

Call for feedback on TEG report on EU Taxonomy

Fields marked with * are mandatory.

Introduction

Disclaimer:

This call for feedback is part of ongoing work by Directorate-general for financial stability, financial services and capital markets union, Directorate-general for environment, Directorate-general for climate action and Directorate-general for energy on sustainable finance, for which the European Commission has set up a dedicated Technical expert group (TEG).

This feedback process is not an official Commission consultation or document nor an official Commission position. Nothing in this feedback process commits the Commission nor does it preclude any policy outcomes.

In March 2018 the European Commission published its action plan: financing sustainable growth. Action 1 of the Commission's action plan calls for the establishment of an EU classification system for sustainable activities, or Taxonomy. The European Commission followed through on this action in May 2018 with a proposal for a regulation on the establishment of a framework to facilitate sustainable investment (taxonomy regulation).

In addition, a technical expert group on sustainable finance (TEG) was set up by the European Commission in July 2018 to assist in with the implementation of four key actions of the action plan, including the development of an EU taxonomy.

Within the framework of the proposed taxonomy regulation, the TEG has been asked to develop recommendations for technical screening criteria for economic activities that can make a substantial contribution to climate change mitigation or adaptation, while avoiding significant harm to the four other environmental objectives:

1. sustainable use and protection of water and marine resources;
2. transition to a circular economy, waste prevention and recycling;
3. pollution prevention control; and (4) protection of healthy ecosystems.

On 18 June 2019, the TEG published its [technical report on EU taxonomy](#). The report sets out the basis for a future EU taxonomy in legislation. The report contains:

- technical screening criteria for 67 activities across 8 sectors that can make a substantial contribution to **climate change mitigation**;
- a methodology and worked examples for evaluating substantial contribution to **climate change adaptation**;
- guidance and case studies for **investors preparing to use the taxonomy**.

This report builds on the [work that the TEG published in December last year](#) together with a call for feedback on the proposed criteria for these “first round” activities. The TEG has also engaged with over 150 additional experts in the past months to develop technical screening criteria for the ‘second round’ of climate change mitigation activities and climate change adaptation activities.

In addition to its technical report, the TEG has also published a [supplementary report on using the taxonomy](#). This provides investors and companies with a concise and clear explanation of why the taxonomy is needed, what it looks like, and its ease of use.

Call for feedback

The TEG is inviting stakeholders to provide feedback on (parts of) its technical report through the online [questionnaire](#).

Because of technical problems, the deadline for providing feedback is **extended at least until Monday 16 September 2019 23:59**. If the technical problems persist, a further extension will be considered.

In the online questionnaire, you will be able to select on which parts of the report you want to provide feedback to, including a selection of the 67 individual activities that make a substantial contribution to climate change mitigation and the different elements of each activity.

Buildings - Construction of new buildings

When responding to these questions please refer to the requirements for technical screening criteria as outlined in Article 14 of the proposed Taxonomy regulation and the principles for developing criteria as used by TEG and explained in the Technical report on Taxonomy.

Please note that if you propose new boundaries, metrics or thresholds for an activity, you are requested to also provide additional information on the Do No Significant Harm assessment that might be affected by your proposal.

Please select the elements of the activity to which you would like to provide feedback:

- Boundary of the activity
- Metric for substantial contribution criteria
- Threshold for substantial contribution criteria
- Do no significant harm criteria
- International applicability of activity criteria

2. Should a different metric be used?

- Yes
- No

I f y e s , w h y a n d h o w ?

Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.

Explanation:

3000 character(s) maximum

We believe that using the operational primary energy metric (kWh/m² per year) is the most accessible metric in the short run. The use of an operational primary energy metric is also a proxy for GHG emissions since the energy source and heating system in a building is taken into account.

Links to evidence:

1000 character(s) maximum

3. Should the threshold be different?

- Yes
- No

If yes, why and how?
Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.

