



Feedback on the first round climate mitigation activities

Fields marked with * are mandatory.

Introduction

Disclaimer:

This invitation for feedback is part of DG FISMA, DG ENV, DG CLIMA and DG ENER ongoing work to develop the taxonomy, for which the Commission has set up the TEG. The [action plan on financing sustainable growth](#) – action 1 – requests the group to develop the taxonomy on the basis of broad consultation of all relevant stakeholders. This feedback process is not an official Commission document nor an official Commission position. Nothing in this feedback process commits the Commission nor does it preclude any policy outcomes.

This feedback includes sectors and activities for which the TEG has been able to propose technical screening criteria from pre-existing, market-based taxonomies. The results of this work are provided for open comment.

To the extent possible, criteria for defining substantial contribution and the technical criteria for screening these activities for potential significant harm to other environmental objectives are included. This is in line with framework set out in the proposed taxonomy regulation.

The deadline for providing feedback is 22 February 2019 cob.

For further details of how economic activities were selected, please see [Methodology for selecting mitigation sectors and economic activities](#).

More information:

- [on this feedback process](#)
- [on the protection of personal data regime for this feedback](#)

1. Information about you

* Are you replying as:

- a private individual
- an organisation or a company
- a public authority or an international organisation

* Name of your organisation:

BETTER FINANCE - The European Federation of Investors and Financial Services Users

Contact email address:

The information you provide here is for administrative purposes only and will not be published

carlucci@betterfinance.eu

* Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this feedback process. [Why a transparency register?](#))

- Yes
- No

* If so, please indicate your Register ID number:

24633926420-79

* Type of organisation:

- | | |
|---|--|
| <input type="radio"/> Academic institution | <input type="radio"/> Media |
| <input type="radio"/> Company, SME, micro-enterprise, sole trader | <input checked="" type="radio"/> Non-governmental organisation |
| <input type="radio"/> Consultancy, law firm | <input type="radio"/> Think tank |
| <input type="radio"/> Consumer organisation | <input type="radio"/> Trade union |
| <input type="radio"/> Industry association | <input type="radio"/> Other |

* Where are you based and/or where do you carry out your activity?

Belgium

* Field of activity (*if applicable*):

at least 1 choice(s)

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Social entrepreneurship
- Other
- Not applicable

* Please specify your activity field(s) or sector(s):

Financial Sector- Policy and research

* Sector (*if applicable*):

at least 1 choice(s)

- A Agriculture, forestry and fishing
- B Mining and quarrying
- C Manufacturing
- D Electricity, gas, steam and air conditioning supply
- E Water supply; sewerage, waste management and remediation activities
- F Construction
- H Transportation and storage
- I Accommodation and food service activities
- J Information and communication
- K Financial and insurance activities
- L Real estate activities
- M Professional, scientific and technical activities
- N Administrative and support service activities
- O Public administration and defence; compulsory social security
- P Education
- Q Human health and social work activities
- Not applicable



Important notice on the publication of responses

6. Can the proposed criteria be used for activities outside the EU?

- Yes
- No
- Don't know / no opinion / not relevant

Energy - Energy Production (Geothermal)

Sector classification and activity	
Macro-Sector	D) Energy
NACE Level	4
Code	35.11
Description	Energy Production (Geothermal)

Mitigation criteria	
Principle	Demonstrate substantial avoidance of GHG emissions
Metric	Direct GHG emissions - gCO ₂ e/kWh
Threshold	Direct GHGs from electricity generation <125gCO ₂ e/kWh

Do no significant harm assessment	
(2) Adaptation	-
(3) Water	Minimise consequences on local water quality and consumption from contaminants and changes in the hydraulic regime. Requirements for management or mitigation of potential impacts will require further analysis.
(4) Circular	

Economy	-
(5) Pollution	Minimise emissions of pollutants from geothermal fluids and, in case of hybrid (geothermal + combustion) plants, from fuel combustion. Requirements for management or mitigation of potential impacts will require further analysis.
(6) Ecosystems	Perform geological risks assessments to avoid or mitigate the risk of geological hazard directly caused by the activity. Requirements for management or mitigation of potential impacts will require further analysis.

