

Public consultation on draft criteria for the Taxonomy of sustainable activities

Document for the Members

Theme	Sustainable finance
Topic	Taxonomy of sustainable activities
Document subject to the consultation	The draft report of the EU Platform on Sustainable Finance , including the proposal of technical criteria in the Annex B
Period	03 August 2021 – 28 September 2021
EBA's answer	Available on EBA's website .

1. What was the consultation about?

On 03 August 2021, the EU Platform on Sustainable Finance¹ published [a draft proposal of technical criteria to assess a list of activities against four other environmental objectives](#), accompanied by a draft report explaining the rationale behind the work. The documents were opened for feedback.

The **four environmental objectives** addressed here are :

- Objective 3 "Water" (the sustainable use and protection of water and marine resources)
- Objective 4 "Circular Economy" (the transition to a circular economy)
- Objective 5 "Pollution" (pollution prevention and control)
- Objective 6 "Ecosystem" (the protection and restoration of biodiversity and ecosystems)

Not all activities listed in the draft report have criteria for each of these four environmental objectives.

It was an opportunity to challenge and influence the work of the Platform by providing a robust answer with, when possible, serious supportive references.

2. Why does it matter to the biomethane sector?

- A. Access to "green finance" for large and listed companies of the biogas sector**
- B. Access to public finance for projects**
- C. Reputation**

A. Access to private "green finance"

Will have to report	Are very likely to report	
Large and listed companies Large banks and insurance companies From 2022 ²	Non-listed large Cies & listed SMEs <i>From 2024, under an extended Directive of non-financial reporting</i>	Other SMEs <i>When requested by investors</i>

A.1. Large, listed companies of the biogas sector will have to report against the Taxonomy from 2022

¹ The EU Platform on Sustainable Finance (PSF) is a permanent expert group of the European Commission, established the Regulation 2020/852 (also called the Taxonomy Regulation). Its role is to advise the Commission on tasks and topics related to implementation and further development of the Taxonomy.

² They will have to report against objectives climate change mitigation and climate change adaptation from 2022, and against the four other environmental objectives from 2023.

- From 2022, large and listed companies under an obligation of non-financial report will have to report against the Taxonomy annually. They will have to disclose the shares of their turnover, OPEX and CAPEX associated with activities meeting the technical criteria laid down in the Taxonomy.

A.2. The scope of obliged companies could extend to non-listed large companies and listed SMEs from 2024

- It is expected that, because of an amendment to Non-Financial Reporting Directive³, the scope of sustainability reporting will be expanded to all large companies (most commonly > 500 employees) and to listed SMEs.

A.3. Obligations set on financial markets will drive the need for sustainability information and may lead to SMEs to assess their activities against the Taxonomy

- From 2022, financial markets will have to disclose Taxonomy-related information when marketing financial products claiming to be “environmentally sustainable”.
- This is creating strong demand for sustainability information as financial operators and investors want to identify if and to what extent companies are operating and investing in “green” activities.
- Depending on how the Taxonomy is made, this might become a significant burden and cost for SMEs when they have to disclose against the Taxonomy to prove an investor they are taxonomy-aligned.

B. Access to public finance for projects

- The use of the Taxonomy could be extended to public financing in the future, if it becomes a widely recognised benchmark for what is “sustainable”.

It is already referenced in some public programmes, including the European Regional Development Fund and The Just Transition Fund. The European Investment Bank will use it as a tool for project selection and tracking of expenditures related to climate objectives.

C. Reputation

- The reporting against the EU Taxonomy will be used by environmental NGOs to highlight the “good” and the “bad” of gas and biogas listed companies.
- There is also a risk that gas network operators could be asked by local authorities to report their investment in the local territory against the Taxonomy.

3. What was EBA's answer in short?

The answer of the EBA covered 10 activities. It focused on:

- Advocating for technical criteria that are compatible with sequential crops (activities 1.2 Crop production and 3.2 Electricity generation from bioenergy assessed against the objective “protection and restoration of biodiversity & ecosystems”)
- Asking for appropriate criteria on electricity generation and CHP from biogas in relation to pollution (activities 2.9, 3.11 and 3.16)
- Enlarging the contribution of AD of biowaste to the circular economy to other types of feedstocks (activity 13.5)
- Asking for the enlargement of the “contribution to circular economy” of the equipment providers that was proposed (activity 2.12 “Manufacture of machinery, equipment and solutions enabling a substantial contribution to the circular economy”)

³ This is the proposal for a Corporate Sustainable Reporting Directive that the European Commission tabled in April 2021. It can be expected it to be negotiated and adopted by the European Parliament and the Council of the EU before January 2023, with an application in 2024 at the latest.

