The Federation of Norwegian Industries' comments to the 1st draft delegated act on climate mitigation and - adaptation supplementing the EU Taxonomy Regulation

About the Federation of Norwegian Industries

The Federation of Norwegian Industries represents Norwegian industry branches such as oil and gas contractors, onshore petroleum activities, aluminium, biotechnology, cement, chemical industries, electro and energy equipment, furniture, glass and ceramics, machine and hardware industry, maritime industry, aquaculture and aquaculture suppliers, graphic arts and communication, metals, mining, paints and coatings, paper and pulp, pharmaceuticals, plastics, recycling, facility services, textiles and hotels. Hence, our input to the taxonomy legislation reflects common positions of a wide range of industry branches. We represent 2,600 member companies with approx. 126,000 employees, with a total yearly turnover of 60 billion Euros.

Introduction

The Federation of Norwegian Industries welcomes the effort in shaping the EU taxonomy legislation to increase investments in the green transition of the EU economy. We believe that the taxonomy should include screening criteria for as many economic activities as possible. The development of the taxonomy must build on lifecycle assessments, where the whole value chain, from sourcing, production, use and waste management (e.g. recycling), are considered. The delegated acts to the taxonomy regulation must be based on realistic criteria, awarding industry companies and other economic activities, which are environmental frontrunners within their branches.

Expanding the scope of climate migration in the transportation sector

The Federation of Norwegian Industries believes that the taxonomy should also allow for investments in green technology in branches that may be perceived as pollutant, as of today. One example could be investments in sustainable transportation and transport infrastructure, regardless of which fuels or goods that are transported. For instance, the proposed criteria excluding means of transport dedicated to transport of fossil fuels would entail that investments that will contribute significantly to climate mitigation in the transportation sector may be excluded. Furthermore, if this logic was to be applied generally, the taxonomy should also exclude investments in vehicles vessels and infrastructure of goods with a high GHG impact. Surely, this is not applicable and would exclude a large part of the transportation sector from the taxonomy.

<u>Proposal for sections 6.2, 6.6, 6.8, 6.9, 6.10, 6.14, 6.15, 6.16 and 6.17 in Annex I and Annex II:</u>

- Remove the suggested requirements (Annex 1) and pre-conditions (Annex 2) that the means of transport or infrastructure for transportation shall not be dedicated to the transport of fossil fuels.

Indirect emissions from production of electricity

Emissions of climate gases from electricity generation may contribute significantly to the total climate footprint from several manufacturing processes. In the draft delegated act for climate mitigation (annex 1), indirect emissions from the generation of electricity are taken into account in the proposed screening criteria for substantial contribution to climate change mitigation for

manufacturing of primary aluminum (section 3.7) and chlorine (section 3.12). We believe that indirect emissions from electricity generation should also be included in the technical criteria for other types of manufacturing processes where they contribute significantly to the total emissions. Examples of such manufacturing processes can be manufacture of iron and steel (section 3.8), organic basic chemicals (section 3.13), anhydrous ammonia (section 3.14) and nitric acid (section 3.15).

Indirect emissions are derived and represented differently for primary aluminum and chlorine, i.e., the former treating indirect emissions as the product of two factors (MWh/t times gCO_2/kWh) and the latter treating these two factors separately (MWh/t independent of gCO_2/kWh). We recommend a consistent methodology for the inclusion of indirect emissions across all sectors, and that it follows the same methodology as the current proposal for primary aluminum. By doing so, direct and indirect emissions are comparable in units and can be summed up, giving a best possible representation of total climate footprint for the respective manufacturing processes.

In conclusion, we believe that indirect emissions from electricity generation should be included in the technical criteria for all types of manufacturing processes where they contribute significantly to the total emissions, and based on the same, consistent methodology. Examples of such manufacturing processes can be manufacture of iron and steel (section 3.8), organic basic chemicals (section 3.13), anhydrous ammonia (section 3.14) and nitric acid (section 3.15)

Proposal for sections 3.8, 3.12, 3.13, 3.14 and 3.15 in Annex I (as well as Annex II for the DNSH criterion):

- The screening criteria for substantial contribution to climate change mitigation should take into account the indirect emissions of climate gases from electricity generation. The inclusion of indirect emissions should follow a consistent methodology across all sectors; a methodology where direct and indirect emissions are comparable in units and can be summed up, as is the case in the current proposal for manufacturing of primary aluminium.

