



Sustainable Finance Taxonomy: the nuclear conundrum

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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



- 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 mitigation
 - 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.”





TAXONOMY REGULATION



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?



- 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 Opportunity:
 - 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 waste 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



- 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