Explanation:

3000 character(s) maximum

We support the proposal to use thresholds, which meet national requirements for NZEB or a level of energy performance equivalent to the EPC rating (not both at the same time). EPCs are the only EU-wide existing legislation in terms of measurement of energy efficiency in buildings. Moreover, choosing an EPC of B as a minimum is in line with current market practices and we find it reasonable to build on existing practices to develop the taxonomy. It is important that EPCs become accessible in a public database to financial institutions to allow banks making it more cost efficient to build portfolios of 'green mortgages'. However, the EACB suggests a more granular and dynamic approach to "top performing buildings" ("shades of green"). This is necessary for buildings that are often financed with up to 30 year mortgage loans and where there is a great variety in energy efficiency and between markets. When setting relatively thresholds, we propose that the "top performing threshold" of a new-constructed building has to be kept throughout the lifetime of the loan financing the building. Otherwise, energy efficient buildings originally included in the top performing category would fall outside of it by the mere circumstance that others have reached a higher reduction in GHG emissions. For example, a 30-year 'green mortgage loan' financing a top-performing year 2020-constructed building should at least be classified as a 'year 2020 green mortgage loan' throughout the lifetime of the loan.

Links to evidence:

1000 character(s) maximum

4. For the objectives where DNSH criteria have been identified, should these criteria be different?

- Yes
- No

If yes, why and how?
Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.

Explanation:

3000 character(s) maximum

The demand to assess the “Do no significant harm” criteria would cause additional burdens and high liability risks for credit institutions. Banks do not have access to the information needed. We expect that building owners are not in a position or not be willing to deliver the required information. As lenders are not able to conduct the necessary assessments borrowers would need external audits.

In general, we are worried about imposing very large documentation requirements to the building owner concerning the environmental impact of material and design solutions – especially on owners of one-family owner-occupied buildings. For instance, competent authorities could help in assessing this as part of the building permit. In addition, producers of materials or solutions could in general be required to be certified by competent authorities. Alternatively, requirements should be differentiated for private and professional building owners in relation to documentation of recycling of waste materials, verification/certification of use materials etc.

Considering building siting, existing buildings located on protected natural areas (e.g. Natura 2000 areas) will also need to be replaced or renovated – naturally done extra consideration for the environment impact. Therefore, such construction / renovation should also be exempted from this criterion.

Links to evidence:

1000 character(s) maximum

5. Are there any additional objectives where DNSH criteria need to be identified to avoid significant harm?

- Yes
- No

Buildings - Renovation of existing buildings

When responding to these questions please refer to the requirements for technical screening criteria as outlined in Article 14 of the proposed Taxonomy regulation and the principles for developing criteria as used by TEG and explained in the Technical report on Taxonomy.

Please note that if you propose new boundaries, metrics or thresholds for an activity, you are requested to also provide additional information on the Do No Significant Harm assessment that might be affected by your proposal.

Please select the elements of the activity to which you would like to provide feedback:

- Boundary of the activity
- Metric for substantial contribution criteria
- Threshold for substantial contribution criteria
- Do no significant harm criteria
- International applicability of activity criteria

2. Should a different metric be used?

- Yes
- No

If yes, why and how?
Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.

Explanation:

3000 character(s) maximum

We believe that using the operational primary energy metric (kWh/m2 per year) is the most accessible metric in the short run. The use of an operational primary energy metric is also a proxy for GHG emissions since the energy source and heating system in a building is taken into account.

Links to evidence:

1000 character(s) maximum

3. Should the threshold be different?

- Yes
- No

If yes, why and how?
Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.

Explanation:

3000 character(s) maximum

We support the proposal to use thresholds which meet national requirements for NZEB or a level of energy performance equivalent to the EPC rating (not both at the same time). EPCs are the only EU-wide existing legislation in terms of measurement of energy efficiency in buildings. Moreover, choosing a minimum 30% improvement in energy efficiency for renovation of buildings (or transposing the building into an EPC B building) is in line with current market practices and we find it reasonable to build on existing practices to develop the taxonomy. It is important that EPCs become accessible in a public database to financial institutions making it more cost efficient to build portfolios of 'green mortgages'.

However, the EACB suggests a more granular and dynamic approach to "top performing buildings" ("shades of green"). This is necessary for buildings that are often financed with up to 30 year mortgage loans and since renovation of buildings are often (typically for one-family owner-occupied buildings) done in a series of improvements over several years (e.g. year 1 new roof, year 3 new windows, year 5 new heating system, etc.) financed each time with a specific loan or as part of a re-mortgage with extra proceeds of an existing mortgage loan.

