

## Answer to the consultation on the draft Taxonomy Delegated Acts

France Industrie welcomes the European Commission's draft delegated acts. France Industrie believes that taxonomy should be a driving force behind decarbonisation of the EU economy. Its ambition should be as inclusive and aspirational as possible to steer the necessary investments in the energy transition. We strongly believe that, by being too binary and not inclusive enough, the EU Taxonomy could miss its target and remain a green "niche", with few impacts on the market transparency and investments flows. The association wants to draw the European Commission's attention to three key points of analysis.

### **1. Equal treatment for all technologies contributing to EU decarbonisation trajectory**

All technologies that have scientifically proven potential to contribute to the EU decarbonisation trajectory should be considered to ensure the transition is economically affordable, socially inclusive and does not compromise security of energy supply, without any bias towards few technologies based on political choices rather than best available technologies. This implies, on the one hand, the respect of the principle of technological neutrality and, on the other hand, full life-cycle assessments. The principle of technological neutrality is set in the article 19.1.(a) of the Taxonomy Regulation but does not appear in the TEG (Technical Expert Group) report, nor in the draft delegated acts. In the TEG report, some technologies are subjected to full life-cycle assessments while others are not. It is essential that technical screening criteria for sustainable finance are based on an integrated lifecycle approach, taking into account an activity's contribution to climate change mitigation throughout the value chains. This is also the case for the DNSH assessment that requires the application of the existing legal framework for some technologies but imposes very restrictive constraints on top of the legal framework for other (e.g. hydropower). Furthermore, France Industrie regrets the absence of nuclear power in the draft delegated acts. We welcome the approach taken by the Commission to appoint the Joint Research Centre to assess nuclear, we nevertheless regret that the assessment cannot be included in the proposed delegated act for reasons of timing. This could create a real market distortion between the evaluated and unassessed technologies. Considering nuclear power's contribution to GHG emissions reduction, it is important to include it in the same process for the selection of sustainable investments as other types of energy generation.

### **2. Hydrogen production and low-carbon energy sources**

The European Commission must allow the development of hydrogen produced from low-carbon electricity in order to enable the development of this technology. The threshold of 2,256kgCO<sub>2</sub>e/kgH<sub>2</sub> set under section 3.9 of Annex I is too restrictive and will limit the deployment of low-carbon hydrogen thus putting the EU leadership at risk. Only some renewable energy sources would qualify as a sustainable way of producing hydrogen (mainly from wind electricity), and solar photovoltaic could even be excluded under some assumptions. This is an issue for a series of technical reasons. It is therefore crucial to ensure that the production of hydrogen from a low-carbon electricity mix is eligible in the taxonomy in order to enable the development of this technology. The hydrogen production of which life cycle GHG emissions do not exceed 5,5kgCO<sub>2</sub>e/kgH<sub>2</sub>, which is consistent with emissions of 100grCO<sub>2</sub>/KWh for the electricity used, should be considered as an activity contributing to climate change mitigation. If needed, this threshold could be reviewed on a regular basis according to technological progress.

### **3. Consistency, stability & subsidiarity**

The draft delegated act presents some inconsistencies relating to the classification between transitional/enabling and other activities. Some economic activities do not seem to have been classified in the appropriate category (e.g. transport operations). In addition, the classification as enabling activity should not prevent related R&D activities from being considered as sustainable under the Taxonomy as it seems to be the case in the current draft delegated act. Services associated with sustainable technologies are not sufficiently covered by the EU taxonomy (distribution, maintenance). Finally, consistency with legal framework and subsidiarity are key elements towards the success of the European Green Deal. The delegated acts should not anticipate nor forego the outcome of the revision of many of sector-specific EU regulations (such as the Energy Efficiency Directive, the Renewable Energy Directive, the Clean Vehicles Directive) that will be done in the course of next year in light of the EU Green Deal ambitions (it is important to note that the referred directives have been adopted very recently are already ambitious). Otherwise they will create huge legal confusion, risk disrupting the proper market functioning due to changes to applicable regulatory frameworks, impact investors' trust and distort competition in the EU internal market. This is the case in particular concerning the TSC (Technical Screening Criteria). The criteria set by the RED II Directive to determine if a source of energy is renewable or not shall not be contested (i.e. bioenergy, presented as "transition activity" in the delegated acts even if bioenergy respects the RED II criteria). In order to encourage companies to proactively engage in such activities and investments, it is necessary to provide a stable framework for the evaluation of the project concerned over its entire lifetime, thus avoiding that such investments become failed assets. Member States should additionally have sufficient flexibility to determine their most cost-efficient decarbonisation pathway considering their energy mix.