more upfront investment in RES
• Legacy assets
• Under-developed capital markets

Opportunities

• A lot of capital in search for deployment – lack of green investment opportunities
• Positive spill-over effects (health, jobs)
• Improved business competitiveness
• Fit for impact investing
The problem with gas

Impact on global warming is 84 times higher than CO2

- natural gas needs only to emit 3% of its methane content in the atmosphere to exceed damage done by coal + 2-stage phase out
Supporters of gas & nuclear

Gas
- Slovakia
- Czech Republic
- Croatia
- Cyprus
- Greece
- Hungary
- Malta
- Romania

Nuclear
- France
- Czech Republic
- Hungary
- Poland
- Romania
- Slovakia
- Slovenia
HARD reality

• Markets are already distorted (subsidies and bias)
• Risk of a ‘new “green” iron curtain
• Rise of climate litigation
• Science is science
What next?

• Gas & nuclear likely to be included in next Delegated Act
• Megatrend: investors after green & ESG investment opportunities
• EIB to start implementing its Climate Roadmap
• Green supporting factor
• Growing climate change Zeitgeist affecting financial markets
• Taxes & levies need to be addressed + reporting (ESAP)