

27 February 2019

EBF response to the TEG Taxonomy consultation on climate change mitigation activities

[Feedback on the first round climate change mitigation activities](#)

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General comments

Why do Financial Markets Participants need a taxonomy?

Some believe that the growth of the sustainable financing market is hindered by a lack of clear standards. We do not believe that this is necessary the case. The sustainable financing market is limited for other reasons such as:

- There are **not many sectors** involved. The green financing (bond) markets started in 2007 with multilateral banks (mainly (re)financing renewable energy, industrial energy saving and

climate change mitigation projects), utilities ((re)financing renewable energy projects or grids), real estate developers ((re)financing green buildings), followed by and some other “pure play environmental” companies (such as waste companies, water companies, environmental technology, forestry related companies and rail companies) and commercial banks including car leasing companies (refinancing the already mentioned assets). **Many players in these “obvious” sectors have already issued green bonds.**

- The **total amount of renewable energy investment in the world is limited**. Global investment in renewable energy edged up 2% in 2017 to \$279.8 billion, taking cumulative investment since 2010 to \$2.2 trillion, and since 2004 to \$2.9 trillion¹. This is 13% below the record set in 2015. Almost \$41 is invested in Europe. The leading location by far for renewable energy investment in 2017 was China, which accounted for \$126.6 billion, its highest figure ever and no less than 45% of the global total. Only a small part needs financing via bonds or banks.
- There is a **decreasing amount of renewable energy assets on the balance sheets of banks and utilities**. These projects are increasingly financed directly by (mainstream and private equity) investors or they are financed by banks initially distributed to investors after project completion, which is a very good trend because it lowers the costs. This means however that they will not be refinanced via bonds, so it decreased the size of the green bond market.
- The **volumes of investments and expenditures to make sustainable (labeled) finance viable are huge** (in the bond market >EUR 300m). There are no accounting rules around green financing, which leads to lack of clarity for market participants as to how to deal with capex, opex, depreciation, eligible budget years, etc.
- Treasurers, SPO providers and investors are easily **exposed to criticism**. For example Unilever, an early green bond issuer, was criticized by CBI because they used part an internal energy efficiency standard and baseline for energy efficient factories. This was unfair because the Unilever standard was well defined and measurable and it is unlikely that there will be a universal standard for food manufacturing and even CBI did not try to develop one since then
- Sustainability is relatively **complex and pluriform and differs in the various sectors**. Market participants, including advising banks and SPO providers, have limited knowledge about sustainability strategies, transitions and supply chains in the various sectors. Many advisors stop looking when there are no pure play assets such as solar panels on the balance sheet of a company. In every industry there are many legal standards, EU regulations, sector body standards, Certifications, Environmental Claims or Life Cycle Analysis based Environmental Product Declarations (LCA, EPD) on the environmental, sustainable or social quality of underlying assets or projects (such as EPBD energy labels, EU ecolabel, Organic, Breeam, Leed, DBNG, DGNB, MSC, ASC, Green Key, fair trade, Utz, Nordic Swan, Eco Lighthouse, 3GPP to name a few). An older OECD study showed that there are more than 500 ecolabels in Europe. The quality differs but is, in general, good. Companies with these labels are clearly “change agents”: they have a market share of (much) less than 10%. Financing labeled products and processes are an important source of growth for the green financing market.

The green finance market functions relatively well and **does not necessarily need an EU taxonomy for “obvious” environmental assets**, such as solar panels, wind farms, green buildings or forestry. Market participants with such assets do not feel any limitations to issue in green format and investors are in general fine with the definitions.

¹ **Frankfurt School-UNEP Centre/BNEF. 2018. Global Trends in Renewable Energy Investment 2018, <http://www.fs-unep-centre.org> (Frankfurt am Main)**

The growth of the financing market markets must take place in **other sectors, especially manufacturing and services**. Incidentally companies in manufacturing sectors have issued green, social sustainable bonds that (re)financed certain green products (such as electronic parts, certified coffee, certified cocoa, fair trade food and telecom networks).

For these markets, guidance by means of a good taxonomy is needed.

We would also like to stress that mitigation only covers a small part of the lending/financing activities of the banking sector. The banking sector, which finances around 70 percent of the EU economy plays a crucial role in achieving the objectives of the Paris agreement and in financing the transformation towards a sustainable economy and society model. Most companies are at different stages in their transition journey towards low-carbon and sustainable activities. Banks have a particular role to play in supporting corporates on this journey. This is especially important when considering the role that stewardship plays in investment management through engagement with companies, or when banks financing of bridging activities help those companies to build progressively their sustainability strategy.

What will the effect of a (too) rigid Taxonomy be?

The Taxonomy seems to opt for a rigid definition (rigid thresholds) of environmentally sustainable activities. This is an unwanted situation.

Sustainable financing is currently very much focused on pure play assets and almost never uses rigid thresholds or requirements for energy use/saving or carbon savings. In some cases green bond issuers have mentioned energy use thresholds for buildings but these are in the end based on existing (legal) building codes and thresholds for cars are also based on legal standards or on Life Cycle Analysis. Energy use/saving or carbon saving figures are, in general, not used for asset selection but for green bond reporting.

Many of the requirements in the EU Sustainable Finance Plan are not only rigid but also quite high and based on very ambitious goals. In practice, this would mean that even many high-performing and often certified by the highest standards companies would not necessarily be able to fulfil the criteria. Thus, the standards seem to be based on long-term goals rather than on acknowledging and encouraging increased sustainability in a short term.

Defining rigid requirements will almost certainly further limit the sustainable financing market. Market participants are not expected to derive from the EU standard, to avoid being accused of green washing. **This means in practice that Sustainable Finance could diminish with introduction of a rigid taxonomy.**

What is the solution?

The classification **of sustainable products** in the Taxonomy **must be improved** to be completer and more inclusive and for example also include manufacturing and parts for such pure play technologies. We will provide examples how that can be done with PRODCOM and CN codes. But that itself is not sufficient.

We believe that it is very important that the EU Sustainable Finance Plan refers to existing legal standards, EU regulations, sector body standards, Certifications, Environmental Claims or Life Cycle Analysis based Environmental Product Declarations (LCA, EPD)². These standards must then be linked to the product definitions of the taxonomy similar to how member states do this in their environmental accounting. See for more details, paragraph 10.2

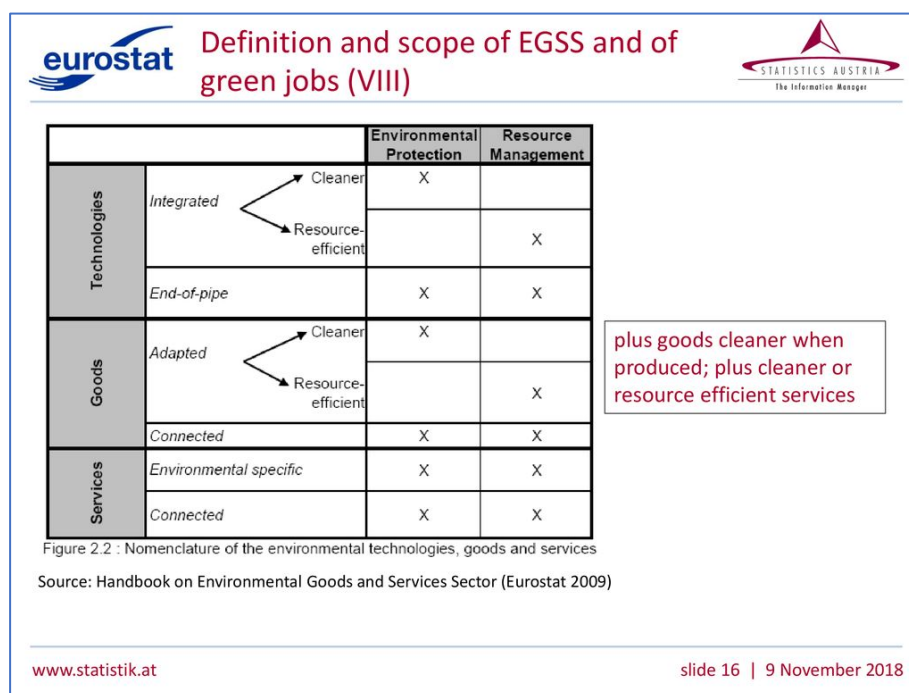


Figure 1 The relationship between environmental goods, services and technologies

A so called comparison approach to the normal activities in a sector is easier and preferred above a rigid approach. In a comparison an activity will be compared to existing sustainable EU or third party criteria for such activities.

Ideally the identified activities (products) would also be incorporated in the PRODCOM and CN codes, similar to how the EU does that in the **Ecodesign directive**.

The sustainable financing markets must mirror the sustainable developments in the real economy, and be able to finance and support that development without too many limitations. Sustainable Finance is about creating awareness, keeping momentum, and sometimes also about setting things in motion.

Taxonomy should result in a set up of environmental activity codes which can be implemented in fully automated systems of financial market participants, improving the usability for the main users of the Taxonomy as showed in the below figure.

