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Finnish Energy response to the review of the EU Taxonomy Climate Delegated Act

Finnish Energy welcomes the opportunity to comment on the European Commission's review of the EU Taxonomy Climate Delegated Act. We support the objective of enhancing the usability, clarity and coherence of the framework, while ensuring it effectively mobilises investments for the clean transition. At the same time, the revision should strengthen investment certainty and the competitiveness of the European energy sector.

General and cross-cutting comments on all technologies

We appreciate the Commission's efforts to streamline the taxonomy criteria and improve their practical application across Member States. This work should result in clearer and more accessible criteria, avoiding unnecessary complexity.

Given the long lifecycles of energy investments, it is important that the revision does not undermine the taxonomy alignment of existing plants or new investments, including in situations involving refinancing or restructuring. Instead, it should build on the current framework by clarifying and simplifying criteria where needed, in line with the Commission's broader objectives of simplification and competitiveness. Maintaining regulatory stability is essential to preserve trust and investor confidence in the EU Taxonomy.

In this context, we welcome that the Commission has not proposed changes to greenhouse gas (GHG) emission thresholds. The priority should remain on improving the implementation of the existing framework. Introducing stricter thresholds could increase administrative burden, create uncertainty and risk delaying investments in sustainable activities. Predictability remains key to enabling timely deployment of sustainable technologies.

The proposed revisions to Life-Cycle Assessment (LCA) requirements introduce the Product Environmental Footprint (PEF) methodology, which is more detailed than the current reference to ISO standards. Other widely recognised LCA standards than PEF, e.g., ISO, should also be accepted: To maintain consistency and efficiency, LCAs already conducted under existing criteria should continue to be recognised as valid. Explicit acceptance of such assessments would ensure continuity and prevent unnecessary duplication of work. A clear grandfathering provision for assessments conducted before the entry into force of the revised Delegated Act would provide legal certainty and

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facilitate a smooth transition. This approach should be applied uniformly across all relevant technologies, including hydropower, nuclear energy, and natural gas.

As a general principle, the Taxonomy should rely on, and refer to, existing EU legislation (e.g., the Renewable Energy Directive, Water Framework Directive and environmental permitting frameworks) rather than replicating legislative text. When text is copied directly, there is a risk that references become outdated as legislation evolves, undermining legal certainty and increasing compliance complexity. Full alignment with the existing legislation is essential for simplification and to streamline compliance, allowing existing legislative adherence or recognised certification and standards to serve as valid evidence of meeting the relevant criteria.

We also consider it important that clarifications previously provided in FAQs are not transferred into binding criteria, nor used to introduce additional detail that would complicate the application of the Taxonomy.

We welcome the improvements made in Appendix D concerning references to the Environmental Impact Assessment (EIA) Directive. A reference has been added to Annex I of the EIA Directive, covering projects that are always subject to an EIA, and to Annex II, covering projects that are subject to an EIA on a case-by-case basis. However, it remains important to clarify that EIA requirements only apply to projects initiated after the entry into force of the directive and where significant environmental impacts are likely. Legacy assets should not be subject to retroactive requirements.

In addition, the revised Appendix D appears to consider that projects requiring compensatory measures in biodiversity-sensitive areas are not DNSH-compliant. This is an overly strict interpretation. Compensation mechanisms are an established part of EU environmental legislation, including in the context of Natura 2000 derogations, and their existence should not automatically preclude taxonomy alignment. We propose to remove this addition to avoid unintended consequences e.g. for essential infrastructure projects such as electricity transmission grids that are enabling clean transition. Furthermore, this may set a negative precedent for the acceptance of compensation measures in other contexts.

Companies are already preparing for the next Taxonomy reporting cycle and the proposed changes are extensive requiring adjustments to reporting tools, interpretations and data collection. Thus, the Commission should allow flexibility whereby, if the revised criteria are adopted and published in H2 2026, companies may apply the new rules to FY2026 reporting, but are not obliged to do so.

Hydropower (activity 4.5.)

Draft delegated act, recital 24

We support the approach taken in recital 24 that given that the Water Framework Directive provides robust safeguards for hydropower activities, the DNSH criteria should be simplified and aligned with those safeguards.

Technical screening criteria

The PEF recommendation requirement for the LCA is stricter than in the current criteria, that also referred to ISO standards. We find it important that already conducted LCAs according to e.g. ISO standards, are accepted. To clarify this, the criteria should state that LCAs conducted in accordance with the current delegated act, and before the entry into force of the revised delegated act, are acceptable.

