



Group of the Progressive Alliance of
Socialists & Democrats
in the European Parliament

European Parliament
Rue Wiertz 60
B-1047 Bruxelles
T +32 2 284 2111
F +32 2 230 6664
www.socialistsanddemocrats.eu

21/01/2022

Dear President of the European Commission Von der Leyen,
dear Commissioner McGuinness,

Subject: S&D comments on draft Taxonomy Complementary Delegated Act

To fulfil its ambition to be the global ‘gold standard’ for sustainable finance and pave the road to the EU’s alignment with the Paris Agreement, the EU taxonomy should be science-based and beyond public reproach. By including the production of nuclear energy as taxonomy compliant and by setting very broad thresholds for the definition of gas as a transition energy source, the proposed complementary delegated act falls short on both counts. We do not see how the S&D Group can support the proposed delegated act with its current content. Instead, we would support defining a new alternative ‘amber’ category in primary legislation for gas and nuclear, to signal that they could contribute to sustainability objectives without being sustainable energies themselves. We commit to the rapid treatment of such a proposal.

As highlighted in our letter dated 8 April 2021, while gas is important for our energy supply at this stage and has a role to play in the transition to a climate neutral EU at the latest by 2050, a definition of the conditions for its inclusion in transitional activities that is too broad, risks to fatally undermine the taxonomy. The threshold for gas powered electricity to make a significant contribution to climate change mitigation is set at 270gCO₂/kWh. This is inexplicably higher than for other forms of electricity generation, where the threshold is set at 100gCO₂/kWh. In fact, the maximum level of emissions above which a form of electricity generation is considered to significantly harm climate change mitigation is 270gCO₂/kWh. This means that the current draft delegated act considers gas to be environmentally sustainable merely when it does not harm the environment. Article 10(2) clearly states that any ‘transitional’ activity should have “greenhouse gas emission levels that correspond to the best performance in the sector or industry”. The ability for highly polluting gas plants to be taxonomy compliant is further widened by allowing the inclusion of greenhouse gas emissions below an average of 550kgCO₂e/kW of the output energy of the facility’s capacity over 20 years. Also, the failure to adhere to a comprehensive ‘life cycle approach’ as mandated in Taxonomy Regulation Article 19(1), means that the sizable ‘hidden’ greenhouse gas emissions of methane leakages during transport are ignored. All this is fundamentally at odds with the spirit of the Taxonomy Regulation and puts gas at an illegitimately privileged position compared to other forms of energy generation.

Furthermore, the required commitments for the gradual integration in the gas grid of renewable or low-carbon gases will prove fruitless if such fuels are insufficiently available. The possibility of this shortage is only worsened by the imposed deadline of 31 December 2030 for the granting of construction permits for such plants, as this may spur excessive investments based on short-term incentives. As a result, these investments risk becoming a drag on our efforts to transition away from fossil fuels due to their continued reliance on fossil gas, or else become stranded due to insufficient availability of low-carbon alternatives. In addition, the ability of taxonomy compliant gas plants to exceed the output of the replaced high emitting plants at a rate of 115% means this Delegated Act does not limit but enlarges our reliance on fossil fuels.

As for nuclear, its inclusion among taxonomy compliant energy generation activities risks fatally undermining the public trust in the Taxonomy Regulation in many Member States. The radioactive waste generated by current forms of nuclear energy production significantly harms the transition to a circular economy and therefore prevents nuclear energy from being taxonomy compliant. In this context we would like to highlight that Taxonomy Regulation Article 17 paragraph 1(d)(iii) rules out taxonomy compliance for activities of which *“the long-term disposal of waste may cause significant and long-term harm to the environment”*. In addition, risks remain for nuclear energy production and radioactive waste storage, with potentially destructive consequences to a number of environmental sustainability objectives. While we remain open to research on new forms of nuclear energy, such as nuclear fusion, we believe that nuclear energy as outlined by the draft Delegated Act clearly cannot be considered environmentally sustainable. What is more, current market practices exclude nuclear from green financial products, such as green bonds. Going against this practice would limit its adoption by sustainability-minded investors. It will also risk a proliferation of alternative standards and a consequent fragmentation of the sustainable finance market.

Therefore, we propose creating a separate ‘amber’ category for gas and nuclear within level 1 legislation, not on the Taxonomy. This category would not be sustainable, but does acknowledge the contribution that gas and nuclear can make towards achieving some sustainability targets. While this means gas and nuclear would not count as ‘taxonomy-aligned’ in disclosure requirements or in financial products such as the European Green Bond Standard, it would signal the hierarchy in the energy-sector, where gas and nuclear power generation are better than many other forms of energy production. We commit to dealing with such a proposal as rapidly as possible to ensure its speedy implementation in EU law.

Yours sincerely,



MEP Simona Bonafè
S&D ENVI Shadow



MEP Paul Tang
S&D ECON Shadow