² Certifications, claims and EPD's are the official ISO 14020 series labeling categories

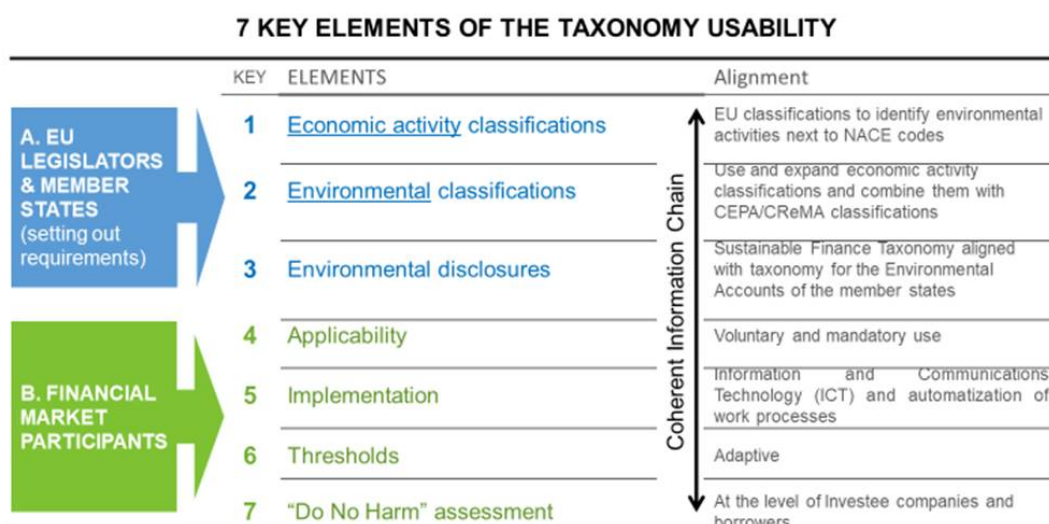


Figure 2 - 7 Key Elements of the Taxonomy usability

The Taxonomy seems to go for a rigid definition of environmentally sustainable activities. We acknowledge it will not be easy to set meaningful, rigid thresholds per activity and keep them up to date in a fast changing society. We recommend the EU to let some degree of flexibility to the markets to identify these thresholds, and mainly to concentrate on the description of the appropriate process of how market players should define the thresholds and the management and documentation of the results. The current document forms a good starting point for that approach.

General comment on GHG baselines

For all GHG emission requirements it is important that the baseline is for example the European average. An alternative is to focus on energy savings (joules, kWh), so to decouple it from the amount of renewables or renewables in the grid. The reason is that in countries with large amounts of nuclear energy or renewable energy all activities will comply, so all finance will be sustainable finance, which cannot be the idea.

9. Agriculture Forestry and Fishing

9.1-9.4 Afforestation, Rehabilitation, Reforestation, Existing Forest Management

This section refers to the PART B – chapter 6 (from page 21 to 24) and Part D (from page 37 to 108) of .

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

☒ Yes

☐ No

If not, what alternatives do you propose and why? (max 2000 characters).

Increased forest area and retention of quality forest will contribute. It can be further enhanced by, eg. more fast-growing crops such as grasses while at the same time having less losses in the economy, jobs etc. The principle should not solely be based on the improvement of carbon sinks in forest, but have a holistic approach on the concept of sustainable forestry and its role in the carbon cycle.

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

☐ Yes

☐ No

If not, what alternatives do you propose and why? (max 2000 characters).

- We agree that it is the role of certifying bodies like FSC and PEFC to set credible standards
- For us it is a very important principle that the EU does not add additional criteria. When the certifications are not good enough then they have to improve over time through; for banks this is too complex and it is also unwanted because it means that automatic identification with the help of databases becomes impossible.
- Categories and definitions should be aligned with the LULUCF Regulation as well as with the Kyoto Protocol definitions and national requirements stemming from, i.a. RED and Forest Europe Principles. The judgements carried out by the national authority, along with data on e.g. harvest growth, also provide for suitable national indicators for sustainable forestry. It should be noted that forestry is predominantly national competence, as recognised in Union legislation.
- Reference to certification principles (such as ISO or ISEAL) or other characteristics of certification or sector initiatives
- When GHG accounting is not part of the forestry standards such as FSC or PEFC then we recommend that financial market participants put pressure on the certification bodies; reporting criteria must NOT be mixed with eligibility criteria
- It will be very difficult to identify companies in the paper and wood supply chains that are able to show evidence that their suppliers meet these criteria. This is important because the number of forestry companies is limited and sustainable finance will focus on other players in the supply chain.

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

☒ X No

See above

Also, particular attention should be given to the long-term nature of forestry activities: due to their nature, and in order to achieve future improvements, management activities such as thinning and harvesting will need to be able to be carried out on a regular basis, meaning that a 100 % natural state cannot be an exclusive objective at all times.

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

☐ Yes

☒ X No

If not, what alternative approach or requirements do you propose (e.g. referring to existing market initiatives and best practices) and why? (max 2000 characters).

While we do not object the do no harm criteria, existing regulation and FSC/PEFC) standards that market participants use should be accepted and introduction of new quasi regulation for finance should be avoided.

The do no harm criteria is normally implemented at the level of the issuer, not at the level of the activity, otherwise it would be too complex.

For example, when a company makes certified wood then these products must, by definition, be trusted and produced in a responsible way. When we add more criteria for these products then implementation of sustainable finance will become virtually impossible. In a normal definition for a sustainable product, the avoidance of unwanted effects will be part of the definition. Unfortunately, this is not always the case and manufacturers may not have a complete view of the supply chain. Investors are able to monitor that the company is responsible overall based on general ESG indicators. While this may be improved over time, we believe, it is a good starting point.

Special efforts in relation to marsh land and other low-land areas with extra high carbon binding should be used as an instrument instead of general instruments for all soils. It will be a problem if carbon binding is to be maintained at 100 per cent in all areas - but the approach of realistic goals of maintaining binding is also operationally good for maintaining the value of the land. Increasing carbon binding must be the decisive goal.

Also, “significant harm” would, in order to achieve a uniform interpretation of the term, need to be defined more specifically. Similarly to what is the case with the sustainability assessment in general as discussed above, the required assessments will inevitably be linked to the very

same aspects that make forestry a predominantly national competence, as recognised in Union legislation.

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

☐ Yes

☒ No

Please explain why and what requirements could be used to avoid such harm. (max 2000 characters).

See above. It is not realistic if commercial forestry is to be maintained. There may be requirements that in large forest areas there must be parcels with different types of species of trees.

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

The criteria are so strict and difficult to verify for banks that it may kill the sustainable finance market. Without adjustments, the proposed criteria would lead to such an effect both for traditional forest industries as well as for other businesses such as biorefineries.

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

☒ Yes

☐ No

Yes but see comments

The application of the taxonomy on such activities should be aligned with their treatment as third country activities in other Union legislation, including RED.

Additional questions:

8. How feasible is end-use tracking of wood products delivered from forestry activities? (max 2000 characters).

It will be very difficult to identify companies in the paper and wood supply chains that are able to show evidence that their suppliers meet these criteria. This is important because the number of forestry companies is limited and sustainable finance will focus on other players in the supply

chain.

It should be clarified who is supposed to be responsible for the tracking. The existing, respective requirements for each activity function throughout the supply chain where responsibility is also transferred along the same lines. The logical solution would thus be to let each part of the chain take responsibility for their respective activities instead of introducing a parallel see-through system for the chain as a whole. The long-term nature of forestry activities should also be taken into account – the specific future use of the product cannot necessarily be specified in detail as early as during the planting phase, for instance.

End-use tracking is already addressed in the EU Timber Regulation. Creating a further layer of requirements is therefore unnecessary.

9. Do you agree with the requirements for Sustainable Forest Management of the Taxonomy? (max 2000 characters).

SFM is very unclear and premature. It is also unclear why FSC and PEFC would comply and which (of the approximately 20 other forestry certifications in the world) don't. We recommend to formulate general principles for every form of ecolabeling. For characteristics see OECD study on environmental labelling systems (ELIS) or ISEAL and ISO standards, instead of specific ones for the forestry sector. We do not find it a good idea.

10. Do you foresee potential challenges with the implementation of the two Metrics? If so, please elaborate and suggest options for consideration. (max 2000 characters).

It is crucial that 'carbon farming' as forestry can be operated with commercial logging and replanting - and thus does not get definitions that lead to demands for widespread close-to-nature forest. The forest must be able to be used, but also maintained as area and habitat.

11. Do you agree with the cutoff date and rationale selected to limit the conversion of high carbon stock land? (max 2000 characters).

No opinion on the cut-off date or rationale per se, but the preconditions of commercial forestry should be taken into account: a 100 % natural state cannot be an exclusive objective at all times. Commercial forestry involving logging and replanting should be able to qualify as sustainable.

12. How prescriptive should the Taxonomy be in recommending GHG accounting and reporting methodologies for Forestry? (max 2000 characters).

When GHG accounting is not part of the forestry standards such as FSC or PEFC then we recommend that financial market participants put pressure on the certification bodies; reporting criteria must NOT be mixed with eligibility criteria

GHG accounting and reporting methodologies are useful tools where available, i.e. where they are indeed applied. With smaller forestry companies in mind, there should be alternatives to GHG

accounting. Such alternative tools could be linked to other processes stemming from existing legislation such as the RED framework, as the additional measurement process required for demonstrating compliance could likely be performed in parallel.

13. Should the taxonomy include a requirement to limit or avoid the use of fertilizers in forests? (max 2000 characters).

No. The fertilizer application is limited today - and it is not expected to increase significantly, but the ability to use fertilizers in forests is crucial in certain cases (e.g. Christmas tree cultures)

When this is not part of the forestry standards such as FSC or PEFC then we recommend that financial market participants put pressure on the certification bodies to include it; encouragement is always good, but we think the taxonomy should refer to existing standards. Banks are not able to manage this.

It should also be noted that the use of fertilisers, through enhanced forest growth, contribute to increased CO2 sequestration and also contribute to the development of resource efficiency in the case of certain fertilisers.

14. Should the taxonomy encourage improvements to soil and water quality, where feasible? (max 2000 characters).

When this is not part of the forestry standards such as FSC or PEFC then we recommend that financial market participants put pressure on the certification bodies to include it; encouragement is always good, but we think the taxonomy should refer to existing standards. Banks are not able to manage this.