When setting relatively thresholds, we propose that the "improvement in energy efficiency threshold" has to be progressive, for example by classifying 5, 10, 20% etc. improvements as "light green" activities – potentially, if done within a 4-6 years, adding into a "top performing" building. Otherwise, incentives to enter into a process of energy efficiency projects would be limited for some building owners.

In addition, we propose that the "top performing threshold" due to a single or a series of improvements of a building has to be kept throughout the lifetime of the loan financing the building. Otherwise, energy efficient buildings originally included in the top performing category would fall outside of it by the mere circumstance that others have reached a higher reduction in GHG emissions.

For example, a 30-year 'green mortgage loan' financing a "top-performing" year 2020-renovated building should at least be classified as a 'year 2020 green mortgage loan' throughout the lifetime of the loan.

Links to evidence:

1000 character(s) maximum

4. For the objectives where DNSH criteria have been identified, should these criteria be different?

- Yes
- No

If yes, why and how?
Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.

Explanation:

3000 character(s) maximum

The demand to assess the "Do no significant harm" criteria would cause additional burdens and high liability risks for credit institutions. Banks do not have access to the information needed. We expect that building

owners are not in a position or not be willing to deliver the required information. As lenders are not able to conduct the necessary assessments borrowers would need external audits.

In general, we are worried about imposing very large documentation requirements to the building owner concerning the environmental impact of material and design solutions – especially on owners of one-family owner-occupied buildings. For instance, competent authorities could help in assessing this as part of the building permit. In addition, producers of materials or solutions could in general be required to be certified by competent authorities. Alternatively, requirements should be differentiated for private and professional building owners in relation to documentation of recycling of waste materials, verification/certification of use materials etc.

Considering building siting, existing buildings located on protected natural areas (e.g. Natura 2000 areas) will also need to be replaced or renovated – naturally done extra consideration for the environment impact. Therefore, such construction / renovation should also be exempted from this criterion.

Concerning the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) mentioned in the harm assessment of ecosystems, the EACB believes that certification is important and should be promoted. Possibly it should however not be made an obligation as it may be difficult to be implemented everywhere in practice. Knowing the provenance of the wood or request certification requires that the customer take action. If the incentive for the customer to do so is limited, he may be disinclined to try to find out which wood has been used. Likewise not in every country builders are on the alert, with notable exceptions in other countries like in the Nordics. The criterion should in any case be formulated as such that it can be implemented well in each Member State.

Links to evidence:

1000 character(s) maximum

5. Are there any additional objectives where DNSH criteria need to be identified to avoid significant harm?

- Yes
- No

Buildings - Individual renovation measures, installation of renewable on-site and professional, scientific and technical activities

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2. Should a different metric be used?

- Yes
- No

If yes, why and how?
Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.

Explanation:

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We believe that using the operational primary energy metric (kWh/m² per year) is the most accessible metric in the short run. The use of an operational primary energy metric is also a proxy for GHG emissions since the energy source and heating system in a building is taken into account.

Links to evidence:

1000 character(s) maximum

3. Should the threshold be different?

- Yes
- No

I f y e s , w h y a n d h o w ?

Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.

Explanation:

3000 character(s) maximum

We support the proposal to use thresholds which meet national requirements for NZEB or a level of energy performance equivalent to the EPC rating (not both at the same time). EPCs are the only EU-wide existing legislation in terms of measurement of energy efficiency in buildings. Moreover, choosing an EPC of B as a minimum (or a 30% improvement in energy efficiency for renovation) is in line with current market practices and we find it reasonable to build on existing practices to develop the taxonomy. It is important that EPCs become accessible in a public database to financial institutions making it more cost efficient to build portfolios of 'green mortgages'.

However, the EACB suggests a more granular and dynamic approach to "top performing buildings" ("shades of green"). This is necessary for buildings that are often financed with up to 30 year mortgage loans and since individual renovation measures or renewable energy installations are often (typically for one-family owner-occupied buildings) financed with a specific loan or as part of a re-mortgage with extra proceeds of an existing mortgage loan.

