WÄRME | KÄLTE | KWK

AGFW-Feedback

on the draft delegated act and annexes for climate change mitigation and adaptation under the EU Taxonomy Regulation

Frankfurt, 18th December 2020

SD

General Remarks

AGFW, the German association on DHC (district heating and cooling) and CHP (Combined Heat and Power), welcomes the possibility to voice its opinion on the draft delegated act and annexes for climate change mitigation and adaptation under the EU Taxonomy Regulation. AGFW is convinced that the true potential of the Taxonomy Regulation lies in the establishment of a technology neutral level playing field regarding the capital markets accessibility and the availability of private investment to support the energy transition. In light of these considerations, AGFW would like to emphasize a couple of aspects that should underscore the future application and further development of the EU Taxonomy Regulation as well as its technical screening criteria.

As the Commission´s appraisal in recital 15 regarding the potential of CHP correctly assumes, the screening criteria require a greater consistency with respect to the equal treatment of renewables to ensure technological neutrality and a stronger coherence with the existing climate and energy acquis. In this context, AGFW advocates in favor of developing a single transparent methodology framework for the future life cycle emission assessments (LCEA) based on the direct emissions during the actual time of operation of the activity. In order to successfully evolve into a widely accepted one-stop-shop benchmark for "sustainable investments", the Taxonomy Regulation and its accompanying delegated acts must provide a clear framework of reliable and predicable criteria that underscore the applicable "sustainable investments"-definition. It is therefore crucial, that the proposed thresholds for CO2-emissions of 270gCO2e/kWh for *adaptation* and 100gCO2e/kWh for *mitigation*, which are already extremely ambitious given the current state of technological development, will not be tightened further and should partly be reconsidered. This is indispensable as these benchmarks will form the basis for the sectors future investment decision making procedures. On the contrary, a further unreliability of the criteria would significantly impede its future practical applicability, fundamentally obstruct the energy sector´s long-term investment planning and eventually force businesses to seek investment and financing opportunities outside the Taxonomy framework. Hence, the Taxonomy's eventual success as a steering tool for private finance will crucially depend on its reliability as a predictable, realistic and technological unbiased line of orientation for sustainable investment decision-making.

In order to ensure the success of this ambition, AGFW recommends the following amendments to the proposed framework:

1. Strengthening the consistency of the Taxonomy´s approach towards renewable energy sources to establish a technology neutral level playing field

2. The development of a single, clear and transparent life cycle emission assessment (LCEA) methodology based on direct operational emissions
3. A realistic threshold of 200gCO2e per 1 kWh of energy input for co-generation plants to recognize and preserve their pivotal role in climate change mitigation as transitional enablers

A secured set of procedural review criteria and a transparent LECA-methodology

The review process of the technical screening criteria as stipulated in recital 40 should be subject to a clear set of predefined criteria. Incalculable amendments of the screening criteria on the other hand would undermine the required planning reliability necessary for the implementation of the Green Deal. Thus, an increased risk of asset stranding would lead to an overall Increase of costs, not least for final consumers, and thereby obstruct the green transition process. In order to strengthen the coherence of European energy and climate policies, the further development of the technical screening criteria should furthermore be bound to the existing EU climate acquis.

The future life cycle emission assessment (LCEA) should be based on a transparent and clearly communicated methodology. The proposed measurements based on ISO 14067:2018, ISO 14064-1:2018 or Commission recommendation 2013/179/EU do not provide sufficient guidance in this regard. It is important that the emission appraisals within the adaption and mitigation criteria are aligned with each other into a single assessment criterion based on the direct emissions of energy input during the actual time of operation of the activity.