The criteria should in any case be diversified similarly to national targets considering the differences across Member States.

15. Would excluding the conversion of wetlands prevent the establishment of mangroves on existing wetlands (that can help protect from the rising sea levels)? (max 2000 characters).

When this is not part of the forestry standards such as FSC or PEFC then we recommend that financial market participants put pressure on the certification bodies to include it. We think the taxonomy should refer to existing standards, banks are not able to manage this.

16. Do you agree the taxonomy should only include existing forest management activities that can demonstrate improvement in forest carbon sink (as opposed to maintenance of carbon sink)?

Against the background of the long-term nature of the activities and the possibility of unexpected events such as fires, rather than emphasising the maintenance of the carbon sink per se, the focus should, in the long term, be on maintaining carbon balance.

16.a What threshold would be best appropriate to measure improvement of existing forest management, and over what period?

Aligning the requirements with RED would mean applying its risk-based approach, making a specific threshold redundant. In the long-term perspective, the risk-based approach is also more suitable against the background of natural developments. Particular attention should be given to the long-term nature of forestry activities: due to its nature, and in order to achieve future improvements, management activities such as thinning and harvesting will need to be able to be carried out on a regular basis, meaning that a 100 % natural state cannot be an exclusive objective at all times.

10 Manufacturing

10.1 Energy and resource efficiency in manufacturing

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

Manufacturing (NACE C) is a very broad area (MANY SUB SECTORS) and cannot really be captured in just one category of the Taxonomy. This sector 10.1 but also chapters 10-13 in the taxonomy suffer from a wrong classification of economic activities, which will make it very difficult to implement for financial market participants: for example 10.1. “energy and resource efficiency” is definitively not an economic activity. Without the correct definitions, the taxonomy will NOT be implementable.

Apart from the classification, yes, efficiency is a very relevant aspect of economic activity and the proposed principle is sound from an environmental point of view.

We recommend to implement this part of the taxonomy in another way.

1. **Apply normal classifications for manufacturing and other activities, including products and services:** this means within the NACE codes, define relevant CPA's (Classification of Products by Activity), key PRODCOM codes (for products) and CN codes (for traded products). The benefit of harmonized coding is that also other parts of the world will be able to follow or copy the taxonomy internally or in their trade with the EU. CN codes are often more detailed than Prodcom codes³.

³ https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/what-is-common-customs-tariff/combined-nomenclature_en and <https://eurostat.prod.3ceonline.com/#current-question-pos>

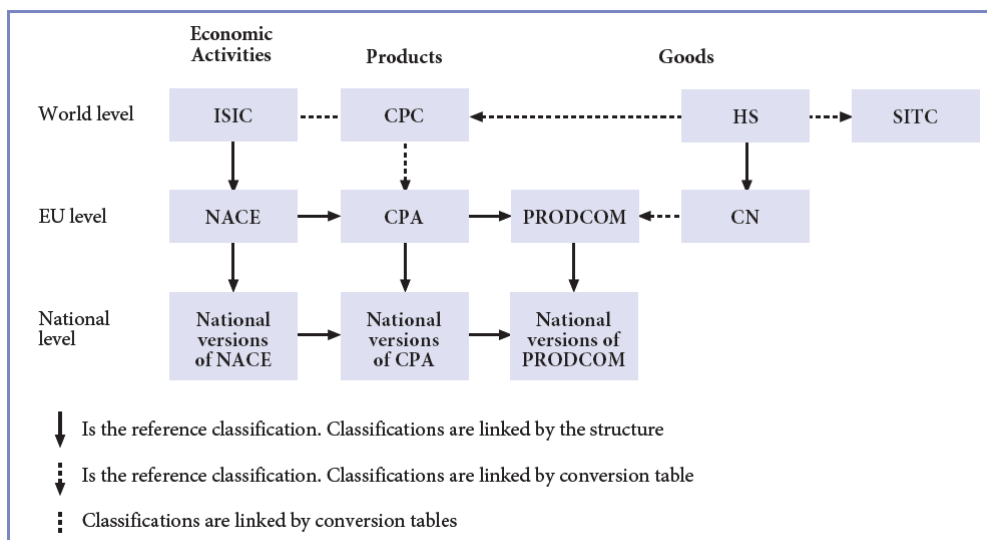


Figure 3 Economic activity classifications

2. **Provide guidance for the ‘manufactured’ goods and services**, We recommend to do this in a similar way as it is done in the environmental accounts (especially the EGSS account, part of SEEA 2012) by the EU member states. In the end, the taxonomy must give a clear definition of Environmental goods and services (EGSS). In the EU EGSS handbook and the SEEA handbook these goods and services fall within the categories of:
 - a) **environmental specific services** (SEEA 2012 § 4.53). These are pure play environmental activities.
 - b) **goods: environmental sole purpose products (connected products)** (SEEA 2012 § 4.65). These goods are not the output of environmental activities but the main purpose of these goods is to serve certain environmental protection or resource efficiency goals.
 - c) **goods: adapted products** (SEEA 2012 § 4.99), these can be any normal product as long as it cleaner or more resource efficient; the main purpose is of the product is not environmental
 - d) **environmental technologies** (SEEA 2012 § 4.103), these are integrated or end-of-pipe technologies that operate at the end of a production or consumption cycle when the pressure on the environment has already occurred.

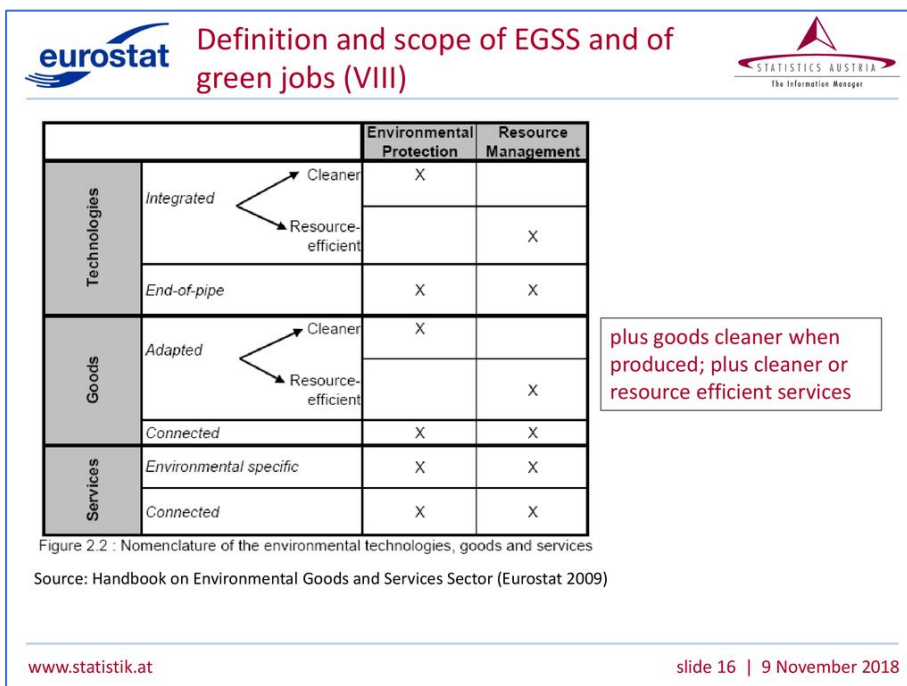


Figure 4 The relationship between environmental goods, services and technologies

Abbreviations: Environmental Protection (EP) and Resource Management (RM)

The scope of this product definition is wide and the application is flexible, which is an advantage for the Taxonomy. For example, and **electric car** is seen as an **adapted good**. Also products from sustainable forestry or agriculture will be classified as **adapted goods**, because the classification system can include references to certifications (such as FSC wood or organic food). Some sectors will be seen as “pure play” such as Sewerage Services (NACE 37).

In the current proposal the taxonomy only refers to **BAT**. This is important but investments in BAT are a very small part of the investments and by far not enough to achieve a reasonable scope of the taxonomy. Technologies that are referred to as “BAT” in the taxonomy will be classified as environmental technology, and both the production and the use can be eligible for sustainable finance.

See for some other examples of “100% environmental products” the table 6 from the EU EGSS handbook and the file: <https://ec.europa.eu/eurostat/.../EGSS+list+of+env+products.xlsx>

CPA 2008	Description
02.20.14	Fuel wood
08.12.13	Mixtures of slag and similar industrial waste products, whether or not incorporating pebbles, gravel, shingle and flint for construction use
22.19.10	Reclaimed rubber in primary forms or in plates, sheets or strip
23.65.11	Boards, blocks and similar articles of vegetable fibre, straw or wood waste, agglomerated with mineral binders
26.51.41	Instruments and apparatus for measuring or detecting ionising radiations
28.11.22	Hydraulic turbines and water wheels
28.11.24	Wind turbines
28.11.32	Parts of hydraulic turbines, water wheels including regulators
37	Sewerage services; sewage sludge
38	Waste collection, treatment and disposal services; materials recovery services
39	Remediation services and other waste management services
43.29.11	Insulation works
71.12.15	Engineering services for waste management projects (hazardous and non-hazardous)
74.90.13	Environmental consulting services

Figure 6. EU EGSS handbook Table 6, page 46: Examples of CPA codes for environmental products