When setting relatively thresholds, we propose that the "top performing threshold" of individual renovation measures or renewable energy installations has to be kept throughout the lifetime of the loan financing the building. Otherwise, energy efficient buildings originally included in the top performing category would fall outside of it by the mere circumstance that others have reached a higher reduction in GHG emissions.

For example, a 30-year 'green mortgage loan' financing a "top-performing" year 2020-installation should at least be classified as a 'year 2020 green mortgage loan' throughout the lifetime of the loan.

Links to evidence:

1000 character(s) maximum

4. For the objectives where DNSH criteria have been identified, should these criteria be different?

- Yes
- No

I f y e s , w h y a n d h o w ?

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In general, we are worried about imposing very large documentation requirements to the building owner concerning the environmental impact of material and design solutions – especially on owners of one-family owner-occupied buildings. For instance, competent authorities could help in assessing this as part of the building permit. In addition, producers of materials or solutions could in general be required to be certified by competent authorities. Alternatively, requirements should be differentiated for private and professional building owners in relation to documentation of recycling of waste materials, verification/certification of use materials etc.

Considering building siting, existing buildings located on protected natural areas (e.g. Natura 2000 areas) will also need to be replaced or renovated – naturally done extra consideration for the environment impact. Therefore, such construction / renovation should also be exempted from this criterion.

Links to evidence:

1000 character(s) maximum

5. Are there any additional objectives where DNSH criteria need to be identified to avoid significant harm?

- Yes
- No

Buildings - Acquisition of buildings

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2. Should a different metric be used?

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1000 character(s) maximum

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- No

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legislation in terms of measurement of energy efficiency in buildings. Moreover, choosing an EPC of B as a minimum (or a 30% improvement in energy efficiency for renovation) is in line with current market practices and we find it reasonable to build on existing practices to develop the taxonomy. It is important that EPCs become accessible in a public database to financial institutions making it more cost efficient to build portfolios of 'green mortgages'.

However, the EACB suggests a more granular and dynamic approach to "top performing buildings" ("shades of green"). This is necessary for buildings that are often financed with up to 30 year mortgage loans and since any energy efficiency improvement made by a previously owner is always handed over to the new owner.

When setting relatively thresholds, we propose that any "top performing threshold" obtained by the previously owner is transferred to the new owner's loan throughout the lifetime of his loan. Otherwise, energy efficient buildings originally included in the top performing category would fall outside of it by the mere circumstance that others have reached a higher reduction in GHG emissions.

For example, a 30-year mortgage loan financing a building originally classified as "year 2020 top-performing" should at least be classified as a 'year 2020 green mortgage loan' throughout the lifetime of the loan.

Links to evidence:

1000 character(s) maximum

4. For the objectives where DNSH criteria have been identified, should these criteria be different?

- Yes
- No

If yes, why and how?
Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.

Explanation:

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The demand to assess the "Do no significant harm" criteria would cause additional burdens and high liability risks for credit institutions. Banks do not have access to the information needed. We expect that building owners are not in a position or not be willing to deliver the required information. As lenders are not able to conduct the necessary assessments borrowers would need external audits.

In general, we are worried about imposing very large documentation requirements to the building owner concerning the environmental impact of material and design solutions – especially on owners of one-family owner-occupied buildings. For instance, competent authorities could help in assessing this as part of the building permit. In addition, producers of materials or solutions could in general be required to be certified by competent authorities. Alternatively, requirements should be differentiated for private and professional building owners in relation to documentation of recycling of waste materials, verification/certification of use

materials etc.

Considering building siting, existing buildings located on protected natural areas (e.g. Natura 2000 areas) will also need to be replaced or renovated – naturally done extra consideration for the environment impact. Therefore, such construction / renovation should also be exempted from this criterion.

Links to evidence:

1000 character(s) maximum

5. Are there any additional objectives where DNSH criteria need to be identified to avoid significant harm?

- Yes
- No

1. Do you consider that the qualitative criteria for adaptation apply equally to all sectors?

- Yes
- No
- Don't know / no opinion / not relevant

Please explain your answer:

2000 character(s) maximum

2. Should the qualitative criteria be different?

- Yes
- No
- Don't know / no opinion / not relevant

3. Are the illustrative templates provided in the Technical report useful for indicating the potential application of the criteria?

- Yes
- No