Single approach to renewable energy sources

AGFW emphasizes that the coherence of the sustainability criteria should be strengthened by explicitly extending the scope within 4.15 (District Heating &Cooling Distribution) and 5.25 (Production of Heat/Cool using waste heat) of Annex I to refurbishment-works. Moreover, the exemption of renewable energy sources from life cycle assessments should be consistently extended to production (4.22) and cogeneration (4.18) of heat and cool from geothermal energy, since the activity are classified as renewable. A non-exemption would violate the principle of technology neutrality and lead to unequal treatment of renewable energy sources. The requirements for heat and cool production (4.22) and cogeneration (4.20) from bioenergy should be furthermore coherently aligned with the definition for sustainable activities indicated in Taxonomy Regulation Article 10(1) as well as with the central place of these energy sources in the Commission scenario (PRIMES) for 2050. Accordingly, bioenergy should be treated as any other renewable heat/ cool generation technology in its entire capacity. Lastly, we emphasize that the ambition of establishing a level playing field for technologies promoting energy

efficiency and renewable integration should be consistently applied across sectors. Therefore, we propose the inclusion of DHC within Section 3.4 (Manufacture of Energy Efficiency Equipment for Buildings) of both Annexes consistent with the equal treatment of other recognized technologies.

A feasible threshold for transitional activities within climate change mitigation

Although Article 10(2) of Regulation (EU) 2020/852 correctly recognizes the important role of transitional activities, the currently established threshold remains technologically unachievable and therefore obstructs their potential role as pivotal enablers of the energy transition. AGFW therefore recommends to adjust the proposed threshold to 100g from 200gCO2e per 1 kWh of energy input for dedicated transitional activities such as CHP, to sufficiently reflect the current state of technology and provide and appropriate investment framework for their deployment as transitory enablers of the energy transition. Here, an unrealistic threshold would likely be liable to obstruct the transitory process by not sufficiently differentiating between transitional activities such as gas fired cogeneration and non-transitional activities such as lignite fired generation. It would hence choke of further technological advancement and undermine potential decarbonisation pathways within the sector such as the use of hydrogen to recognize their pivotal role in climate change mitigation as transitional enablers.

Recommended amendments to the proposed framework

Draft Commission Delegated Regulation

Recital (40) Review Process (Recommended adjustments are marked in red)

To ensure that the application of Regulation (EU) 2020/852 evolves with technological, market and policy developments, this Regulation ~~*should be regularly*~~ ***can be reviewed if substantial scientific evidence indicates incompatibility with existing climate and energy policy objectives****.* ***Amendments with regard to the*** *activities considered to be contributing substantially to climate change mitigation or climate change adaptation and the corresponding technical screening criteria* ***should take into account investment and legal security to ensure the long term reliability of the Taxonomy Regulation as a steering tool for sustainable investments.***

Annex 1: Climate change mitigation

4.15 District heating/cooling distribution

Technical screening criteria: Substantial contribution to climate change mitigation (Recommended adjustments are marked in red)

The activity complies with one of the following criteria:

(a) for construction, ***refurbishment*** *and operation of pipelines and associated infrastructure for distributing heating and cooling, the system meets the definition of efficient district heating and cooling systems laid down in Article 2, point 41, of Directive 2012/27/EU;*

(b) for refurbishment of pipelines and associated infrastructure for distributing heating and cooling, the investment that makes the system meet the definition of efficient district heating or cooling laid down in Article 2, point 41, of Directive 2012/27/EU starts within a three year period as underpinned

by a contractual obligation or an equivalent in case of operators in charge of both generation and the network;

(c) The activity is the following:

(i) modification to lower temperature regimes;

(ii) advanced pilot systems (control and energy management systems, Internet of Things).

4.18 Cogeneration of heat/cool and power from geothermal energy

Technical Screening criteria: Substantial contribution to climate change mitigation (Recommended adjustments are marked in red)

~~*The life-cycle GHG emissions from the combined generation of heat/cool and power332 from geothermal energy are lower than 100gCO2e per 1 kWh of energy input to the combined generation.*~~

~~*Life-cycle GHG emissions are calculated based on project-specific data, where available, using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018.*~~

~~*Quantified life-cycle GHG emissions are verified by an independent third party.*~~ ~~*The activity consists in the cogeneration327 of electricity and heat/cool from solar energy.*~~

The activity consists in the cogeneration of electricity and heat/cool from geothermal energy.