Environmental goods and services in indicative compendium	CPA 2008			CN 2016			Class of environmental activity (CEPA/CreMA)																		
	CODE	DESCRIPTION	%-age of EGSS (n=100%, v=1% to be determined)	CODE	DESCRIPTION	%-age of EGSS (n=100%, v=1% to be determined)	1	2	3	4	5	6	7	8	9	10	11A	11B	12	13A	13B	13C	14	15	16
Organic agricultural (plant and livestock) products	01.1, 01.2, 01.4	Non-perennial crops, Perennial crops, Live animals and animal products	v	01, 04, 05, 06-14	Live animals, dairy produce, bird's eggs, natural honey, edible products of animal origin, not elsewhere specified or included, Products of animal origin, not elsewhere specified or included, Vegetable products	v					X														
Supporting services to organic agriculture	01.61, 01.62	Support services for crop production, Support services for animal production	v			v				X						X									
Other wood when complying with sustainability measures	02.10	Forest trees and nursery services	v			v											X								
Fuel wood	02.20.14, 16.10.23	Fuel wood, Wood in chips or particles	h	4401	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms, wood in chips or particles, sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms	h															X				
Organic aquaculture products	03.00.14, 03.00.15, 03.00.23, 03.00.24, 03.00.32, 03.00.42, 03.00.44, 03.00.64	Live fish, marine, farmed, Live fish, freshwater, farmed, Fresh or chilled fish, marine, farmed, Fresh or chilled fish, freshwater, farmed, Crustaceans, not frozen, farmed, Oysters, live, fresh or chilled, farmed, Other molluscs and aquatic invertebrates, live, fresh or chilled, farmed, Seaweeds and other algae, farmed	v	03	Fish and Crustaceans, molluscs and other aquatic invertebrates	v						X								X					
Supporting services to organic aquaculture	03.00.72	Support services to aquaculture	v									X								X					
Rehabilitation of mining sites services	09.39.00.11	Mining support services, Remediation and clean-up services, soil and groundwater	v							X															
Waste collection services of waste resulting from the extraction of raw materials	09.39.00.11	Mining support services, Remediation and clean-up services, soil and groundwater	v						X																
Drainage water capturing services to prevent groundwater contamination	09.39.00.11	Mining support services, Remediation and clean-up services, soil and groundwater	v							X															
Electric and more resource efficient transport equipment	29.30	Motor vehicles, trailers and semi-trailers, Other transport equipment	v	87, 86	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof, Railway or tramway locomotives, rolling stock and parts thereof, railway or tramway track fixtures and fittings and parts thereof, mechanical (including electromechanical) traffic	v	X															X			
Exhaust pipes and their parts (also particles filters)	29.32.30	Parts and accessories n.e.c., for motor vehicles	v	8708, 8714	Parts and accessories of the motor vehicles of headings 8701 to 8705, Parts and accessories of vehicles of headings 8711 to 8713	v	X				X														
Instrument, machine and apparatus	26.51.53	Instrument and apparatus for physical or chemical analysis	v	9027.10.10	Electronic and non-electronic gas or smoke analysis	v	X	X	X																

Figure 5 EU EGSS handbook, table with EGSS including the environmental domains (small part shown)

- This is the most important step. Ask companies to come up with lists of environmental goods and services and establish a governance mechanism to define whether they can

be part of the Taxonomy. They must register their products as environmentally friendly and indicate which % of their activities this represent. This work has partially been done. We recommend the EU to build upon such lists. Of course, this is not an easy process for all companies. Many manufacturers will have existing processes in place that classify their products as environmentally friendly with the help of Certifications, Claims and Environmental Product Declarations (LCA's). Other manufacturers will show that their products are "connected" or "BAT" and contribute to certain transitions in other sectors. Such manufacturers will benefit. Other manufacturers will have to work on a clear definition why their products and services are environmentally friendly. The advantage of this will be that the manufacturers will not only use this for sustainable finance but most and for all for creating awareness of the sustainability of their core business and core products. Market participants (companies) are used to this process since they already classify products for their export activities (HS codes). If possible, classify them with the help of (updated) PRODCOM and CN (HS) codes. The current round of expert groups can be used to make this more clear.

2. Do you agree with any of the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If yes, please explain which and give your rationale. If not, what alternatives do you propose and why?

There are basically 3 ways to do identify sustainable.

1) Per product/service as defined by PRODCOM/CN

We think this is the preferred method since the Financial Market Participants can then keep a list of "approved products" and companies can try to register their products as environmentally friendly. This list will be a long and complex list, as some studies have shown⁴. Because companies are in general able to identify the amount of expenditures per product or per unit of production, it is easy to identify eligible finance amounts.

2) Per technology as defined by BAT

The taxonomy proposes implementation of BAT (best available techniques). We agree with that but as we have shown above it is only one of the product related metrics. It would probably

⁴ See for example https://www.unece.org/fileadmin/DAM/stats/documents/ece/ces/ge.33/2018/mtg1/S8_1_Mon_activity_accounts_2018.pdf and <http://www.umweltbundesamt.de/en/publikationen/environmental-protection-goods-defining-the-scope>

not be sufficient when a company uses certain BAT's to classify for sustainable finance, to identify which part of the activities is sustainable. For example, a company that uses CHP will not be seen as sustainable. First it depends on the type of CHP (and fuel) and second it depends on the materiality for the entire production process. Even when Financial Market Participants (banks, investors) would get a list of companies that purchased certain BAT's then still the evaluation is too difficult. Companies that manufacture BAT's will be eligible. In fact, BAT is a subset of the approach under 1)

3) Per GHG / energy use baseline

See general comment on GHG baselines at the beginning. Part of the metric could be the % reduction in GHG emissions (or J or kW) per unit of production for specific products or CPA's. This is a transparent and solid approach, because it directly targets a key parameter (GHG emissions) vs. more complex alternatives. On the aggregate, success in this metric would automatically imply success in the overall goal, if the threshold is correctly set. Over time, this metric could also be applied in services (using an appropriate measurement of physical production), which also makes this an interesting option.

For Financial market Participants this approach is however very complex when it is not combined with the product approach. The reason is that it is not aligned with how many manufacturers currently work and communicate. Manufacturers will only in rare cases have just one product for which this baseline is valid. Even manufacturers of relatively homogenous products, such as aluminum, market products that are marketed with various environmental benefits (such as aluminum with high level of recycled materials, or aluminum produced with hydropower). The Taxonomy must be able to reflect that.

Furthermore, we note that GHG reduction is only one of the goals. Using only this metric will reduce the scope of eligible activities enormously.

3. Thresholds have not yet been developed for this activity. You may propose thresholds that could be considered.

See above. This is a question that requires a deep scientific analysis and it is recommended to embed it in existing processes around sustainable products as described above. It is not possible to implement a one size fits all here.

It could be argued that two thresholds are needed to be put in place: 1) a % reduction per unit of product; 2) an absolute % reduction. However, we think it is better to use these as reporting indicators and just focus on the process around "registering" eligible products and services of the various companies.

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

As argued before, the do no harm assessment may not always be possible even if conducted at general level at the level of project. It should be therefore allowed, as an alternative to assess the sustainability at the level of the investee companies and borrowers.

For example, when a company makes mineral wool (connected product) or electric cars (adapted product) then these products must be produced in a responsible way. When we make this part of the criteria for these products then implementation of sustainable finance will become virtually impossible. In a normal definition for a sustainable product, the avoidance of unwanted effects will be part of the definition. Unfortunately this is not always the case and manufacturers may not have a complete view of the supply chain (for example the battery of a car). Investors are able to monitor that the company is responsible overall based on general ESG indicators. While this is not perfect, we believe it is a good starting point and can gradually be improved.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

NO

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]. Please explain.

YES, See general comment on GHG baselines. In general, manufacturing is too broad and criteria cannot be one size fits all.

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered.

The criteria could and should be extended to activities outside the EU.

10.2 Manufacture of renewable energy equipment

10.2.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but see 10.1 for suggestions on improved classification of economic activities and products. The report EU energy Technology Trade provides an example of these codes and describes the problems and limitations (which are also relevant for sustainable finance). The use of these codes is very important for automated sustainable financing by financial markets participants, including financing trade.

https://setis.ec.europa.eu/sites/default/files/reports/eu_energy_technology_trade.pdf

					domestic appliances, and parts thereof, of iron or st
Specific equipment for the production of energy from renewable sources: solar panels and photovoltaic cells	26.11.22	Semiconductor devices; light-emitting diodes; mounted piece-electric crystals; parts thereof	v	8541.40	Photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in mod made up into panels; light-emitting diodes
Specific equipment for the production of energy from renewable sources: hydraulic turbines and water wheels	28.11.22; 28.11.32	Hydraulic turbines and water wheels; Parts of hydraulic turbines, water wheels including regulators	h	8410	Hydraulic turbines, water wheels, and regulators the
Specific equipment for the production of energy from renewable sources: wind turbines	28.11.24	Wind turbines	h	8502.31.00	Generating sets, wind-powered

Figure 7 EU EGSS list, snapshot of codes for renewable energy equipment

LCETs classification

There are many attempts to define low-carbon energy technologies through the HS or CN classifications, as explained in Annex 2 below. These contributions provide *ad-hoc* aggregations of the HS codes that are needed to analyse trade related to energy technologies. Based on the examination of these previous works and with a closer correspondence to Rudyk et al. (2015), the concordance between LCETs and HS codes is summarised in Table 2.

