Committee on Economic and Monetary Affairs
Committee on the Environment, Public Health and Food Safety

2021/2753(DEA)

27.9.2021

DRAFT MOTION FOR A RESOLUTION

pursuant to Rule 111(3) of the Rules of Procedure

on the Commission delegated regulation of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (C(2021)2800 – 2021/2753(DEA))

Committee on Economic and Monetary Affairs
Committee on the Environment, Public Health and Food Safety

Members responsible: Nicola Beer, Jessica Polfjärd, Andreas Glück, Emma Wiesner

(Joint committee procedure - Rule 58 of the Rules of Procedure)

B9-0000/2021

European Parliament resolution on the Commission delegated regulation of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives
(C(2021)2800- –2021/2753(DEA))

The European Parliament,

– having regard to the Commission delegated regulation of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (C(2021)2800),

– having regard to Article 290 of the Treaty on the Functioning of the European Union,

– having regard to Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088[1], and in particular Articles 10(3), 11(3) and 23(6) thereof,

– having regard to Rule 111(3) of its Rules of Procedure,

– having regard to the joint deliberations of the Committee on Economic and Monetary Affairs and the Committee on the Environment, Public Health and Food Safety under Rule 58 of the Rules of Procedure,

– having regard to the motion for a resolution of the Committee on Economic and Monetary Affairs and the Committee on the Environment, Public Health and Food Safety,

A. whereas on 4 June 2021 the Commission adopted a delegated regulation supplementing Regulation (EU) 2020/852;

B. whereas Articles 10 and 11 of Regulation (EU) 2020/852 state that one single delegated act respectively shall be adopted by the Commission by 31 December 2020;

C. whereas under the Paris Agreement, adopted on 12 December 2015 under the United Nations Framework Convention on Climate Change , its parties have agreed to hold the increase in the global average temperature well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels;

D. whereas the European Green Deal is aimed at transforming the Union into a modern, resource-efficient and competitive economy that achieves climate neutrality by 2050;

[1] OJ L 198, 22.6.2020, p. 13.

E. whereas the taxonomy established under Regulation (EU) 2020/852 was envisaged as a voluntary, robust, science-based transparency and disclosure tool directed at private actors and aimed at enabling the transformation towards climate neutrality;

F. whereas current private sector taxonomy alignment is estimated at only 1 to 5 %, with many companies and investment portfolios standing at zero[2];

G. whereas taxonomy, including the climate technical screening criteria ('criteria'), was originally developed as a transparency tool for private investment;

H. whereas the 'do no significant harm' principle as established under Article 17 of Regulation (EU) 2020/852 has been extended to Regulation (EU) 2021/241 of the European Parliament and of the Council[3];

I. whereas taxonomy is already spreading into Union policy realms beyond its original scope, such as public finance;

J. whereas the Commission took into account the various queries and opinions received from non-governmental organisations and stakeholders during the public consultation leading to a more balanced and simplified approach;

K. whereas the taxonomy in Regulation (EU) 2020/852 and its delegated acts have a living character, which includes the possibility for stakeholders to suggest relevant activities to be included via an online portal;

L. whereas regulatory predictability and stability is required to guide further taxonomy development to assure investment security;

M. whereas coherence is to be achieved across the different instruments to facilitate the European Green Deal;

N. whereas agricultural activities are dealt with in a complementary, separate delegated act;

O. whereas the Commission delegated regulation adopted on 4 June 2021 only covers certain aspects of the delegation, leaving out for example fundamental parts of the energy sector;

P. whereas the remaining aspects of the Commission delegated regulation may only be adopted as amendments to the delegated regulation after the scrutiny period for the current version has lapsed, thus potentially depriving Parliament and Council of holistic scrutiny of the overall act and limiting Parliament's role as the democratically elected supervisor of the executive;

Q. whereas the proposed criteria foster a one-size-fits-all approach which may not leave adequate space for the diversity of efficient national decarbonisation pathways;

R. whereas the future Union energy system offers many technical alternatives, thus, to build a well-integrated, market-based energy system, energy policy must be based on

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[2] Communication of the Commission of 21 April 2021 on EU Taxonomy, Corporate Sustainability Reporting, Sustainability Preferences and Fiduciary Duties: Directing finance towards the European Green Deal, COM(2021)0188 , p. 4.

[3] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

technological neutrality and economic efficiency considerations at system level;

S. whereas there are rules in the Commission delegated regulation that are in direct contradiction to existing Union regulation principles, such as having criteria for grid investments based on energy production emissions, although according to current Union market design rules grid owners are not allowed to own energy production assets;

T. whereas the binary nature of the criteria risks resulting in an oversimplified good/bad perception of activities which undermines the key purpose of facilitating funding for transformation of the real economy;

U. whereas from the partial picture published in the initial Commission delegated regulation, it remains unclear which criteria go beyond existing Union law and to what extent, thus it is unclear how overall regulatory congruity and efficiency are upheld;

V. whereas several criteria are specified to set more demanding criteria, beyond existing Union legislation, such as Directive 2000/60/EC of the European Parliament and of the Council[4] and Directive (EU) 2018/2001 of the European Parliament and of the Council[5], especially the sustainability criteria in Article 29 of Directive (EU) 2018/2001, in order for the economic activity to be classified as taxonomy-aligned. The legal basis for setting and upholding such criteria is not supported in Regulation (EU) 2020/852;

W. whereas transparency has been limited throughout the process in which the criteria have been developed and it has not always allowed for assessments as to whether the criteria are based on the latest available science or whether they have a holistic perspective;

