



*Employers entrusted to deliver
Sustainability Growth Innovation*

Position Paper

Accompanying paper to the public consultation on the Draft report by the
Platform on Sustainable Finance on the preliminary recommendations
for Technical Screening Criteria for the EU taxonomy

24 September 2021

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SGI Europe generally welcomed the European Commission's draft Report on the preliminary recommendations for the Technical Screening Criteria for the EU Taxonomy second Delegated Act. SGI Europe is very supportive of the continuation of the progress with the development of the EU Taxonomy that aims to finance the transition to climate-neutrality by 2050. Realising these challenges will require setting the right framework to redirect capital flows towards an environmentally friendly and socially sustainable economic activities. We strongly believe that **the concept of the sustainable finance mechanism and the Taxonomy Regulations can act as an enabling tool** to realise the objectives set in the EU Green Deal.

Having an observer role in the Sustainable Finance Platform, **SGI Europe fully supports the European Commission on its path to further developing the EU Taxonomy and strengthening its tools and applications for a functional sustainability reporting scheme.** Sending additional policy recommendations on the Technical Screening Criteria to the work of the Platform is therefore of high importance to our members from the public services and services of general interest (SGIs).

In fact, **SGI Europe strongly believes that more attention should be paid to the public sector and SGIs as they are the providers of general interest.** There is an unbalanced assessment of the impact for the public sector, compared to the private sector. As the taxonomy is very complex, we would like assurances that not only bigger stakeholders will be able to implement it. **We call upon the European Commission to ensure technical assistance and capacity building by providing enabling EU funds.** This will be essential to assess the public sector's compliance with the EU Taxonomy and ensure a secure the continuity of general services to the public in this green transition phase. It is also important that this policy framework continues to follow the key objective of improving the availability of data regarding the green and social sustainability performance, including for essential services and social infrastructure and services, such as access to water and energy and housing, to become more attractive for investments.

Furthermore, for the second Delegated Act to be effective, and the EU Taxonomy to be complete and functioning, **SGI Europe sees it as essential that this framework is guided by common principles that safeguard a similar level of ambition across various sectors and aims for a technology neutral approach,** which we fear is not reflected in its current form. It will be also important to ensure that the EU Taxonomy takes into account the maturity of the technologies and the contribution that they will make in reducing CO2 emissions and add to the circular economy principle.

Additionally, **SGI Europe wants to emphasise again the high relevance of ensuring that the EU Taxonomy is fully taking into account the respected national and EU Legislations and applies them accordingly.** The key element should be to simplify the process in order to make sustainable and resilient projects more attractive. For this, a guidance paper regarding to the transposition into national law would be much appreciated by all actors in the EU and would secure a harmonious application.

In this context, SGI Europe has summarised its high-level policy recommendation reflecting a wide range of public service and services of general interest sectors in the energy, transport, building and water/waste-water sector, that we wish to have recognised by the European Commission:

Support a Sustainable Circular Economy in the Waste Management

Throughout SGI Europe's presence in the Platform, we have applauded the recognition of the TEG to mention waste and circular economy in the objectives and activities as an industry with remaining investment gaps and a need for action. On that basis, SGI Europe has made, on multiple occasions, its voice heard, asking for the inclusion of Waste to Energy (WtE) as a sustainable criteria, which is a technology capable of contributing to the closure of the waste cycle with energy recovery. **The waste and circular economy has great potential for a rapid, effective, and eco-efficiently reduction of GHG emissions, whilst closing the circle by producing energy.**

The recommendations in the TSC cover the higher steps of the waste hierarchy and **whilst prevention, reuse and recycling must remain a top priority** and should be adequately financially supported, **SGI Europe underlines that ignoring the step on how to deal with residual waste in a sustainable and beneficial manner via WtE, will leave a hole in the sustainable finance mechanism.** This will additionally have a significant effect on how successful the circular economy will be in the future.

In fact, **with the higher standards on recycling, more rejected material will come from these facilities.** Also, product design does not yet sufficiently consider recyclability in many cases. And certain wastes should not be recycled in the first place. This means that the significant amounts of non-recyclable waste must be incinerated or even landfilled, including contaminated material. Here, WtE treatment of non-recyclable waste is essential to phase out landfilling i.e., of biologically active residual waste, that contributes to climate change by releasing methane. **Controlled landfilling, in compliance with the waste legislation on non-recyclable waste with low energy content and of hazardous waste, is an indispensable column of sustainable waste management** as well.

Ignoring here the positive contribution that WtE as well as controlled landfilling of pre-treated waste can make towards the taxonomy objectives, will lead to incomplete waste management systems. Consequently, high-quality recycling cannot be achieved due to a lack of outlet for rejects and where landfill or transboundary movement remain the only option for untreated residual waste, impeding the achievement of the target set in the EU Landfill Directive.

It needs to be clear that adding WtE in the EU Taxonomy will not significantly increase incineration. It will simply give a framework to treat non-recyclable waste in the most sustainable way possible.