Equal treatment of all types of renewable electricity generation

A renewable and low-carbon energy system is crucial for reaching the European adopted climate targets. The taxonomy should ensure a level playing field and equal treatment of all types of renewable electricity generation. In the draft delegated act for climate mitigation (annex 1), the proposed screening criteria for electricity generation from hydropower (section 4.5) goes far beyond the criteria for other types of renewable electricity generation from e.g. wind, ocean technologies, etc. We believe that the taxonomy should be developed with as technology neutral criteria for different types of renewable electricity generation as possible. This applies both to criteria for substantial contribution to climate change mitigation and the "do not harm" criteria for the environmental objective of sustainable use and protection of water and marine resources.

Proposal for section 4.5 in Annex I:

- The criteria for substantial contribution to climate mitigation should be modified to "*the activity generates electricity from hydropower*", and hence aligned with the criteria for e.g. production of electricity from wind power (section 3.3) and ocean technologies (section 3.4). The "do not harm" criteria for sustainable use and protection of water and marine resources should be aligned with requirements that follows from the EU Water Framework Directive.

Hydrogen

Production of clean hydrogen is acknowledged as a key factor for the clean energy transition of Europe. Both renewable and low-carbon hydrogen are needed to realise the EU's energy and climate ambitions. The European Hydrogen Strategy also recognises the need for low-carbon hydrogen produced from natural gas with CCS. In the final report from the Technical Expert Group from March 2020, it was proposed that direct CO_2 emissions from manufacturing of hydrogen should be below 5,8 tCO_2e/tH_2 in order to be meet the technical screening criteria for climate mitigation. We take note that the Commission suggest a threshold value of 2,256 tCO_2e/tH_2 in the draft delegated act for climate mitigation, section 3.9. We are not sure how the threshold value of 2,256 tCO_2e/tH_2 has been derived. The Federation of Norwegian Industries would ask that the EU-commission ensures that the climate mitigation criteria for CO_2 emissions from the manufacturing of hydrogen from natural gas with CCS must be ambitious, but still realistic and obtainable by using best available techniques. In addition, we see it as important that section 3.2 in Annex 1 and Annex 2 ("Manufacture of equipment for the production of hydrogen") includes both hydrogen electrolysis technologies as well as other types of low-carbon technologies for hydrogen production, as the latter technologies will also make significant contribution to climate mitigation.

Proposal for section 3.2 in Annex I and Annex II:

- Include low-carbon technologies for manufacturing of hydrogen, in addition to electrolysis.

Proposal for section 3.9 in Annex I:

- Ensure that the criteria for threshold values for emissions of tCO_2e/tH_2 are realistic and in accordance with the recommendations from the Technical Expert Group report of March 2020.

Carbon capture and storage

The taxonomy regulation art. 10 nr. 1 (e) acknowledges the role of carbon capture and utilisation (CCU) and carbon capture and storage (CCS) technologies that deliver a net reduction in greenhouse gas emissions. The Federation of Norwegian Industries welcomes this acknowledgement. Transport of CO_2 is described in section 5.11 in the delegated acts. Although we interpret the description of the activity so that all transport of CO_2 is included, we believe that it should be clarified that all modalities for transport of captured CO_2 is included, (e.g. vessels, vehicles, etc.) is included, in addition to the construction and operation of pipelines and gas networks. As an example, the Norwegian Northern Lights project, which is a part of the Norwegian full-scale CCS project is based on capture of CO_2 from industrial sources, shipping of liquid CO_2 from the industrial sites to an onshore terminal on the Norwegian west coast and transported by pipeline to an offshore storage location subsea in the North Sea, for permanent storage.