4.19 Cogeneration of heat/cool and power using gaseous and liquid fuels

Technical Screening criteria: Substantial contribution to climate change mitigation (Recommended adjustments are marked in red)

1. The life-cycle GHG emissions from the co-generation of heat/cool and power338 from gaseous and liquid fuels339 are lower than ~~***100g***~~ ***200g*** *CO2e per 1 kWh of energy input to the co-generation.*

Direct *Life-cycle GHG emissions* ***emitted during the activity's actual time of operation*** *are calculated based on* ~~***project-specific data***~~ ***standard reference values****, where available, using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018.*

Quantified life-cycle GHG emissions are verified by an independent third party.

2 Where facilities incorporate any form of abatement (including carbon capture or use of decarbonised fuels) that abatement activity complies with the relevant Sections of this Annex, where applicable.

Where the CO2 emitted from the ~~*electricity*~~ ***heat/cool*** *generation is captured as a way to meet the emissions limit set out in point 1 of this Section, the CO2 is transported and stored underground in a way that meets the technical screening criteria for transport of CO2 and storage of CO2 set out in Sections 5.11 and 5.12, respectively of this Annex.*

3. The activity meets either of the following criteria:

(a) at construction, measurement equipment for monitoring of physical emissions, such as methane leakage is installed or a leak detection and repair program is introduced;

(b) at operation, physical measurement of emissions are reported and leak is eliminated.

4.20 Cogeneration of heat/cool and power from bioenergy

Description/Technical Screening criteria: Substantial contribution to climate change mitigation (Recommended adjustments are marked in red)

Description of the activity

Construction and operation of installations used for cogeneration of heat/cool and power from biomass.

The activity is classified under NACE codes D35.11 and D35.30 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Where the activity is an integral element of the activity 'Installation, maintenance and repair of renewable energy technologies' as referred to in Section 7.6 of this Annex, the technical screening criteria specified in Section 7.6 apply.

~~*The activity is a transitional activity as referred to in Article 10(2) of Regulation (EU) 2020/852 where it complies with the technical screening criteria set out in this Section.*~~

Technical screening criteria

Substantial contribution to climate change mitigation

1. Agricultural biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001. Forest biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 6 and 7 of that Directive.

*2. The greenhouse gas emission savings from the use of biomass in cogeneration installations are at least ~~80 %~~ **70%** in relation to the GHG emission saving methodology and fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001.*

3. Where the cogeneration installations rely on anaerobic digestion of organic material, the production of the digestate meets the criteria in Sections 5.6 and criteria 1 and 2 of Section 5.7 of this Annex, as applicable.

*4. Points 1 and 2 do not apply to electricity generation installations with a total rated thermal input below 2 MW and using gaseous biomass fuels **and to solid biomass plants with rated with thermal input of less than 20MW.***

4.22 Production of heat/cool from geothermal energy

Technical Screening criteria: Substantial contribution to climate change mitigation (Recommended adjustments are marked in red)

~~*The life-cycle GHG emissions from the combined generation of heat/cool and power332 from geothermal energy are lower than 100gCO2e per 1 kWh of energy input to the combined generation.*~~

~~*Life-cycle GHG emissions are calculated based on project-specific data, where available, using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018.*~~

~~*Quantified life-cycle GHG emissions are verified by an independent third party.*~~ ~~*The activity consists in the cogeneration327 of electricity and heat/cool from solar energy.*~~

The activity produces heat/cool using solar thermal heating

4.24 Production of heat/cool from bioenergy

Description/ Technical Screening criteria: Substantial contribution to climate change mitigation (Recommended adjustments are marked in red)

Construction and operation of installations used for cogeneration of heat/cool and power from biomass.

The activity is classified under NACE codes D35.11 and D35.30 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Where the activity is an integral element of the activity 'Installation, maintenance and repair of renewable energy technologies' as referred to in Section 7.6 of this Annex, the technical screening criteria specified in Section 7.6 apply.

~~*The activity is a transitional activity as referred to in Article 10(2) of Regulation (EU) 2020/852 where it complies with the technical screening criteria set out in this Section.*~~

Technical screening criteria

Substantial contribution to climate change mitigation

1. Agricultural biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001. Forest biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 6 and 7 of that Directive.