SGI Europe therefore once again advises the European Commission to further consider these options by inviting experts from the field to the Platform meetings to further elaborate on this opportunity. If WtE and controlled landfilling, however, remains out of the transition activities, **SGI Europe recommends in its feedback to the Extended Taxonomy to categorise WtE as an Intermediate Performance (IP) activity and also wants to add controlled landfilling in this category.**

Include bioenergy under circular economy target instead of biodiversity target

SGI Europe believes that the energy production of bioenergy should be part of the circular economy targets instead of the biodiversity targets to ensure a proper implementation of this activity in the EU Taxonomy and for a functional circular economy practice. **We fear that the additional effort to determine the**

mentioned evaluation criteria for bioenergy are extremely far reaching, compared to present large-scale production and use, the Renewable Energy Directive II criteria (Article 29), and available science-based knowledge on sustainable forestry, agriculture and use of bio energy. The suggested criteria would also impose a heavy and unproportionate administrative burden on producers and users of bioenergy, many of which are SMEs. Also, it is difficult at this stage to implement such criteria without extensive additional external support. This is especially the case where data for all parameters (e.g PM 10 and PM 2.5) are missing.

The Sustainability criteria for biomass should instead be revised in the context of RED and the “Fit for 55” package and complementary national legislation to consider varying national and regional conditions. Those criteria define, under which conditions biomass is a renewable and sustainable energy source, which should be sufficient for the activity to be considered as contributing substantially to the protection of biodiversity and ecosystems.

Furthermore, **not including downstream environmental benefits from bioenergy when replacing fossil fuels will cause a limited and partial evaluation where indirect benefits are neglected.** This is not in line with the increased requirements of holistic systems perspective in policies and legislations (e.g. the required life cycle calculation of biofuels greenhouse gas performance).

Lastly, the regulations focus almost exclusively on the extraction of biomass from the forest. Further use for energy generation in a power plant (including possible energy efficiency criteria) is only briefly assessed and limits the activity assessment massively. SGI Europe is here advising to make the use of the Industry Emission Directive (IED) for further measurements.

For these reasons, SGI Europe calls to include bioenergy under circular economy target instead of biodiversity target to ensure the true benefits of using bioenergy to diversify the energy portfolio and effectively reduce CO2 emissions.

Welcomes the recognition of the sustainable activities of the Waste-Water Treatment

SGI Europe very much **welcomes the draft reports’ approach and recognition of the waste-water treatment plants’ activities as a substantial contribution to reducing pollution and pressure from the environment that other activities cause.** The waste-water sector plays an important role in environmental and water protection in the EU. At the same time, waste-water treatment plants are an enabler and ultimate prerequisite for the environmental contribution of other activities considered within the Taxonomy. For some economic activities, it is the Waste-water treatment plants that enable other economic activities to make a positive contribution in the first place. **This is why it is particularly important to prevent reduced access to financing, which would have detrimental spill-over effects on the sustainability of other activities.** Understanding this key role and, consequently, not placing waste-water treatment plant activities on the same level such as buildings or manufacturers of heavy metal, is a vital step to ensure a sustainable finance mechanism for the waste-water sector.

SGI Europe has worked actively and at length on the revision of the [Sewage Sludge Directive](#) and the [Urban Waste-water Directive](#), and remain in the position that until the revision process is finalised, **we asked the experts in the European Commission to await the revision results before applying stricter measurements.**

Recognise the important contribution of water supply

SGI Europe welcomes that the Platform links the technical screening criteria for water supply to the recently adopted revised Drinking Water Directive, and fully supports this coherence. In order not to undermine the coherence, we advise not to propose parallel ILI thresholds beyond the Directive, but to ensure consistency in this context as well. Therefore, **SGI Europe proposes to link the technical screening criteria to the threshold to be set out by the Commission in a delegated act in accordance with article 21 of the Drinking Water Directive.** This would also prevent setting an arbitrary ILI threshold.

In this context, it must also be taken into account that investments are not automatically linked to significant impacts on the water losses of the infrastructure system, which is why **the accuracy of the criterion for assessing sustainable investments in water supply in general should be well considered.**

Respect technology-neutrality also in the public transport sector

A diversified energy supply is not only vital for the energy sector itself, but also for the transport sector to effectively reduce Greenhouse Gas (GHG) emissions and reach the EU's climate-neutrality goals by 2050. The Public transport sector is hereby the best mobility option to support as the transport sector is responsible for around a quarter of GHG emissions in the EU and is therefore one of the largest emitters in Europe. A roll-out for more electric vehicles and buses is welcomed to support this transition. However, it is contra productive of the EU Taxonomy to undermine the use of sustainable biofuels from both the biogas production and from waste-water treatment. **SGI Europe is calling here on the Commission to respect technology-neutrality also in the transport sector and include the use of sustainably produced biofuels in its activities to reach the EU's climate targets.**

Furthermore, **SGI Europe has noticed a possible incompatibility between the current draft report and the previous draft report on the first environmental objectives.** As an example, **the first report focused on the economic activity "freight rail transport" and not in the second report for the 4 remaining environmental objectives.** This would mean that **this activity must only respect the DNSH criteria for some environmental objectives.** SGI Europe fears here that this will consequently pose some challenges in the application of the obligation stated under the Article 8 of the EU Taxonomy Regulation, and especially its Annex II stating to report on all 6 environmental objectives. Without proper technical screening criteria, some companies might have to use the annex differently. Here, some guidance would be helpful in order to comply with the EU Taxonomy when all the delegated acts will be published and implemented.