Proposal for section 5.11 in Annex I and Annex II:

- Clarify that all modalities for transport of captured CO_2 is included in the description of the activity (e.g. vessels, vehicles, etc.), in addition to construction and operation of pipelines and gas networks.

Anaerobic digestion of sewage sludge and bio-waste

The Federation of Norwegian Industries welcomes the inclusion of anaerobic digestion of sewage sludge (section 5.6) and anaerobic digestion of bio-waste (section 5.7) in the delegated acts. In

order to contribute significantly to climate mitigation, the requirement for a monitoring plan for methane leakage at the facility, should include that such monitoring plans must be aimed at minimising the methane leakage. Further, we take note that the suggested criteria for anaerobic digestion of bio-waste (section 5.7) and composting of bio-waste (section 5.8) includes that the produced digestate is used as fertiliser or soil improver (either directly or after composting or any other treatment), and meets the requirements for fertilising materials set out in Component Material Categories (CMC) 4 and 5 in Annex II to Regulation (EU) 2019/1009, or national rules on fertilisers or soil improvers for agricultural use. We recommend that the possibilities for defining a realistic requirement for the utilisation of a certain minimum percentage of the digestate from anaerobic digestion of sewage sludge is also explored.

Proposal for sections 5.6 and 5.7 in Annex I (and Annex II):

- Consider the inclusion of a requirement for the utilisation of a minimum percentage of the digestate from anaerobic digestion of sewage sludge as fertiliser or soil improver (section 5.6), as long as it meets the requirements of the European Sewage Sludge Directive 86/278/EEC.
- The requirement that specifies that a monitoring plan for methane leakage must be in place, should include that such monitoring plans must be suitable to minimise the methane leakage from the facility (section 5.6 and 5.7). Our input regarding monitoring plans is equally relevant to the proposed "do not harm" criteria for climate mitigation in the same sections in Annex II.

Material recovery of non-hazardous waste

It is well documented that use of secondary raw materials contributes to significant reductions in GHG emissions compared to the use of virgin materials. The Federation of Norwegian Industries support the emphasis on separate collection of waste as separate sorting and collection of waste simplifies high-quality recycling. However, the criteria in the delegated act for climate mitigation should take into account that recycling facilities across Europe often receive and process both mixed waste and waste that has been segregated at source and collected separately. The description of the activity "*material recovery of non-hazardous waste*" in section 5.9 should therefore include both entire facilities as well as dedicated production lines for the sorting and processing of separately collected non-hazardous waste streams into secondary raw materials.

Proposal for section 5.9 in Annex I and Annex II:

- Ensure that both entire facilities and dedicated production lines for the sorting and processing of separately collected non-hazardous waste streams into secondary raw materials are included in the scope of the activity. One possibility is to express that if a facility treats both separately and non-separately collected non-hazardous waste, only the share (in percentage) of the activity devoted to the processing of separately collected non-hazardous waste shall meet the technical screening criteria for substantial contribution to climate mitigation.

Manufacturing of plastics in primary form

The suggested criteria climate change mitigation in Annex I require that plastics in primary form is either fully manufactured by mechanical or chemical recycling of plastic waste (letters a and b) or derived wholly/partially from renewable feedstock (letter c). As for other industrial manufacturing activities in chapter 3 of Annex 1, the Federation of Norwegian Industries believes that an option to meet threshold values for GHG emissions should also be introduced. One possibility to determine threshold values could be to use the same principles as for other manufacturing activities and use the average value of the top 10% of installations based on the data collected in

the context of establishing the EU ETS industrial benchmarks for the period of 2021-2026. Indirect emissions from electricity generation should be included in the threshold for XX tCO_2e/t plastics.

Proposal for section 3.16 in Annex I:

- Include a new letter d) in the technical screening criteria for climate change mitigation where GHG emissions from the manufacture of primary are lower than XX tCO_2e/t plastics. The threshold value should be calculated from the average value of the top 10% of installations based on the data collected in the context of establishing the EU ETS industrial benchmarks for the period of 2021-2026 and also include indirect emissions from electricity generation.

Kind regards

The Federation of Norwegian Industries

Ole Børge Yttredal (sign)
Director