Table 2: Concordance between HS codes and energy technologies

Technology	HS Code	HS code description
Biofuels	220710	Ethyl Alcohol (Alcoholic Strength 80 degrees or More)
	220720	Ethyl Alcohol, Other Spirits (Denatured)
Clean coal & gas	840420	Condensers for Steam or Other Vapour Power Units
	841181	Other Gas Turbines of a Power Not Exceeding 5,000kw
	841182	Other Gas Turbines of a Power Exceeding 5,000kw
	841199	Parts of Other Gas Turbines
Energy Storage	850710	Lead-acid Accumulators, of a Kind Used for Starting Piston Engines
	850720	Other Lead-acid Accumulators
	850730	Nickel-cadmium Accumulators
	850740	Nickel-iron Accumulators
Heating	841861	Compression Type Units Whose Condensers Are Heat Exchangers
	841950	Heat Exchanger Units
Hydropower	841011	Hydraulic Turbines, Water Wheels, of a Power Not Exceeding, 1,000kw
	841012	Hydraulic Turbines and Water Wheels, Power 1,000-10,000kw
	841013	Hydraulic Turbines, Water Wheels, of a Power Exceeding 10,000kw
	841090	Parts of Hydraulic Turbines and Water Wheels, Including Regulators
Insulation	680610	Slag wool, rock wool and similar mineral wools (incl. intermixtures thereof), in bulk, sheets or rolls
	680690	Other: Articles of Heat-insulating, Sound-insulating Mineral Materials
	700800	Multiple-walled insulating units of glass
	701939	Webs, Mattresses, Boards and Similar Nonwoven Products, of Glass Fibres
Nuclear energy	840110	Nuclear reactors
	840120	Machinery and apparatus; for isotopic separation, and parts thereof
	840140	Nuclear reactors; parts thereof
Smart meters	902830	Electricity meters
Solar PV	854140	Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light-emitting diodes; mounted piezoelectric crystals
Solar Thermal	841919	Instantaneous or storage water heaters, non-electric (excl. instantaneous gas water heaters and boilers or water heaters for central heating)
Wind	730820	Towers and lattice masts, of Iron or Steel
	850231	Generating Sets, Electric, Wind-powered

Figure 8 LETS classification of low carbon energy technologies

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

Yes. Most of them are pure play products (environmental technologies). Geothermal may be a bit more complex.

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

OK, no thresholds

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No opinion

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]. Please explain.

The inclusion of battery equipment (ensuring adequate "do no harm" criteria) will need to be considered soon, otherwise there is the potential risk of creating a -non justified- distortion (ie. incentives for wind turbines but not for batteries used to store excess energy they create).

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

No opinion

10.3 Manufacture of low carbon transport vehicles, equipment and infrastructure

10.3.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

See 10.1 for suggestions on improved classification of economic activities and products.

The category seems overly broad, making it difficult to separate which components will be considered essential and how it will deal with components that can be used indistinctly for both, zero-emissions and other vehicles.

The CN 2019 codes offer sufficient depth to identify this equipment and infrastructure, so it must be defined in a more concrete way.

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

No metrics are proposed. Cannot be evaluated without additional detail.

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

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

The do no harm assessment may not always be possible even if conducted at general level at the level of project. such as a hydropower dam) or environmental activities (such as the production of an electric car).). It should be therefore allowed, as an alternative to assess the sustainability at the level of the investee companies and borrowers. Companies should demonstrate that they have relevant sustainability policies in place (with particular reference to transparency and stakeholders' engagement) to manage projects in a responsible way including the projects that are in the taxonomy.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No

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]. Please explain.

No

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

YES

10.4 Manufacture of energy efficiency equipment for buildings

10.4.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but see 10.1 for suggestions on improved classification of economic activities and products. For example the following PRODCOM codes (CN codes can be more detailed)

Windows: 16.23.11.10

Prefab house (passive house): 16.23.20.00

Polystyrene insulation: 20.16.20.35

Double / triple glazing: 23.12.13.30

Heading 7008

Multiple-walled insulating units of glass

Commodity Code	Description
7008 0020 00	- Coloured throughout the mass (body tinted), opacified, flashed or having an absorbent or reflecting layer
7008 0081	▲ - Other
7008 0081 00	- - Consisting of two panels of glass sealed around the edges by an airtight joint and separated by a layer of air, other gases or a vacuum
7008 0089 00	- - Other

[Go Up To Chapter 70](#)

Figure 9 Double glazing in Combined Nomenclature

In addition there all kinds of building materials in section XIII of the Combined Nomenclature (ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS; CERAMIC PRODUCTS; GLASS AND GLASSWARE)

In case the EU wants to implement this, we expect that an improvement of the PRODCOM and CN codes is needed, so that it becomes easier for banks and investors to identify eligible building materials.

As a general principle, the standards used should be those already included in existing or future EU law. It is very important that these standards are adapted to the specific climate conditions of each region. The energy efficiency standards for buildings that are useful in Finland make no sense, in some cases, when applied in Sicily, for example. The overall approach is sound, but careful consideration of technical details will be critical here.

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

We would need further details before we can evaluate completely.

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

See comments above.

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

The do no harm assessment may not always be possible even if conducted at general level at the level of project. It should be therefore allowed, as an alternative to assess the sustainability at the level of the investee companies and borrowers.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

NO

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]. Please explain.

NO

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

YES

10.5 Manufacture of other low carbon technologies

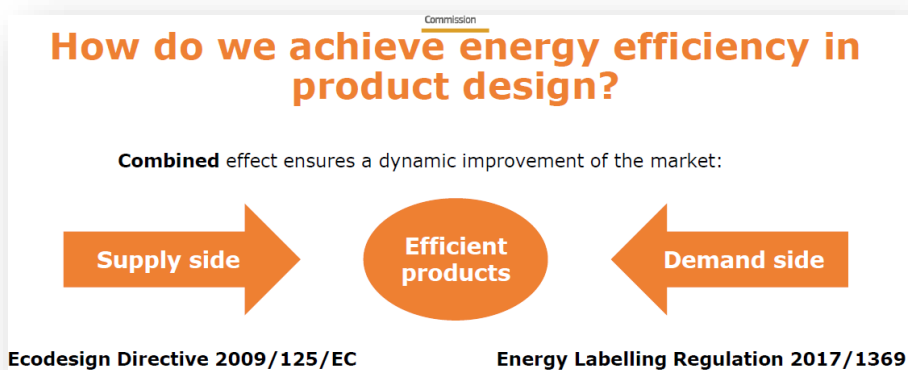
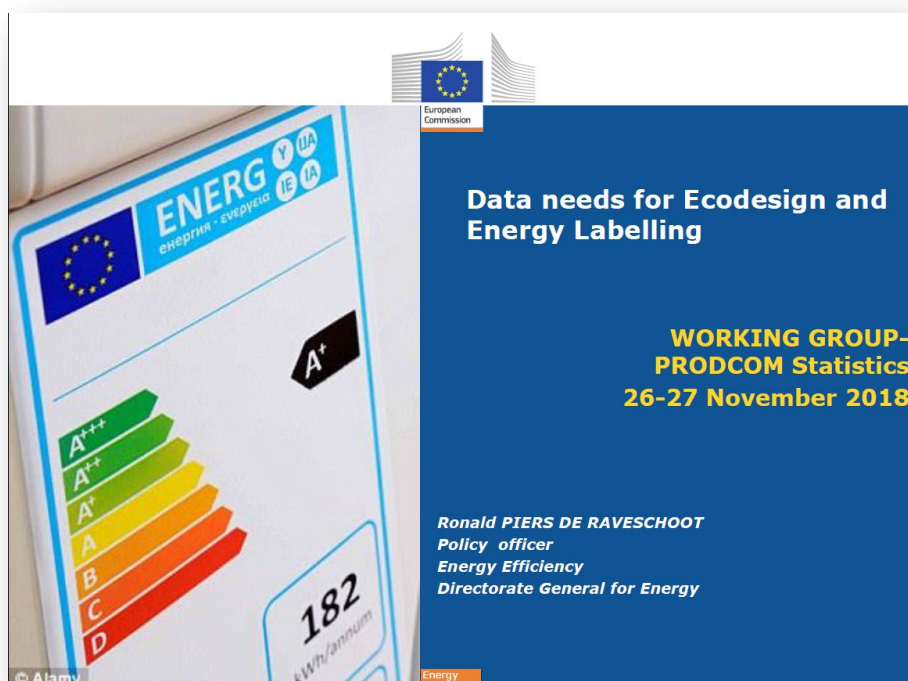
10.5.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but see 10.1 for suggestions on improved classification of economic activities and products. A useful study is the one below, that also mentions all PRODCOM codes.

EXAMPLE: The EU DG ENER implements energy efficiency for example via the Ecodesign Directive (2009/125/EC) and the Energy Labelling Regulation (2017/1369). These implementations also involves gradual changes in the Prodcom codes for eco efficient products. There are working groups for this. It would be effective when the Sustainable Finance Plan refers to these codes. When

DG ENER cannot identify sustainable activities at Prodcom code level, then it cannot be expected from Financial Market Institutions that they can identify these activities.



2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

Not enough information, see above study for approach.

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

Not enough information, see above study for approach

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

As argued before, we believe the do no harm assessment may not always be possible even if conducted at general level at the level of project. It should be therefore allowed, as an alternative to assess the sustainability at the level of the investee companies and borrowers.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

NO

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]. Please explain.

NO

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

YES

11 Energy

11.1 Energy Production (Geothermal)

11.1.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but see 10.1 for suggestions on improved classification of economic activities and products. The PRODCOM code is "35.11.10.77.00 Geothermal electricity (produced by

geothermal installations connected to grids)". In addition it might be useful to have codes for parts (turbines) or smaller installations for home use.

The "Study on the energy savings potential and the potential scope for ecodesign and energy labeling requirements for power generating equipment" mentions: The turbines used in geothermal and solar thermal technologies are steam turbines designed for the specific parameter of such application; therefore it may be worth studying these steam turbines on their own. The study mentions all Prodcom codes for turbines.

https://www.wko.at/service/umwelt-energie/Lot_35_power_generating_equipment_scoping_study.pdf#page22

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

YES

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

Yes although the survey used as a reference seems to be outdated (2002). Available data from the United States and New Zealand are consistent with these global emission values, resulting in average figures of 106 g CO₂ /kWh (in 2002) and 123 g CO₂ e/kWh (in 2012), respectively. The country-wide weighted average emission estimate for Iceland is lower 34 g/kWh (in 2013), and the corresponding value for Italy is higher at 330 g CO₂ /kWh (in 2013) (source: ESMAP 2016).