Rationale	
Additional notes on conclusions reached	<p>Electricity generation from geothermal energy can cause emissions of greenhouse gases (GHG). These emissions are generally much lower than emissions from electricity generation from fossil fuels. Direct emissions of carbon dioxide (and to a lesser extent methane) result from the release of naturally occurring non-condensable gases from geothermal fluid during the energy extraction process. The emissions threshold of 125gCO₂e/kWh has been selected because it represents approximately the international weighted average emissions for geothermal energy generation (according to an International Geothermal Association survey from - Bertani and Thain, 2002), which is 122gCO₂e /kWh. The purpose of setting a threshold that does not automatically make all geothermal energy generation eligible for the Taxonomy, is to encourage better performing assets and management activities. The threshold also applies for geothermal electricity plants which are hybridized with fossil or waste combustion processes.</p> <p>Note that combined Heat and Power production from geothermal will be treated separately (cf. NACE code D35.3)</p> <p>The international Energy Agency 2 Degree Scenario identifies an average emissions intensity across the global electricity sector in 2050 of 35 gCO₂e/kWh (down from 519 gCO₂e/kWh in 2014). It is likely that thresholds for geothermal energy plants will need to be reduced in future.</p>

Questions on energy production (geothermal):

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity?

- Yes
- No
- Don't know / no opinion / not relevant

If you do not agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity, what alternatives do you propose and why?

2000 character(s) maximum

The Article 6 of the regulation on the establishment of a framework to facilitate sustainable investment, mentions “avoiding or reducing greenhouse gas emissions or enhancing greenhouse gas removals”. This means that Taxonomy considers only CO₂ emissions as greenhouse gas (GHGs) emissions. It unequivocally states that CO₂ emissions are not the only GHGs which contribute to climate change and global warming. In order to have a more effective taxonomy, the mitigation criteria should consider other GHGs emitted by human activities. The Kyoto protocol regulates several of these dangerous emissions which are methane (CH₄), nitrous oxide (N₂O), the hydrofluorocarbons (HFC), perfluorocarbons (PFC), and sulfur hexafluoride (SF₆). For example, Methane is a significantly more potent greenhouse gas than carbon dioxide in the amount of heat it can trap, especially in the short term. For this reason, BETTER FINANCE believes that the metric of the mitigation criteria needs to take into consideration additional GHGs. Furthermore, BETTER FINANCE would like to underline the importance of long-term structural changes in mitigation activities. The economic activity under screening needs to reflect a long-term structural change in avoiding or reducing greenhouse gas emissions or enhancing greenhouse gas removals in order to be considered eligible. Lastly, the impact of any economic activity on GHG emissions should be assessed using marginal analysis: does substituting this activity to alternative ones reduce NET GHG emissions or not? Example: substituting solar and wind energy to nuclear in Germany is catastrophic for GHGs emissions, because the former are not produced constantly and are not storable, and therefore de facto increase enormously the use of fossil fuel.

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution?

- Yes
- No
- Don't know / no opinion / not relevant

If you do not agree with the proposed metrics for assessing the extent of the mitigation contribution, what alternatives do you propose and why?

2000 character(s) maximum

As previously mentioned, (reply to question 1), BETTER FINANCE raises some concerns regarding the use of the CO₂ emissions as the only measure for the quantification of greenhouse gas (GHGs) emissions. It is unequivocal that CO₂ emissions are not the only GHGs which contribute to climate change and global warming. In order to have a more effective taxonomy, the mitigation criteria should consider other GHGs emitted by human activities.

3. Where thresholds have been considered, please indicate whether you agree with the proposed thresholds for the activity to qualify for inclusion in the Taxonomy.