4. What are the next steps of the institutional process

1. The EU Platform on Sustainable Finance is expected to submit **a final report** and a final proposal of technical criteria **by December 2021**.
2. Using the PSF's work, **the Commission** will prepare **a draft delegated act** and submit it to a public consultation **in the first semester of 2022**.
3. This delegated act is expected to be finalised and adopted **in Q3 2022**.
4. In 2022 (supposedly - no timeline has been given so far), the Platform will work on **a 2nd batch of activities** related to these same four environmental objectives.

ANNEXES

Annex I. What is the “Taxonomy”?

The Taxonomy is a **classification system** to identify **economic activities** that make a ‘**substantial contribution**’ (SC) to **at least one of six environmental objectives**⁴, whilst ensuring that the activity will ‘do no significant harm’ (DNSH) to any of the other five objectives and also meet minimum social safeguards.

It is made up of the Taxonomy Regulation 2020/852 and several delegated acts adopted by the European Commission.

Technical screening criteria are adopted through **delegated acts**:

1. The first DA deals with climate change mitigation and adaptation - adopted in June 2021.
2. The second DA will deal with climate change mitigation
3. The third DA is expected in S1 2022 and will cover the four other environmental objectives.

The Taxonomy is part of the larger framework for EU sustainable finance, where it is referenced by several inter-linked regulations on finance products, disclosures and reporting requirements. It is also referenced in public funding instruments, like the Just Transition Fund and the European Investment Bank’s climate lending policy.

To know more about the Taxonomy and how it is designed, [please refer to the Presentation and Q&A](#) of the Info Session of May 2021, available in the intranet website of the EBA.

Annex II. Overview of the status of the Taxonomy development

	1 st Delegated Act (DA): Climate part	2 nd DA: Climate part (complement)	3 rd DA: the 4 other environmental objectives
Focus	Climate change mitigation and adaptation	Natural gas, nuclear, agriculture	Diverse activities – Circular economy, Pollution, Biodiversity
Current Phase	Scrutiny by EP and Council of the EU	Drafting by the EU Commission	<i>Call for feedback on the draft proposal of criteria by the Platform on Sustainable Finance</i>
Next phase	Q4 2021: Entry into force	Q4 2021: Publication of a draft DA for public consultation	Dec. 2021: Final proposal of criteria by the Platform S1 2022: Publication of draft DA by the EU Commission
Use by companies	From 2022	From 2022	From 2023

⁴ The six environmental objectives covered by the taxonomy are: climate change mitigation; climate change adaptation; the sustainable use and protection of water & marine resources, the transition to a circular economy, pollution prevention and control, the protection and restoration of biodiversity & ecosystems.

Annex III. The treatment of the biogas sector in the climate part of the Taxonomy

Segment	Level of satisfaction	Comments
Biogas production	Moderate	At least 80% GHG emissions savings (theoretically only the biogas is used for electricity or cogeneration or heat) Gas-tight cover on the digestate storage (theoretically only the biogas is used for transport) Monitoring and contingency plan to minimise methane leakage
Infrastructure	Rather good	Vague wording encompassing all necessary infrastructure related to injection in gas grids But the term “low-carbon gases” not defined
Cogeneration	Good	Biomass must be compliant with RED II, Article 29
Heat production	Good	Biomass must be compliant with RED II, Article 29
Heating appliances	Adverse	Only micro-cogeneration is sure to be aligned.
Transport	Adverse	Use of biomethane excluded in most transport modes: passenger cars, buses, light-duty and heavy-duty road vehicles, trains that are not bimode (meaning trains running fully on biomethane are not deemed sustainable), inland water freight vessels Idem for the manufacture of gas vehicles
Not in the scope		Distribution of renewable and low carbon gases by transport modes Distribution of biogenic CO ₂ for reuse (BECCU) Storage of renewable methane Electricity generation & CHP with blended gas (fossil gas / biogas)

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About the EBA

The European Biogas Association is the voice of renewable gas in Europe since 2009. EBA advocates the recognition of biomethane and other renewable gases as sustainable, on demand and flexible energy sources that provide multiple knock-on socio-economic and environmental benefits. Supported by its members, EBA is committed to work with European institutions, industry, agricultural partners, NGOs and academia to develop policies which can enable the large-scale deployment of renewable gases and organic fertilisers throughout Europe, supported by transparent, well-established sustainability certification bodies to ensure that sustainability remains at the core of the industry. The association counts today on a well-established network of over 150 national organisations, scientific institutes, and companies from Europe and beyond.