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

As argued before, we think do no harm is normally by banks and investors implemented at the level of the issuer/borrower, not at the level of the activity, otherwise it would be too complex.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

NO

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]. Please explain.

NO

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

YES

11.2 Energy Production (Hydro)

11.2.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but see 10.1 for suggestions on improved classification of economic activities and products. The PRODCOM code is 35.11.10.72.00.

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

No, Pure play activity!

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

The inclusion of a GHG threshold does not seem justified at this stage. It is noteworthy that there is not yet scientific consensus, despite a considerable effort has been invested in developing best practices, for comparing the emission profiles of different generating technologies, in ways that reflect life cycle emissions in a comparable manner and on a level playing field.

In view of this, since lifetime emissions are not considered for other renewable technologies (in particular, construction emissions of wind turbines or PV panels are not included or their maintenance emissions compared) it does not seem logical to include a GHG threshold for hydro plants. Ongoing work on this topic by the Climate Bonds Initiative has not yet reached a conclusion.

This particular criteria might be included in the future if a scientific consensus is found, as should be done in all renewable technologies.

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

As argued before, the do no harm assessment may not always be possible even if conducted at general level at the level of project. It should be therefore allowed, as an alternative to assess the sustainability at the level of the investee companies and borrowers.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No

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]. Please explain.

We do not think so, as far hydro power plants with CO2 emissions above defined threshold are not penalised.

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Yes

11.3 Energy Production (Solar photovoltaic)

11.3.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but see 10.1 for suggestions on improved classification of economic activities and products. The PRODCOM code is 35.11.10.75.00.

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

Yes, Pure play activity!

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

No threshold applies

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

As argued before, we think do no harm is normally by banks and investors implemented at the level of the issuer/borrower, not at the level of the activity, otherwise it would be too complex.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No

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]. Please explain.

Not to our best knowledge

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

yes

11.4 Energy Production ((Wind energy))

11.4.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but see 10.1 for suggestions on improved classification of economic activities and products. The PRODCOM code is 35.11.10.73.00.

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

Yes, Pure play activity!

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

No threshold applies

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

As argued before, we think do no harm is normally by banks and investors implemented at the level of the issuer/borrower, not at the level of the activity, otherwise it would be too complex.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No

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]. Please explain.

No

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Yes

11.5 Energy Production (Ocean energy)

11.5.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but see 10.1 for suggestions on improved classification of economic activities and products.

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

Yes, Pure play activity!

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

No threshold applies

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

As argued before, we think do no harm is normally by banks and investors implemented at the level of the issuer/borrower, not at the level of the activity, otherwise it would be too complex.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No

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]. Please explain.

No

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Yes

11.6 Energy Production (Concentrated Solar Power)

11.6.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but see 10.1 for suggestions on improved classification of economic activities and products.

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

Yes, Pure play activity!

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

No threshold applies

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

The do no harm assessment may not always be possible even if conducted at general level at the level of project. It should be therefore allowed, as an alternative to assess the sustainability at the level of the investee companies and borrowers

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

Yes

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]. Please explain.

No

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Yes

12 Transport

12.1 Passenger Rail Transport (Interurban)

12.1.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

See 10.1 for suggestions on improved classification of economic activities and products. In the Combined Nomenclature the codes for rolling stock electric and fossil fuel rolling stock can be found. This allows for a selection of eligible assets for the Taxonomy. We recommend not to add additional criteria in order to make automated selection and reporting of assets possible.

CN code	Description	Conventional rate of duty (%)	Supplementary unit
1	2	3	4
8601	Rail locomotives powered from an external source of electricity or by electric accumulators:		
8601 10 00	– Powered from an external source of electricity	1,7	p/st
8601 20 00	– Powered by electric accumulators	1,7	p/st
8602	Other rail locomotives; locomotive tenders:		
8602 10 00	– Diesel-electric locomotives	1,7	—
8602 90 00	– Other	1,7	—
8603	Self-propelled railway or tramway coaches, vans and trucks, other than those of heading 8604:		
8603 10 00	– Powered from an external source of electricity	1,7	p/st
8603 90 00	– Other	1,7	p/st

28.10.2016

EN

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L 294/617

CN code	Description	Conventional rate of duty (%)	Supplementary unit
1	2	3	4
8604 00 00	Railway or tramway maintenance or service vehicles, whether or not self-propelled (for example, workshops, cranes, ballast tamperers, trackliners, testing coaches and track inspection vehicles)	1,7	p/st
8605 00 00	Railway or tramway passenger coaches, not self-propelled; luggage vans, post office coaches and other special purpose railway or tramway coaches, not self-propelled (excluding those of heading 8604)	1,7	p/st
8606	Railway or tramway goods vans and wagons, not self-propelled:		
8606 10 00	– Tank wagons and the like	1,7	p/st
8606 30 00	– Self-discharging vans and wagons, other than those of subheading 8606 10 ...	1,7	p/st
	– Other:		
8606 91	– – Covered and closed:		
8606 91 10	– – – Specially designed for the transport of highly radioactive materials (Euratom)	1,7	p/st
8606 91 80	– – – Other	1,7	p/st
8606 92 00	– – Open, with non-removable sides of a height exceeding 60 cm	1,7	p/st
8606 99 00	– – Other	1,7	p/st

Important is of course whether only the (electric) locomotives are eligible or also the wagons and passenger carriages. We recommend to make the whole category eligible at the highest possible CN level.

Chapter 86

RAILWAY OR TRAMWAY LOCOMOTIVES, ROLLING STOCK AND PARTS THEREOF; RAILWAY OR TRAMWAY ELECTROMECHANICAL) TRAFFIC SIGNALLING EQUIPMENT OF ALL KINDS

Commodity Code	Description
8601	Rail locomotives powered from an external source of electricity or by electric accumulators
8602	Other rail locomotives; locomotive tenders
8603	Self-propelled railway or tramway coaches, vans and trucks, other than those of heading 8604
8604 0000 00	Railway or tramway maintenance or service vehicles, whether or not self-propelled (for example, workshops, cranes, ballast tampers, trackliners, testing coaches and track inspection vehicles)
8605 0000 00	Railway or tramway passenger coaches, not self-propelled; luggage vans, post office coaches and other special purpose railway or tramway coaches, not self-propelled (excluding those of heading 8604)
8606	Railway or tramway goods vans and wagons, not self-propelled
8607	Parts of railway or tramway locomotives or rolling stock
8608 0000 00	Railway or tramway track fixtures and fittings; mechanical (including electromechanical) signalling, safety or traffic control equipment for railways, tramways, roads, inland waterways, parking facilities, port installations or airfields; parts of the foregoing
8609	Containers (including containers for the transport of fluids) specially designed and equipped for carriage by one or more modes of transport

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Figure 10 Main Railway categories in CN, subsections for electric vehicles are available

Source: <https://www.taricsupport.com/nomenclatuur/8600000000.html>

A publication “Railway equipment parts in Europe” has identified a full list of CN (Prodcom) codes for equipment. As is clear from this list, the Prodcom codes are less detailed than the CN

codes, and in order to identify products such as electric trains, further Prodcom codes must be implemented.

Annex

Twenty-one codes have been selected for rolling stock parts. Also refer to Table 1 below for the classification. Table 1 also shows the list of Prodcom codes used for the production statistics of rolling stock parts.

Table 1: Selected products, based on CN and Prodcom nomenclature

CN code	Prodcom code	Description
86071100	30204030	driving bogies and bissel-bogies for railway or tramway locomotives or rolling stock
86071200		bogies and driving bissel-bogies for railway or tramway locomotives or rolling stock (excl. driving bogies)
86071901		axles, assembled or not; wheels and parts thereof, of cast iron or cast steel, of railway or tramway locomotives or rolling stock
86071910		axles, wheels and wheel parts, of railway or tramway locomotives or rolling stock, n.e.s.
86071911		axles, assembled or not, wheels and parts thereof, of closed-die forged steel, for railway or tramway locomotives or rolling stock
86071918		axles, assembled or not; wheels and parts thereof (excl. 8607.19.01 and 8607.19.11), of railway or tramway locomotives or rolling stock
86071990		parts of bogies, bissel-bogies and the like, of railway or tramway locomotives or rolling stock, n.e.s.
86071991		parts of bogies, bissel-bogies and the like, of railway or tramway locomotives or rolling stock, of cast iron or cast steel, n.e.s.
86071999		parts of bogies, bissel-bogies and the like, of railway or tramway locomotives or rolling stock (excl. of cast iron or cast steel)
86072110		air brakes and parts thereof, of railway or tramway locomotives or rolling stock, of cast iron or cast steel
86072190		air brakes and parts thereof, of railway or tramway locomotives or rolling stock (excl. of cast iron or cast steel)
86072900		brakes (other than air brakes), and parts thereof, for railway or tramway locomotives or rolling stock, n.e.s.
86072910		brakes and parts thereof, of cast iron or cast steel (excl. air brakes), of railway or tramway locomotives or rolling stock
86072990		brakes and parts thereof (excl. air brakes and of cast iron or cast steel), of railway or tramway locomotives or rolling stock, n.e.s.
86073000		hooks and other coupling devices, buffers, and parts thereof, for railway or tramway locomotives or rolling stock, n.e.s.
86073001		hooks and other coupling devices, buffers, and parts thereof, of cast iron or cast steel, of railway or tramway locomotives or rolling stock, n.e.s.
86073099		hooks and other coupling devices, buffers and parts thereof, for railway or tramway locomotives or rolling stock, n.e.s.
86079190		parts of railway or tramway locomotives, n.e.s.
86079191		parts of railway or tramway locomotives, of cast iron or cast steel, n.e.s.
86079199		parts of railway or tramway locomotives, n.e.s.
86079910		axle-boxes and parts thereof, of railway or tramway locomotives or rolling stock of heading 8603, 8604, 8605 or 8606, n.e.s.