DNSH-3

We support the simplified criteria in point 1, however, we propose to add "as implemented by Member States" to the criteria. The safeguards mentioned in recital 24 and how they are implemented or used in Member States should be taken into account:

- *1. The activity complies with the achievement of good status or good ecological potential of water bodies in the sense of Directive 2000/60/ EC* ***as implemented by Member States.***

We support the simplified criteria for new facilities in point 2, however, we propose to add "where relevant" to the following sentence, in line with the current criteria:

- *2. For new electricity generation facilities, this implies demonstration that a prior assessment has been carried out and that a permit has been granted further to justification in accordance with Article 4(7) of the Directive 2000/60/EC where relevant. This implies that,* ***where relevant,*** *continuity restoration is carried out within the same river basin district* to compensate for the *disruption and avoid an increased fragmentation of water bodies in that district. This compensation starts prior to the execution of the project. The facility does not permanently compromise the achievement of good status/potential in any of the water bodies in the same river basin district.*

In point 3, we agree with the proposal to refer to the permit and authorization process, that defines the relevant measures needed. However, since every water body is unique, the needed measures should be defined case by case in the permit. A detailed list of measures would go beyond the requirements of the WFD and should therefore not be included in the criteria. We propose to delete the last part of the proposal:

- ~~***Where relevant and depending on the ecosystems naturally present in the affected water bodies, this includes measures to:***~~

  ~~***(a) ensure downstream and upstream fish migration;***~~
  ~~***(b) ensure measures to achieve ecological flow or good ecological potential flow;***~~
  ~~***(c) protect or enhance habitats.***~~

Bioenergy (activities 4.8, 4.20, 4.24)

Title and Description of the activity

The revised title and description of the activity introduce ambiguity rather than clarity. The formulation of activity 4.20, in particular, raises questions by combining the concepts of "simultaneous production" and cogeneration. In practice, the requirement for simultaneous production of electricity, heat and cooling is not realistic in all operating environments, such as in Nordic countries where cooling demand is not continuous.

The wording also creates uncertainty regarding different operating modes of combined heat and power plants. It should be possible to assess activities at plant level without having to switch between different taxonomy categories depending on momentary operating conditions. Thus, the phases of pure condensing power production or pure heat production at CHP plants should be included in activity 4.20. Assessing momentary operating conditions at CHP plant under 4.8. and 4.24., as the revised text now indicates, would become very complex.

The term "exclusively" has been removed in the descriptions of activities 4.20 and 4.24. While we support clarifications that reduce interpretative challenges, the objective of the changes should be

made explicit: the description should indicate that energy production with bioenergy is Taxonomy-aligned regardless of any other fuels that may be used.

Technical screening criteria

In principle, strengthening references to the Renewable Energy Directive (RED) is welcome.

The Commission proposal correctly refers to RED Article 29(10) in GHG criteria. However, in RED, points (a)–(c) refer to bioliquids and biogas, while points (d)–(h) refer to solid biomass fuels. In the Commission proposal, points (d)–(h) are also referenced for biogas which we consider an incorrect reference and recommend correcting it accordingly.

DNSH-4

The proposed DNSH-4 criteria related to circular economy and cascading use raise fundamental concerns. The current drafting relies on provisions derived from RED Article 3. It is vital to understand that these obligations in RED Article 3 are addressed to Member States. It is unclear how the MS-level obligations in REDIII would in practice work as obligations for individual operators. Secondly, the provision does not fully reflect the conditions set out in RED, notably the role of security of supply alongside local and market considerations.

For these reasons, we consider that the provision should either be removed or significantly revised to better reflect the structure and intent of RED. If it is not possible to remove the requirement, it should at least be significantly revised as shown below.

- The conditions set out in RED, notably the role of security of supply alongside local and market considerations, should also be explicitly reflected here. Furthermore, the last sentence should be deleted. In REDIII it only states that member states shall not grant direct financial support for the use of these feedstocks for energy production. To ensure legal clarity, coherence and alignment across EU legislation, the terminology used in the Taxonomy should state the same as REDIII. Requiring it in this context would be contrary to the principle of simplification.
    - Revised: *Under this activity, woody biomass is used according to its highest economic and environmental added value, while taking into account local conditions and market realities**, and security of supply**.* ~~***Saw logs, veneer logs, industrial grade roundwood, stumps and roots cannot be used under this activity.***~~

DNSH-5

The DNSH-5 criteria related to pollution prevention and control still refers only to the emission limit values for new installations under Part 2 of Annex II of the Medium Combustion Plant (MCP) Directive. The current wording does not take into account existing installations (Part 1 of Annex II) or the exemptions or transitional periods under Article 6 of the Directive.

We propose to delete wording “Annex II, part 2, to” from the paragraph as follows:

For combustion plants with thermal input greater than 1 MW but below the thresholds for the BAT conclusions for large combustion plants to apply, emissions are below the emission limit values set out in ~~***Annex II, part 2, to***~~ *Directive (EU) 2015/2193.*

District heating/cooling distribution (activity 4.15)

DNSH-5

The new requirement stating that the activity shall not increase the use of fossil fuels is redundant and should be removed for clarity. This is already ensured by the obligation for systems to meet, or be on a pathway to meet, the definition of efficient district heating and cooling (Directive (EU) 2023/1791, Article 2(46)).