2. The greenhouse gas emission savings from the use of biomass in cogeneration installations are at least ~~*80 %*~~ ***70%*** *in relation to the GHG emission saving methodology and fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001.*

3. Where the cogeneration installations rely on anaerobic digestion of organic material, the production of the digestate meets the criteria in Sections 5.6 and criteria 1 and 2 of Section 5.7 of this Annex, as applicable.

4. Points 1 and 2 do not apply to electricity generation installations with a total rated thermal input below 2 MW and using gaseous biomass fuels ***and to solid biomass plants with rated thermal input of less than 20 MW.***

4.25 Production of heat/ cool using waste heat

Description of the activity

Construction, ***refurbishment*** *and operation of facilities that produce heat/cool using waste heat* ***and/or recover it.***

The activity is classified under NACE code D35.30 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Annex 2: Climate change adaption

4.19 Cogeneration of heat/cool and power using gaseous and liquid fuels

Do no significant harm (DNSH) (Recommended adjustments are marked in red)

(1) Climate change mitigation	*The direct input GHG emissions* ***emitted during the activity's actual time of operation*** ~~*of the activity*~~ *are lower than 270gCO2e/kWh.*

Annex 1&2

3.4 Manufacture of Energy Efficient Equipment for Buildings

Description of the activity

Manufacture of one or more of the following energy efficiency equipment (products and their components) for buildings:

(a) windows with U-value lower or equal to 0,7 W/m2K;

(b) doors with U-value lower or equal to 1,2 W/m2K;

(c) external cladding with U-value lower or equal to 0,5 W/m2K;

(d) roofing systems with U-value lower or equal to 0,3 W/m2K;

(e) household appliances falling into the top two energy efficiency classes in accordance with Regulation (EU) 2017/1369 of the European Parliament and of the Council ;

(f) lighting appliances rated in the top two energy labelling class in accordance with Regulation (EU) 2017/1369;

(g) space heating and domestic hot water systems rated in the top energy labelling class in accordance with Regulation (EU) 2017/1369;

(h) cooling and ventilation systems rated in the top two energy labelling class in accordance with Regulation (EU) 2017/1369;

(i) presence and daylight controls for lighting systems;

(j) heat pumps compliant with the technical screening criteria set out in Section 4.16 of this Annex;

(k) façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation;

(l) energy-efficient building automation and control systems for commercial buildings;

(m) zoned thermostats and devices for the smart monitoring of the main electricity loads for residential buildings, and sensoring equipment;

(n) products for heat metering and thermostatic controls for individual homes connected to district heating systems and individual flats connected to central heating systems serving a whole building.

(o) district heating exchangers and substations compliant with the district heating/cooling distribution activity set out in Section 4.15 of this Annex.

The activity is classified under NACE codes C16.23, C17.11, C22.23, C23.11, C23.20, C23.31, C23.32, C23.43, C25.11, C25.12, C25.21, C25.29, C25.93, C27.31, C27.32, C27.33, C27.40, C27.51, C28.11, C28.12, C28.13, C28.14, in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Ihre Ansprechpartner:

Sören Damm LL.M.
Referent Europäische Energiepolitik
Tel. +49 69 6304-219
E-Mail s.damm@agfw.de

Gesamtverantwortung:

Werner Lutsch
Geschäftsführer
Tel. +49 69 6304-278
E-Mail w.lutsch@agfw-de

Herausgeber:

AGFW | Der Energieeffizienzverband für Wärme, Kälte und KWK e.V.

Stresemannallee 30, D-60596 Frankfurt am Main
Postfach 70 01 08, D-60551 Frankfurt am Main

Telefon: +49 69 6304-1
Telefax: +49 69 6304-391
E-Mail: info@agfw.de
Internet: www.agfw.de

Hauptstadtbüro
Schumannstraße 2, D-10117 Berlin

AGFW ist der Spitzen- und Vollverband der energieeffizienten Versorgung mit Wärme, Kälte und Kraft-Wärme-Kopplung. Wir vereinen über 500 Versorgungsunternehmen (regional und kommunal), Contractoren sowie Industriebetriebe der Branche aus Deutschland und Europa. Als Regelsetzer vertreten wir über 95 % des deutschen Fernwärmeanschlusswertes; den größten Westeuropas.