Source: CN and Prodcom Nomenclature

Figure 11 CN codes for rolling stock related equipment

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but indicate which vehicles and give them codes!

Alternatively, it is relatively easy to analyze the products of the railway companies. In Europe, the leading locomotive and rolling stock manufacturers are Bombardier, Siemens and Alstom:

- ☐ Alstom Transport is headquartered in France and has European facilities in France, Germany, Italy, Spain and Switzerland.
- ☐ Bombardier Transport's European headquarters are in Germany; its European facilities are in France, Germany, Austria, Belgium, Hungary, Italy, Sweden, Switzerland and the UK.
- ☐ Siemens' headquarters are in Germany and its production facilities are in Germany, Austria, the Czech Republic and Slovenia.

Other smaller rail vehicle manufacturers in Europe are CAF and Talgo (Spain), Ansaldo-Breda and Firema (Italy; the latter was bought by Titagarh Wagons of India in 2015), Skoda (Czech Republic), Solaris (Poland, specialised in buses, but also produces low-floor trams), Stadler (Switzerland), and Vossloh (Germany, also parts and systems).

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

Yes

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

As argued before, we think do no harm is normally by banks and investors implemented at the level of the issuer/borrower, not at the level of the activity, otherwise it would be too complex.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No

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]. Please explain.

No

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Yes

12.2 Freight Rail Transport

12.2.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

See 10.1 for suggestions on improved classification of economic activities and products. See 12.1.1. there are special codes for freight rolling stock. Important is of course whether only the (electric) locomotives are eligible or also the wagons.

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but indicate which vehicles and give them codes!

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

Yes

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

As argued before, we think do no harm is normally by banks and investors implemented at the level of the issuer/borrower, not at the level of the activity, otherwise it would be too complex.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No

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]. Please explain.

No

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Yes

12.3 Urban and suburban passenger land transport (public transport)

12.3.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

See 10.1 for suggestions on improved classification of economic activities and products.

This is not an activity.

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but indicate which vehicles and give them codes!

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

Yes

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

The do no harm assessment may not always be possible even if conducted at general level at the level of project. It should be therefore allowed, as an alternative to assess the sustainability at the level of the investee companies and borrowers

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No

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]. Please explain.

No

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Yes

12.4 Infrastructure for low carbon transport

12.4.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

See 10.1 for suggestions on improved classification of economic activities and products.

This is not an activity, but probably a collection of products

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

Indicate which vehicles and give them codes!

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

Yes

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

As argued before, we think do no harm is normally by banks and investors implemented at the level of the issuer/borrower, not at the level of the activity, otherwise it would be too complex.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No

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]. Please explain.

No

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Yes

12.5 Light passenger cars and commercial vehicles

12.5.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

Yes, but see 10.1 for suggestions on improved classification of economic activities and products. This is not an activity but a product.

EXAMPLE

The *manufacturing of light passenger cars* is classified as an activity (NACE C29) but the car itself is classified a product in PRODCOM. The PRODCOM⁵ code for an Electric Vehicle (EV) was introduced in 2017 and approved by 16 member states and is 29.10.24.50 (first part is NACE). There are also codes for plugins and hybrids. The combined nomenclature uses similar codes, which is important for trade finance. See next two figures. An Electric Vehicle (EV) is classified in the environmental domain CEPA 1 (air and climate). This means in their Environmental Goods and Services (EGSS) reporting the member states will report the amount invested in electric cars under CEPA 1. Such a car is classified as a so called “adapted product” (a product that has other primary functions than just environmental).

8. Hybrid and electric vehicles

CN is redrafted to provide separately for hybrid electric vehicles, plug-in hybrid vehicles and for all-electric motor vehicles. Two approaches were proposed for PRODCOM list:

- follow the CN and create five PRODCOM codes, distinguishing petrol and diesel hybrid vehicles
- simplified approach with three PRODCOM codes, covering above listed categories.

The second option was preferred by 16 countries.

Implementation in PRODCOM list 2017:

PRC 2017	Description	CN
29.10.24.10	Motor vehicles, with both spark-ignition or compression-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, other than those capable of being charged by plugging to external source of electric power	8703 40 10 + 8703 50 00
29.10.24.30	Motor vehicles, with both spark-ignition or compression-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, capable of being charged by plugging to external source of electric power	8703 60 10 + 8703 70 00
29.10.24.50	Motor vehicles, with only electric motor for propulsion	8703 80 10
29.10.24.90	Other motor vehicles for the transport of persons (excluding vehicles with only electric motor for propulsion, vehicles for transporting ≥ 10 persons, snowmobiles, golf cars and similar vehicles)	8703 90 90

Hybrid

Plugin

EV

For the following codes only the description will be slightly modified:

29.10.21.00 - Vehicles with **only** spark-ignition engine of a cylinder capacity ≤ 1 500 cm³, **new**

29.10.22.30 - Motor vehicles with **only** petrol engine > 1 500 cm³ (including motor caravans of a capacity > 3 000 cm³) (excluding vehicles for transporting ≥ 10 persons, snowmobiles, golf cars and similar vehicles)

29.10.22.50 - Motor caravans with **only** spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1 500 cm³ but ≤ 3 000 cm³

Figure 12 Prodcom list 2017 defines codes for hybrid, plugin and electric cars

⁵ COMMISSION REGULATION (EU) 2017/2119 of 22 November 2017 establishing the 'Prodcom list' of industrial products provided for by Council Regulation (EEC) No 3924/91.

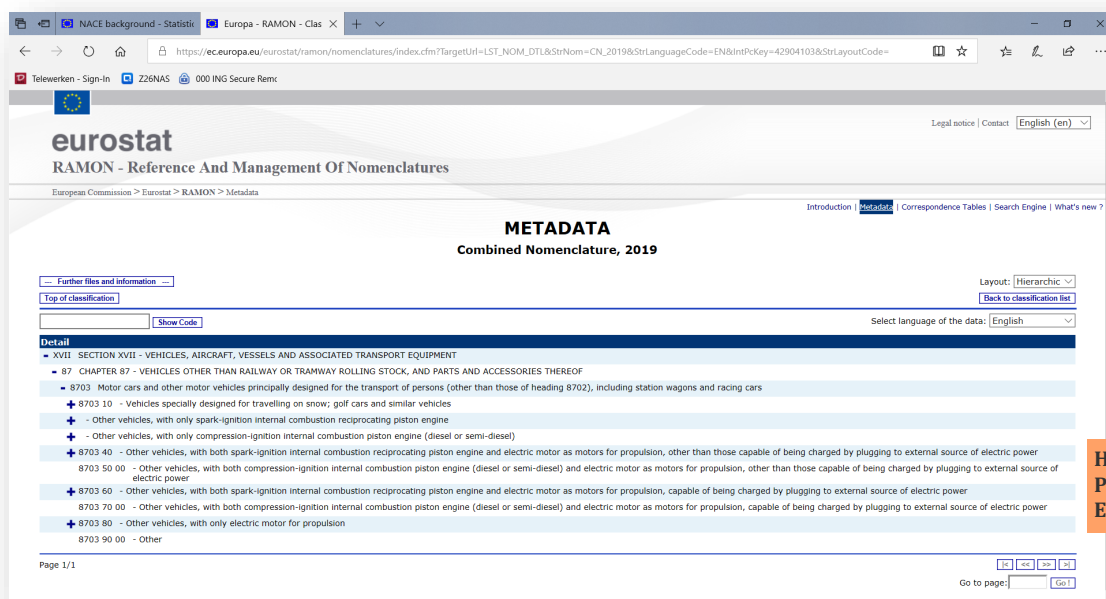


Figure 13 Combined Nomenclature 2019 defines codes for hybrid, plugin and electric cars

(Source: Eurostat, <https://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm>)

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

We suggest not to go beyond the PRODCOM codes or to adapt them. That means, not splitting hybrid and plugin vehicles in vehicles above and below a threshold. This would make automated selection and reporting difficult

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

See above

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

The do no harm assessment may not always be possible even if conducted at general level at the level of project. It should be therefore allowed, as an alternative to assess the sustainability at the level of the investee companies and borrowers,

For example, when a company makes mineral wool (connected product) or electric cars (adapted product) then these products must be produced in a responsible way. When we make this part of the criteria for these products then implementation of sustainable finance will become virtually impossible. In a normal definition for a sustainable product, the avoidance of unwanted effects will be part of the definition. Unfortunately this is not always the case and manufacturers may not have a complete view of the supply chain (for example the battery of a car). Investors are able to monitor that the company is responsible overall based on general ESG indicators. While this is not ideal, it is a good starting point and can gradually evolve.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No

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]. Please explain.

No

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Yes

12.6 Freight transport services by road

12.6.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

See 10.1 for suggestions on improved classification of economic activities and products. This is not an activity but a product or service?

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

Yes

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

We suggest not to go beyond the PRODCOM codes or to adapt them.

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

As argued before, we think do no harm is normally by banks and investors implemented at the level of the issuer/borrower, not at the level of the activity, otherwise it would be too complex.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No

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]. Please explain.