- Yes
- No
- Don't know / no opinion / not relevant

Please explain your answer to question 3. If relevant, you may propose alternative thresholds that could be considered.

2000 character(s) maximum

4. Do you agree with the 'do no significant harm' criteria identified for these activities?

- Yes
- No
- Don't know / no opinion / not relevant

If you do not agree with the 'do no significant harm' criteria identified for these activities, what alternative approach or requirements do you propose (e.g. referring to existing market initiatives and best practices) and why?

2000 character(s) maximum

We acknowledge that the “do not significant harm” assessment is preliminary. However, we stress the need to expand the assessment criteria and to include significant parameters which respond to specific vulnerabilities. For examples, taxonomies developed by the Joint Working group of Development Banks consider for specific adaptation activities further criteria such as infrastructure and costal protection, disaster risk management, capacity building, natural resources management and land use management. Furthermore, we would like to stress that it is crucial to make a clear distinction between asset-level adaptations which confront a specific climate risks over the life time of the asset and systemic adaptations which address climate risk that produce benefits to a wider system as community, city ecosystem and network. This distinction needs to be reflected in the taxonomy and to be applied under the “do no significant harm” assessment.

As already stated by BETTER FINANCE, we regret that the taxonomy, as it currently stands, is not directly linked to the mitigation of harm related to Social and Governance factors, as it will be developed exclusively vis-à-vis the environmental objectives. We encourage the Commission to explore ways in which ‘do-no-harm’ principles can be independently linked to standards and instruments covering Social criteria that look at how a company handles the relationship with its employees, suppliers, customers and the community in which operates and whether it respects all regulatory or non-regulatory but binding provisions on social, labour, human rights law, as well as the sectors of activity in which it operates. Criteria referred to

Governance should assess the company's management, executive pay, audit, internal control, including due diligence in establishing and managing selection and monitoring of sustainable assets, investment policies, conflicts of interest and risk management, and shareholder rights.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already?

- Yes
- No
- Don't know / no opinion / not relevant

Please explain your answer to question 5 and what requirements could be used to avoid such harm:

2000 character(s) maximum

6. Would the proposed criteria give rise to adverse consequences, e.g. risk of stranded assets or the risk of delivering inconsistent incentives?

- Yes
- No
- Don't know / no opinion / not relevant

Please explain your answer to question 6:

2000 character(s) maximum

7. Can the proposed criteria be used for activities outside the EU?

- Yes
- No
- Don't know / no opinion / not relevant

If according to you the proposed criteria cannot be used for activities outside the EU, please propose alternative wording that could be considered:

2000 character(s) maximum

BETTER FINANCE believes that to really work a taxonomy must be relevant also outside of the EU, which is not the main GHG producing area to start with. Nowadays, there are several formulations of taxonomies to address climate change and environmental issues. At international level, several efforts have been made from Multilateral Development Banks, OECD and United Nations . However, there is not a harmonization of the existing market practices and strategies with regards to sustainable finance. The EU should take the lead in this direction providing a robust methodology for the assessment of the environmental benefits of financial products.

Sector classification and activity	
Macro-Sector	D) Energy
NACE Level	4
Code	35.11
Description	Energy Production (Hydro)

Mitigation criteria	
Principle	Demonstrate substantial avoidance of GHG emissions
Metric	<ul style="list-style-type: none"> • Power density Watt/m2; and/or • Direct GHG emissions from the reservoir (gCO2e/kWh).
Threshold	<p>If the hydropower plant has no reservoir, or it is built on an existing reservoir without introducing any new reservoirs, i.e. the plant does not lead to additional reservoir emissions, the plant is considered eligible. In other cases, the hydropower plant is eligible if it meets the following thresholds:</p> <ul style="list-style-type: none"> • Direct GHGs from electricity generation <125 gCO2e/kWh; and/or