X. whereas according to Article 10 (2) of Regulation (EU) 2020/852 the Commission shall for the establishment of criteria assess the potential contribution and feasibility of all relevant existing technologies, thus recognising and acknowledging all possible options and alternatives to reach net-zero emissions by 2050 via technology neutral pathways;

Y. whereas the EU Emissions Trading System (EU ETS) is the cornerstone of the Union's policy to combat climate change and its key tool for reducing greenhouse gas emissions cost-effectively, and thus is to be extended;

Z. whereas the setting of criteria under taxonomy is not to undermine this central policy tool via redundant technical standards which are rendered ineffective for sectors under the emissions cap;

AA. whereas the Union has committed to being climate-neutral by 2050 through having an economy with net-zero greenhouse gas emissions in which all parts of society and all sectors play a role;

AB. whereas transport CO_2 emissions criteria are based on direct tailpipe emissions measurement, a narrow analytical approach that risks to facilitate investments that increase system level emissions due to a lack of observation of the whole life cycle and fuel chain;

[4] Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1).

[5] Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 8).

AC. whereas Article 19 (1), point (g), of Regulation (EU) 2020/852 requires the criteria to take into account the whole life cycle of an economic activity and the products and services provided by it;

AD. whereas, due to differences in preferences and weightings in case of conflicting objectives, there can be no universally accepted definition of sustainability which must be better taken into account;

AE. whereas the Commission failed to adopt the delegated act referred to in Article 8 of Regulation (EU) 2020/852 by the date laid down in that Article, which risks to further shorten the preparatory phase for affected companies, which do not fully know what exactly to report yet;

AF. whereas there is a lack of consistency between the different initiatives, including Regulation (EU) 2019/2088 of the European Parliament and of the Council[6], the Corporate Sustainability Reporting Directive (CSRD) and Regulation (EU) 2020/852, as well as the expected Corporate Sustainability Governance Directive;

AG. whereas there is risk to put banks with a large proportion of small and medium-sized enterprises (SMEs) loans at a disadvantage and of disincentivising the financing of non-NFRD/CSRD entities such as SMEs and borrowers, particularly in emerging economies;

1. Objects to the Commission delegated regulation;

2. Instructs its President to forward this resolution to the Commission and to notify it that the delegated regulation cannot enter into force;

3. Considers that the Commission delegated regulation contradicts the objectives of Regulation (EU) 2020/852, especially as referred to in Article 19 (1), point (a), of that Regulation;

4. Calls on the Commission to submit a new delegated act which takes account of the following recommendations;

5. Urges the Commission to ensure that taxonomy remains a voluntary, robust, science-based transparency and disclosure tool directed at private actors and aimed at enabling the transformation towards climate neutrality by creating investment security, protecting private investors and consumers from greenwashing and helping companies to become more climate-friendly;

6. Calls on the Commission to ensure and maintain overall regulatory congruity and efficiency between existing Union laws, the criteria arising from delegated acts under Regulation (EU) 2020/852, and the recently published 'Fit for 55' package;

7. Calls for the Commission delegated regulation to be harmonised with the technical criteria of relevant existing legislation (e.g. Directive 2000/60/EC or Directive (EU) 2018/2001, especially Article 29 of Directive (EU) 2018/2001) or to have those criteria

[6] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

confirmed via the ordinary legislative procedure, including an impact assessment, transparency, stakeholder consultation and the full participation of Parliament;

8. Calls on the Commission to ensure that future amendments to include the missing criteria in the Commission delegated regulation do not entail a less favourable treatment for any potentially efficient national decarbonisation pathway;

9. Calls for the implementation of Regulation (EU) 2020/852 to recognise the existing asset and infrastructure base, without undermining funding access for hydropower, energy storage and highly-efficient Combined Heat and Power plants to secure stable base load and flexible peak supply in an energy system that is highly penetrated with renewables, including funding for the hydrogen-readiness of generation and network infrastructure;

10. Urges the Commission to follow through with the expansion of the EU ETS as the key tool for cost-effective greenhouse gas emissions reductions across sectors;

11. Calls on the Commission to base the criteria for CO_2 emissions from transport on an analytical approach which takes the whole life-cycle and fuel chain into consideration to facilitate net carbon emissions neutrality in all sectors, particularly in transport;

12. Calls for the preparatory phases needed to be prolonged accordingly to allow affected companies sufficient time to adapt their reporting;

13. Calls on the Commission and the European Financial Reporting Advisory Group to develop guidelines while reviewing the inclusion of SMEs by 2025 to prevent the suffocation of SMEs by disclosure obligations; taking into account the negative side-effects for SMEs when putting large reporting burdens on banks;

14. Calls on the Commission to work on a common methodology and to produce public information that allows SMEs sustainability to be assessed without putting undue administrative burden on them;

15. Calls on the Commission to avoid reporting requirements that are too granular, have limited added value, are unnecessarily complex, or have disproportionate additional reporting costs;

16. Calls on the Commission to prevent an expansion of taxonomy to so-called harmful activities as this would hinder the transformation efforts of companies;

17. Reminds the Commission that CapEx is the key metric to measure progress for a successful transition in the energy sector, while static measures – such as turnover and operating expense –show little about the future of a company;

18. Calls on the Commission not to establish criteria that exclude specific sectors from access to the capital needed for their sustainable transition, for which increased public and private investments in innovative technologies and business models are necessary, so that financial market actors may not be hindered from providing capital to sectors affected by taxonomies;

19. Instructs its President to forward this resolution to the Council and to the governments and parliaments of the Member States.