Heat pumps (activity 4.16)

Simplification should not result in the exclusion of key technologies that are essential for achieving climate objectives. The deletion of activity 4.16 ("Installation and operation of electric heat pumps") raises a major concern. To our understanding, "operation" of electric heat pumps has not been included in any other activity (heat pumps are mentioned in 7.6 on installation and maintenance, but this does not include operation). Simplifying criteria must not result in the complete removal of large-scale operation of electric heat pumps from the Taxonomy. We therefore urge the Commission to explicitly ensure that operation remains covered; e.g., by reintroducing activity 4.16., or by clearly adding "operation of electric heat pumps" under an another clearly applicable activity.

Operation of electric heat pumps could be added to the description of the activity 4.25. In that case, the DNSH on Pollution prevention and control for activity 4.25 should also be limited to new heat pumps (by adding "New" at the beginning of the criterion) in consistency with the draft proposal for activity 4.15, where similar criteria were explicitly limited to new equipment.

Hydrogen, renewable and low-carbon fuels (activities 4.7., 4.19., 4.23., 4.14.)

Activities 4.7, 4.19 and 4.23 should not be limited to renewable fuels of non-biological origin (RFNBOs) only. Such a limitation risks excluding electrolytic low-carbon hydrogen from the toolbox. Furthermore, the generation of electricity with RFNBO fuels should be Taxonomy-aligned regardless of any other fuels that may be used at other times.

The proposed narrowing of activity 4.14 to hydrogen only is too restrictive. Networks enabling biogas and other renewable and electrolytic low-carbon methane should remain in scope, as these are essential for decarbonisation and security of supply. We therefore recommend retaining the original broader scope for renewable and low-carbon gases. Otherwise, an entire business would be excluded from Taxonomy alignment.

Electrolytic low-carbon hydrogen, biogas and other-low carbon methane will play an important role in the transition, and excluding them would unnecessarily narrow the range of available solutions. The taxonomy should remain technology-neutral and enable cost-effective decarbonisation pathways. Taxonomy should not be the tool for creating hydrogen markets.

Electricity transmission and distribution (activity 4.9.)

We recommend removing the paragraph "*Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 g CO_2e/kWh measured on a life cycle basis is not compliant*" in Section 1 of the Technical Screening Criteria.

Transmission and distribution system operators act as neutral market facilitators and are legally obliged to connect users without discrimination (Electricity Market Directive (EU)2019/944). They cannot influence the generation mix connected to the grid, and therefore their taxonomy eligibility should not depend on factors beyond their control. As such, the criteria impose unnecessary justification and verification burdens, and more profoundly Taxonomy criteria should not be an obstacle to clean-transition enablers like the buildout of distribution networks.

Similar criteria, though formulated somewhat differently, also appear under Technical Screening Criteria 2(a). The inclusion of the criteria in that context appears justified, as the criteria seem to relate to the customer's direct connection (not TSO's/DSO's).

Storage of electricity (activity 4.10.)

In case of using batteries as electricity storage, the proposal introduces a new requirement that those batteries comply with the technical screening criteria specified in section 3.4 of Annex I. We find the proposal highly problematic, since the technical screening criteria for the activity 3.4. Manufacture of batteries aren't fit for purpose for large scale energy storage facilities. The proposed requirement would complicate the deployment of new energy storage solutions. It would also create legal uncertainty, especially for already installed equipment. We propose to remove this addition to the criteria.

Nuclear (activities 4.26., 4.27., 4.28.)

The PEF recommendation requirement for the LCA is stricter than in the current criteria, that also referred to ISO standards. We find it important that already conducted LCAs according to e.g. ISO standards, are accepted. To clarify this, the criteria should state that LCAs conducted in accordance with the current delegated act, and before the entry into force of the revised delegated act, are acceptable.

Companies in Finland are able to function within the existing Taxonomy framework and use the current sustainability criteria of nuclear energy and be defined as sustainable. However, in case the sustainability criteria of nuclear energy investments are updated, nuclear energy should be treated equally with renewables, as a permanent low-carbon energy solution. Nuclear energy should not be considered as a transitional activity and the sunset clauses should be removed. In case the criteria are updated, also the requirement for ATF should be removed, since it is unclear and not connected to environmental sustainability.

Natural gas (activities 4.29., 4.30., 4.31.)

The PEF recommendation requirement for the LCA is stricter than in the current criteria, that also referred to ISO standards. We find it important that already conducted LCAs according to e.g. ISO standards, are accepted. To clarify this, the criteria should state that LCAs conducted in accordance with the current delegated act, and before the entry into force of the revised delegated act, are acceptable.

Electric boilers

Electric boilers reduce emissions in district heating and industrial steam production, particularly by supporting energy system flexibility and using fossil-free electricity. As Finnish Energy has previously highlighted (e.g. in Stakeholder request mechanism, Taxonomy Call for evidence), electric boilers are currently not included in the EU Sustainable Finance Taxonomy and we continue to recommend that this technology be included, for example under activity 4.16. if reintroduced, or under 4.25., in line with the treatment of heat pumps.

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