

### Sustainable Finance Taxonomy: the nuclear conundrum

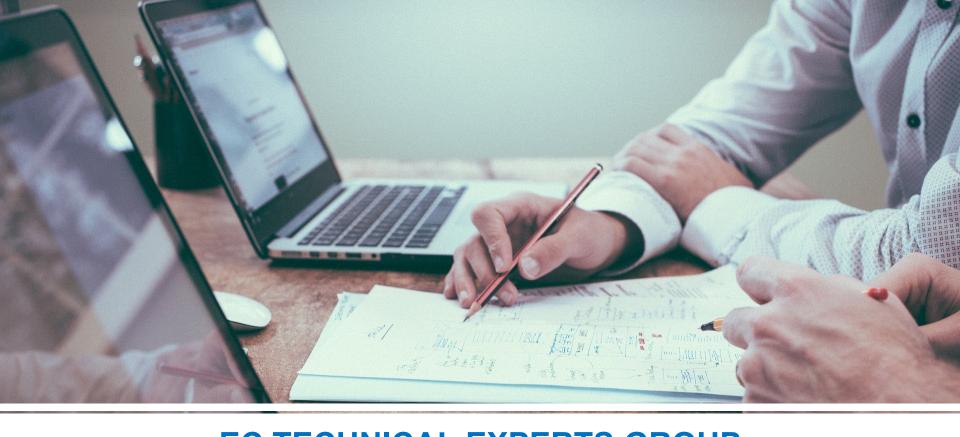
Jessica Johnson – FORATOM Communications Director Energiforsk Annual Nuclear Conference 2020 22 January 2020



### SUSTAINABLE FINANCE INITIATIVE - BACKGROUND

## **Legislation Overview**

- March 2018: Commission adopts Action Plan on Financing Sustainable Growth
- May 2018: Commission presents 3 legislative proposals on sustainable finance:
  - Proposal for a regulation on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341
  - Proposal for a regulation amending Regulation (EU) 2016/1011 on low carbon benchmarks and positive carbon impact benchmarks
  - Proposal for a regulation on the establishment of a framework to facilitate sustainable investment



# **EC TECHNICAL EXPERTS GROUP**

### Technical Experts Group

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- July 2018: EC establishes a technical experts group to assist it in developing
  - an EU Green Bond Standard;
  - methodologies for EU climate benchmarks and disclosures for benchmarks;
  - guidance to improve corporate disclosure of climate-related information;
  - an EU classification system the so-called EU taxonomy to determine whether an economic activity is environmentally sustainable.

# TEG Taxonomy sub-groups

- January 2019: A series of 'expert' sub-groups were established to tackle different technologies. They were tasked with identifying whether a specific technology:
  - Contributes to climate mitigatation
  - Causes any significant harm
- The output from these sub-groups fed into the TEG Taxonomy Report published in June 2019.
- Commission ran a consultation on the report until September 2019

# **TEG Taxonomy Report**

 Expert group dealing with nuclear: Thanks to the work undertaken by this expert group, nuclear has been recognised as a low carbon technology which can help climate change mitigation efforts.



- Expert group Do No Significant harm: Regrettably, this expert group has come the conclusion that nuclear cannot be included in the Taxonomy at this stage:
  - "It was therefore infeasible for the TEG to undertake a robust DNSH assessment as no permanent, operational disposal site for HLW exists yet from which long-term empirical, in-situ data and evidence to inform such an evaluation for nuclear energy."





# **European Commission**



Publishes its Proposal for a regulation on the establishment of a framework to facilitate sustainable investment in May 2018

The proposal in itself raises no alarm bells as it maintains the principle of technology neutrality

# **European Parliament**

Lead committees: ECON & ENVI

Report adopted in Plenary in March 2019



Removes principle of technology neutrality Aims to exclude nuclear



### Council



Council adopts its mandate in September 2019

Maintains principle of technology neutrality Nuclear remains within the scope



Written objections to the inclusion of nuclear submitted by DE, AT, LU & EL, but did not receive the number of votes required to achieve a blocking minority

### Trilogue negotiations - outcome

- Commission, Parliament & Council reached the following agreement in Trilogue:
  - Reference to principle of technology neutrality under Art 6 moved to recital
  - Nuclear treated as 'transitional' together with gas (rather than 'enabling' or 'low-carbon')
  - Exclusion of power technologies which generate non-renewable waste removed
  - But, added that activities whereby 'the long term disposal of waste may cause significant and long-term harm to the environment' shall be considered as significantly harming (Art 12)
  - DNSH criteria to be adopted by 'Delegated acts', in consultation with the Member States Expert Group on Sustainable Finance



What next?

### Is nuclear excluded?

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- No! But it will be subjected to DNSH criteria
- Potential Risk:
  - The decisions may end up being political rather than science based
  - Nuclear would thus be excluded
- Potential <u>Opportunity</u>:
  - They use a science based approach
  - The same criteria are applied equally to all power producing technologies
  - Nuclear should therefore be included

### Actions to be undertaken

- As referenced by the TEG, the Member States must now call for the establishment of a group of experts with an indepth knowledge of the nuclear lifecycle, particularly in relation to watse management practices
- Industry must assist in the identification of such experts
- FORATOM to push for a seat on the Sustainable Finance **Platform**

### Worst case scenario - Future risks

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- The EU is already developing an Ecolabel for financial products which would apply to all Member States – the latest draft version already excludes nuclear.....
- The EIB Energy Lending Criteria could be updated to match the Taxonomy
- EU State Aid rules could be revised, rendering only those technologies eligible under the SFI as being eligible for State Aid

# Thank you

