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Sustainability Growth Innovation*

Position Paper

SGI Europe feedback to the draft complementary delegated act
on Nuclear and Natural Gas activities of the EU Taxonomy Regulation

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Generally, SGI Europe has welcomed the European Commission's draft proposal for a complementary Delegated Act on nuclear and gas. The new DA helps to recognise the contribution of these two activities to the energy transition in the context to support the increase of renewable energies. This is a vital and important aspect that SGI Europe strongly supports. However, the classification of nuclear energy as a transitional activity as described under Article 10.2 poses some difficulty and operational concerns and should be therefore revised. Given the low carbon footprint of nuclear power, the increase in energy demand (especially in electricity) and the increase of fluctuating renewable energies by 2040 onwards, nuclear will need the necessary investments to meet the energy demands. Furthermore, SGI Europe welcomes the flexible options to meet the requirements in the new DA and defines a higher threshold value for gas if additional conditions are met. At the same time, from the point of view of local public utilities, the criteria for classification as a sustainable economic activity are still extremely demanding and should be in some parts revised.

For gas, SGI Europe is in particular concerned on the following issues:

- a) The already known GHG emission **threshold value of 100g CO₂e/kWh**, which is based on **life cycle emissions**, is still not feasible in practice. In principle, a **limitation to the plant operation time** in the sense of direct emissions and a **budget calculation on the basis of realistic annual full-load hours** (820kg CO₂e/kW p.a. total output as a basis) seems preferable.
- b) For plants for which a construction permit is granted until the end of 2030, alternative requirements are foreseen. However, the proposed **alternative threshold value** of 270g CO₂e/kWh seems **unfeasible** as the challenging option of a budget value of 550kg CO₂e/kW p.a. (extrapolated over 20 years), which is only granted for electricity generation plants. Frankly, both criteria cannot be met even by the most modern plants with transitional fossil gas operation. This holds especially if these plants firstly have to be operated more flexibly at the expense of efficiency and secondly if there is not yet sufficient hydrogen available after the conceded emission quantities have been used up, but the plants have to be operated to maintain security of supply.

In addition to electricity generation plants, the budget approach should at least also be applicable by CHP plants, as the threshold value of 270g CO₂e/kWh is also not practicable for CHP plants – especially in view of increasing flexibility requirements.

For CHP plants as well as electricity generation plants a budget value of at least 820kg CO₂e/kW total output p.a. should be provided. Alternatively, the threshold value should be defined in direct CO₂ emissions on an annual average and should be set according to the following table:

	Gas-fired CHP plants	CCGT power plants	Gas-fired peak units
Annual average in gCO₂/kWh	310	350	550

After 2030 these values should be evaluated to reach carbon neutrality by 2050.

Furthermore, the **minimum requirement** for the proposed target is that its compliance should be **conditional on the sufficient availability of carbon-neutral gases at competitive prices**. This is particularly important for the specified blending rates of 30 percent and 55 percent from 2026 and 2030, respectively. In return, operators would have to ensure **H2 readiness** for power plants for which a construction permit is granted after 2030.

- c) In addition, the requirement to **replace coal- and oil-fired plants**, the accompanying **emission reduction targets** and the **capacity limitation for new construction and modernisation** must be called into question. The latter would be equivalent to an **expansion stop, especially for CHP and district heating**, and would completely counteract a socially acceptable and supply-safe heat transition. The capacity limit should therefore be dropped at least for those plants that are **100 percent H2-ready when authorised**. The requirement to switch to 100 percent climate-neutral gases by 2035, however, must again be made dependent on their availability and price competitiveness. In general, in view of the EU's 2050 climate neutrality target, it must be questioned whether the requirement for a complete switch to climate-neutral gases in 2035 is proportionate.

For nuclear energy, SGI Europe is in particular concerned on the following issues:

On the classification of nuclear activities

The classification of nuclear power generation as a transitional activity, as described in Article 10.2, is in SGI Europe's point of view not acceptable and should be revised. Given its low carbon footprint, the increase of energy demand (especially in electricity) and the increase of fluctuating renewables by 2040 and beyond, nuclear will need the necessary investment to meet the energy demand.

For this reason, SGI Europe advises to categorise nuclear power within the scope of Article 10.1, either under g (infrastructure) or under b, c or h.

Include reactor maintenance and allow for life extension beyond 2040

For SGI Europe, it is surprising that unlike the other activities included in the Taxonomy, maintenance does not seem to be taken into account by the current draft. Moreover, the limitation of life extension operations to 2040 would prevent these operations from being carried out for the most recent reactors. For this reason, SGI Europe recommends to include reactor maintenance and an allowance for a life extension beyond 2040.

On the scope of the activities retained

SGI Europe regrets to see the non-inclusion of fuel cycle and waste management as it is an enabling activity detrimental to the entire nuclear value chain. These activities, as underlined by the JRC spring report are, according to its study, essential to nuclear power production and will justify major investments. In line with the principle of science-based evidence, SGI Europe asks to include the fuel cycle and waste management as an enabling activity.

Deletion of the obligation to use accident-tolerant fuel (ATF)

With the obligation to use the accident-tolerant fuel (ATF), SGI Europe fears that it could render the inclusion of nuclear power in the Taxonomy and make it ineffective for almost 15 years. Indeed, this fuel is still under evaluation and, given the initial assessment on very limited quantities, is far from being certified by national regulator and available on an industrial scale.

Revisiting the requirement to have operational waste solutions at the time of authorisation of a project

In order to benefit from the Taxonomy, the Commission's draft requires that a life extension project or the construction of a new reactor must prove the existence of operational facilities for the various categories of waste. The Commission's requirement could lead to the suspension of the projects, while new repositories are brought into service. For SGI Europe, it does not seem reasonable that a project, at the time of its authorisation, should have to demonstrate that final repository facilities are already available. However, it is necessary that these are in operation when they are actually required to receive the waste.

Deletion of the prior verification of compliance with the criteria by the Commission

The Commission has planned to use an existing procedure (Article 41 Euratom, which allows it to give an opinion on nuclear investment projects) to qualify, on a case-by-case basis, a project with regard to the Taxonomy. No other activity is subject to this prior authorisation regime. As for other activities included in the Taxonomy, compliance with the technical criteria must be done through the Auditors and through the assessment of the financial community. For this reason, SGI European pleads that this specific process should be deleted.