Taina Wilhelms

5.2.2025

Finnish Energy comments on Sustainable Finance Platform's review of the Taxonomy Climate Delegated Act

General comments on thresholds:

- We do not support tightening the thresholds when the implementation process is still in progress. We support the overall objectives of the taxonomy and ambitious climate targets, but we find a linear reduction of the current thresholds problematic. The proposal is also too complicated and impacts haven't been assessed thoroughly. Legal certainty should be ensured for companies.

- At this stage, the focus should be on ensuring that the existing criteria are properly understood and correctly applied by different stakeholders (interpretation challenges are significant) so that the taxonomy can be implemented effectively and fulfill its intended purpose. We understand that the Commission aims to specifically improve the usability and clarity of the taxonomy to advance its practical implementation, and we do not see how tightening the thresholds would support this goal.

- Companies already reporting in line with taxonomy have just established practices and adapted their reporting to meet the current criteria. Therefore, it would be desirable to avoid immediately imposing additional administrative burden on companies. This would contradict the Commission's objectives to enhance the EU's economic competitiveness and also the upcoming Omnibus proposal. Under Article 8 of the Taxonomy Regulation, taxonomy reporting is partially mandatory for companies under CSRD. As CSRD applies from financial year 2025 to large companies meeting two of three criteria (employees, turnover, balance sheet), many will also face mandatory taxonomy reporting. Since these companies have already prepared based on existing criteria, any changes would increase administrative burden.

- The review of the Climate DA should focus on an impact assessment of current thresholds and TSC before any tightening of targets is considered. A life cycle assessment needs to prove the feasibility of a lower emission threshold in the current technological environment.

- Providing visibility about the long-term evolution of thresholds is important. Legislators should provide visibility about the step-wise evolution of thresholds, instead of triggering new discussions every few years, which is harmful for legal certainty.

Finnish Energy
Eteläranta 10, 00130 Helsinki
www.energia.fi
EU-transparenssinumero: 68861821910-84

- Grandfathering of currently compliant projects: investment decisions that were made under current technical screening criteria and thresholds need to benefit from grandfathering in case thresholds change in the future. This is indispensable to maintain trust and investor confidence in the EU Taxonomy.

- The constant revision of standards, e.g. a revision of thresholds every three years, as suggested by the Platform, creates investment uncertainty, which is likely to delay the investment decisions needed to bridge the funding gap for sustainable activities. In other words, tightening the thresholds could lead to investments not being realized, which would in turn slow the transition towards climate neutrality and make it unnecessarily expensive. This, again, is inconsistent with the new Commission's competitiveness objectives.

- Platform has mentioned in its report that differentiating thresholds between new and existing energy utilities for substantial contribution might be a potential option in the future. When/if new thresholds are introduced, the possibility for different thresholds for new and existing plants should be explored more.

Specifically on bioenergy threshold:

- The Sustainable Finance Platform has been working on GHG-limits for bioenergy at the request of the European Commission. The work has been ad hoc and carried out in a short time. Therefore, we hope that before proposing changes, the Commission carefully examines the impact of each proposed change. It is very important to note that no proper impact assessment has been made of the final RED3 criteria.

- As the platform has also noted in its report, the taxonomy criteria are in many respects stricter than other regulations, such as RED III. The taxonomy criteria require 80% emission savings for all installations, whereas RED III has a minimum threshold for thermal power. In the taxonomy, 80% emission savings are required immediately, whereas in RED III some installations are required to comply with the 80% emission savings requirement only in the early 2030s.

- The Platform describes the method developed by the previous Technical Expert Group (TEG) and the greenhouse gas savings calculation method used in the Renewable Energy Directive (RED). After evaluation, the platform rightly seeks coherence with existing legislation, RED. We support the approach that the RED method should continue to serve as the basis for future taxonomy criteria. Our main rationale for supporting the RED method is its suitability for different cases, such as electricity, heating/cooling, or biofuels or their combinations, as bioenergy is a versatile form of energy production.

- We do not support tightening the greenhouse gas emissions savings target at least until there is accurate modeling of how it would affect the use of different fractions in different installations across Europe. While at the same time the use of low-value biomass fractions in energy production should be increased according to the cascade principle, it should be ensured that tightening the GHG limits does not have undesirable effects. We are also concerned about whether this would lead to less flexible operation of combined heat and power (CHP) plants in areas where the demand for useful heat varies greatly (reducing interest in CHP production compared to condensing power). The platform also emphasizes in its report that the impacts of increasing the GHG emissions savings requirement should be properly assessed. Tightening the savings requirement is too early also because the implementation of RED3 sustainability criteria has just begun (and some Member States have deficiencies even in RED2 implementation).

- On page 61, textbox 10, with additional criteria for bioenergy: The text is copied from RED3 Article 3, where it only concerns support schemes. In the case of the cascading principle itself acceptable, the new criteria would significantly expand the treatment from the context of RED3 Article 3, considering that in RED3, the rules of that article only apply to member states and set restrictions on how member states should act. Thus, would the platform's proposal shift the follow-up of the cascading principle to operators. In practice, such an examination and precise reporting would be entirely new for some member state operators, and it might not even be feasible, except on a general level.

- We want to point out that in their examination (on pages 54-55), the platform addresses the recent discussion about the sustainability of bioenergy in a one-sided manner. In reality, several other differing opinions have been presented by scientists, for example, the joint comment of the IEA Bioenergy group https://www.ieabioenergy.com/wp-content/uploads/2019/12/WoodyBiomass-Climate_EASACresponse_Nov2019.pdf.
  Additionally, the EU's JRC has urged in its report to detoxify the discussion related to bioenergy https://publications.jrc.ec.europa.eu/repository/handle/JRC122719.

- One detail we want to bring up is on page 60, where the platform claims that ESABCC would require additional criteria in its 2024 report. This is not true. ESABCC emphasizes that additional use should not be encouraged.

Electric boilers:

- The industry is evolving rapidly, and we find that all new relevant technologies are not adequately considered in the taxonomy or in the Platform's recent report. Electric boilers are currently not included in the EU Sustainable Finance Taxonomy and we recommend that this technology be included under the climate change mitigation criteria for the following reasons:

    - Flexible heat production: Electric boilers can be used when electricity is abundant and prices are low, such as during surplus wind or solar power situations. In these instances, electric boilers can produce heat without using fossil fuels, thereby reducing carbon dioxide emissions. This also helps increase the share of renewable energy and reduces the need for curtailment.

    - Balancing the energy system: Electric boilers can balance the electricity system by utilizing surplus electricity in district heating production. This helps reduce emissions from electricity generation because electricity can be directed to district heating production rather than being generated by burning fossil fuels.

    - Enabling heat storage production: Electric boilers can be combined with heat storage, allowing heat production during times when electricity is emission-free or cheaper. This way, heat can be produced and stored for future use, reducing the need for fossil fuels during peak demand periods.

    - Supporting heat pumps: Electric heatboilers can be used to increase the temperature after a heat pump utilising excess heat from datacentres or other industrial processes. Utilising excess heat is highly energy efficient and reduces carbon dioxide emissions by replacing use of fossil fuels in boilers.

For additional information, please contact:
Taina Wilhelms
Senior Advisor, Energy production
Finnish Energy
taina.wilhelms@energia.fi
+358 40 548 7145