No

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Yes

12.7 Interurban scheduled road transport services of passengers

12.7.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

See 10.1 for suggestions on improved classification of economic activities and products. This is not an activity but a product or service?

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

Yes

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

Yes

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

The do no harm assessment may not always be possible even if conducted at general level at the level of project. It should be therefore allowed, as an alternative to assess the sustainability at the level of the investee companies and borrowers.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

No

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]. Please explain.

No

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Yes

13 Buildings

13.1 Construction of new buildings (residential and non-residential)

13.1.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

See 10.1 for suggestions on improved classification of economic activities and products. Please note this is a critical point since buildings are neither activities nor products (unless prefabricated buildings, CPA 20.30.20), and need special attention when classifying them.

We do however believe that the taxonomy should also include existing buildings with high energy standards to be green, not only new buildings or buildings that are renovated. Otherwise the number of buildings being compliant with the taxonomy will be very limited..

We do not agree with the principle of using **in-use monitoring** of actual performance to determine the eligibility of buildings to comply with the taxonomy. We fear that it will be very burdensome for the financial sector to collect, maintain and update the proposed data based on actual in-use performance. It is paramount that the criteria for fulfilling the taxonomy are based on **easily accessible data**. Relevant data on sustainable economic activities must be made available to banks/financial institutions in a standardized, digital manner, e.g. as part of regular mandatory reporting/non-financial disclosures of companies and/or certifications.

A specification of what would classify as a top-performing building would be needed. Even companies with properties with the highest levels of environmental certifications, few would

fulfil the criteria set in the proposed taxonomy. As a matter of fact, in many cases, constructing in accordance with the highest levels - or any certification - as a matter of fact may not yet be a possibility in practice. This is especially the case with SMEs. It should thus be clarified how this aspect would be considered in the taxonomy. Otherwise, their efforts to become sustainable may not classify as promoting sustainability at all. This would clearly be against the objectives of the taxonomy and the EU Sustainable Finance Package as a whole, and would not promote increased sustainability. The long-term objectives and ambitions could indeed, and should be, high, but it would be advisable to ensure that steps taken and being taken towards increased sustainability are also acknowledged; the taxonomy would be a powerful tool in achieving this.

A solution would be to allow for several thresholds to allow for shades of green to consider natural differences between the existing stock with a high energy performance and new buildings. This approach is also used by The Center for International Climate Research which has shades of Green Second Opinions. With shades of green many firms across sectors will have incentive to improve the sustainability of the activities irrespective of the current situation, geographical location and level of income

The eligibility of buildings should be based on the **use of existing national standards, e.g. the Energy Performance Certificates (EPCs)**. The EU should not establish a parallel regime of assessing the energy performance of buildings when EPC is available. The focus should be on developing and optimizing the EPCs to be able to provide the desired information on energy performance.

The EPC should be used, as long as there is no doubt about their compatibility with EU directives. It wouldn't make sense to have two standards in this area where a regulatory definition already exists and it has been ruled compatible with the Directives. Inconsistencies and overlaps have to be avoided because they can mislead investors, markets and can imply a non-negligible burden for the entities.

The criteria should not be based exclusively on GHG emissions and/or energy efficiency,

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

See comment above

A specification would be needed as regards to the level at which the metrics need to be applied, as there is a significant difference between reporting on a loan/ project level and doing so on a company level.

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

It is essential to use the local building codes and EU ecolabel, and building years. Various banks define green buildings with the help of CBI, the top 15% based on local building code and building year. Building codes are strict enough for this. Please note that banks are the main users of this, and they do not have enough data to evaluate complex requirements. This means it must be very simple. We recommend not to make the use of audited energy labels obligatory, this would mean that a lot of green buildings would not qualify when the information is not (yet) available. Furthermore the EPC should be used where possible.

It is not stated or explained what the national threshold is based on (such as climate differences, national and local regulations etc.) and how exactly it would work in reality in cases where the NZEB standard would not apply. We believe this should be clarified.

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

The do no harm assessment may not always be possible even if conducted at general level at the level of project. It should be therefore allowed, as an alternative to assess the sustainability at the level of the investee companies and borrowers.

A lot could possibly be done by the sector that would contribute to fulfilling this requirement. However, how exactly this requirement would be able to be applied without considerable practical issues is not entirely clear. The investment itself must be considered in the right context. It must, for instance, be determined whether the financed activities or the industry in question have potential to become sustainable and whether the investment promotes such a shift; it may be appropriate, depending on the circumstances, to let this in overweight the fact that the investment in fact also has certain negative effects beyond the context discussed. For this purpose, an assessment of what is to be considered "significant" would not suffice. At least, informative and very clear guidelines would need to be developed and provided for to support this section, since an explicit, simplistic application of the requirement could have unintended consequences.

Furthermore, it should be noted that national/regional regulations could prevent organisations from fulfilling these assessments. This concerns, e.g. some of the requirements for pollution (p.102). Some companies have to be located in remote areas due to regulations (noise, danger, etc.), meaning that these companies cannot locate their production sites accordingly (public transport, bike infrastructure). This should be taken into account.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

We do not have specific input to the 'do no significant harm' criteria. We do however find it crucial, that a **proportionality principle** is used, distinguishing between construction of private residential buildings and non-residential buildings. The requirements for documentation of the 'do no significant harm' criteria should not be as comprehensive for privates, as is the case for corporates.

We would also suggest looking further into how the assessments in the "do no significant harm" section, would affect the construction sector and our society. For example, since there

is often no supportive infrastructure of electric vehicles and cycling in remote areas today, the production of properties are most likely to decrease in these areas until actions are made to fix this problem. Less production located in remote areas could therefore lead to urban sprawl.

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]. Please explain.

Several thresholds should be included to allow for shades of green to take into account natural differences between the existing stock with a high energy performance and new buildings. With shades of green many firms across sectors will have incentive to improve the sustainability of the activities irrespective of the current situation, geographical location and level of income.

The taxonomy might have adverse consequences geographically and socially. It is high-income individuals in the urban areas that can afford to build NZEB buildings. If a green bond standard only finances NZEB building, it will - all else being equal - make it more expensive for low-income individuals in non-urban areas to finance their house.

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Some parts of the proposed criteria could or might be used or influence principles for activities outside the EU. However, the feasibility of this should be assessed further.

13.2 Renovation of existing buildings (residential and non-residential)

.

13.2.1 Consultation questions

1. Do you agree with the proposed principle for determining a substantial contribution to climate mitigation for this activity? [Yes/No]. If not, what alternatives do you propose and why?

- The taxonomy should encourage all (even smaller) renovations and award all initiatives to increase the energy performance of buildings.
- In EU countries the Member State EPC should be used, as long as there is no doubt about their compatibility with EU directives. It wouldn't make sense to have two standards in this area where a regulatory definition already exists and it has been ruled compatible with the Directives. Inconsistencies and overlaps have to be avoided because they can mislead investors, markets and can imply a non-negligible burden for the entities.
- It should be clarified what would be considered as 'lower carbon and energy performance levels'.
- It is also not clear within which timeframe the reduction should be achieved. There should be a reasonable timespan to fulfil the requirement

2. Do you agree with the proposed metrics for assessing the extent of the mitigation contribution? [Yes/No]. If not, what alternatives do you propose and why?

It is essential to use the local building codes and EU ecolabel. For example 2 steps improvement. Please note that banks are the main users of this, and they do not have enough data to evaluate complex requirements. This means it must be very simple and easy to access. .

It should be clarified whether the metrics would be applied on a project or company level. It should also be noted that energy performance cannot be assessed right after a building is completed/renovated. A reasonable time span to obtain the established metrics should therefore be considered.

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

We do not agree with the proposal of one absolute performance threshold and one relative improvement threshold. We believe that several thresholds could be beneficial to create shades of green. Otherwise it could deter energy related renovation of buildings. It can be very costly to renovate a high performing house to achieve the highest performance standard – a cost which maybe is not reflected in resulting future decline in energy consumption. Likewise, it can be costly to achieve improvements in energy/carbon performance of 50% in one renovation.

The proposed threshold will give a disadvantage to countries which already have a high energy standard in the building stock. Since the marginal cost of increasing energy performance is increasing in better performing buildings, the existing stock of buildings will be very costly to renovate to be eligible with the taxonomy. A reasonable time span to fulfill the requirement - or, a rolling approach, should be considered.

4. Do you agree with the 'do no significant harm' criteria identified for these activities? [Yes/No]. If not, what alternatives do you propose and why?

The do no harm assessment may not always be possible even if conducted at general level at the level of project. It should be therefore allowed, as an alternative to assess the sustainability at the level of the investee companies and borrowers. We believe informative, solid and clear guidelines need to be developed and provided to support this section. Furthermore, it should be noted that national/regional regulations could prevent organizations from fulfilling these assessments. This concerns, e.g. some of the requirements for pollution (p.102). Some companies have to be located in remote areas due to regulations (noise, danger, etc.), meaning that these companies cannot locate their production sites accordingly (public transport, bike infrastructure). This should be taken into account.

5. Is there any key area where significant harm needs to be avoided and which is not mentioned already? [Yes/No]. Please explain.

We would suggest looking further into how the assessments in the "do no significant harm" section, would affect the construction sector and society. For example, since there is often no supportive infrastructure of electric vehicles and cycling in remote areas today, the production of properties are most likely to decrease in these areas until actions are made to fix this problem. Less production located in remote areas could therefore lead to urban sprawl.

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]. Please explain.

Yes, please see the answer to question 5.

7. Can the proposed criteria be used for activities outside the EU? [Yes/No]. If not, please propose alternative wording that could be considered

Some parts of the purposed criteria could or might be used or influence principles for activities outside the

EU. However, the feasibility of this should be assessed further.