EU Taxonomy

Technical screening criteria for buildings

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### EU Taxonomy Overview – What is it and what is it not

**Objective – what is the Taxonomy**

- A classification system to establish clear definitions of what is an environmentally sustainable economic activity.
- Tool to help investors and companies to make informed investment decisions on environmentally sustainable activities.
- Reflecting technological and policy developments: the Taxonomy will be updated regularly.
- Facilitating transition of polluting sectors.
- Technology neutral.
- Fostering Transparency by disclosures for financial market participants and large companies related to the Taxonomy.

**What is the Taxonomy not?**

- It's not a mandatory list to invest in.
- It's not a rating of the “greenness” of companies.
- It does not make any judgement on the financial performance of an investment.
- What’s not green is not necessarily unsustainable. Activities that are not on the list, are not necessarily polluting activities. The focus is simply on activities that contribute substantially to environmental objectives.
Sustainable Finance: The EU Taxonomy

EU Taxonomy Regulation* - conditions for qualifying an economic activity as environmentally sustainable:

- Substantially contribute to at least one of the six objectives
- Do No Significant Harm to any of the other five environmental objectives
- Comply with minimum safeguards
- Comply with Technical Screening Criteria

- Climate change mitigation
- Climate change adaptation
- Protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

*Commission Regulation 2020/852
Delegated acts under Taxonomy Regulation

1st Delegated Act (Climate DA) (7 June 2021)

- Climate change mitigation
- Climate change adaptation

Complementary Climate Delegated Act

- Protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
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2nd Delegated Act (2022)

Delegated Act on disclosure requirements (July 2021)
EU Taxonomy Climate DA

- Climate change mitigation and adaptation objectives

- **80% of direct greenhouse gas emissions in the EU**

- **40% of EU listed company activities are Taxonomy eligible***

**Energy sector**
Generation, transmission/distribution, storage, heat pumps

**Transport**
Very low emissions, to zero tailpipe by 2025: electric, hydrogen

**Forestry**
Maintaining carbon performance, Best practice farming

**Buildings**
New, existing and renovations, Supply chain / SMEs

**ICT**

**Manufacturing**
Transition, Components, Aluminium, Steel, Concrete, Plastics,
Hydrogen production

**Water, waste water, sewerage**

*Bloomberg company activity analysis conducted for Platform on Sustainable Finance
7.1. Construction on new buildings

- The **Primary Energy Demand (PED)** is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements. The energy performance is certified using an as built Energy Performance Certificate (EPC).

- For buildings larger than 5000 m²: **testing for air-tightness and thermal integrity**; any deviation or defect is disclosed (or, robust and traceable quality control processes are in place during the construction process).

- For buildings larger than 5000 m²: **the life-cycle Global Warming Potential (GWP)** of the building is calculated for each stage in the life cycle and is disclosed to investors and clients on demand.

+ DNSH
7.2. Renovation of existing buildings

- major renovation
  
  (renovation complies with the applicable requirements for major renovations)

  or

- min. 30% energy savings
  
  (renovation leads to a reduction of PED of at least 30%)

+ DNSH
EU Taxonomy: Construction and Real Estate activities

**Individual renovation measures and professional services (1/2)**
(criteria linked to minimum energy performance requirements and product legislation)

- **7.3. Installation, maintenance and repair of energy efficiency equipment**
  (insulation, windows, external doors, light sources, heating, ventilation and air-conditioning (HVAC) and water heating systems, kitchen and sanitary water fittings)

- **7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)**

- **7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings**
  (thermostats, sensing equipment, building automation and control systems, smart meters for gas, heat, cool and electricity, façade and roofing elements with a solar shading or solar control function)
Individual renovation measures and professional services (2/2)
(criteria linked to minimum energy performance requirements and product legislation)

• 7.6. Installation, maintenance and repair of renewable energy technologies
(solar PV, solar hot water panels, heat pumps, wind turbines, thermal or electric energy
storage, high efficiency micro CHP, heat exchanger/recovery systems)

• 9.3. Professional services related to energy performance of buildings
(technical consultations linked to the improvement of energy performance of buildings;
energy audits and building performance assessments; energy management services;
energy performance contracts; energy services provided by energy service companies
(ESCOs)).

+ DNSH
EU Taxonomy : Construction and Real Estate activities

7.7 Acquisition and ownership of buildings

- Constructed as of 1 January 2021: same criteria as for new buildings

- Constructed before 1 January 2021: the building has at least an EPC class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence.

- For large non-residential buildings*: efficiently operated through energy performance monitoring and assessment.

(* building with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW)

+ DNSH
Do No Significant Harm (DNSH) criteria (1/3)

**Climate change adaptation** (for all activities)
- physical climate risks identified through a robust climate risk and vulnerability assessment;
- implementation of adaptation solutions to reduce the most important identified physical climate risks;

**Water** (for 7.1 and 7.2)
- where installed, except for residential buildings, specified water use for water appliances;

**Circular economy** (for 7.1 and 7.2)
- at least 70%, by weight, of the non-hazardous construction and demolition waste is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol;
- operators limit waste generation in processes related to construction and demolition;
- building designs and construction techniques support circularity and demonstrate how they are designed to be more resource efficient, adaptable, flexible and dismantleable to enable reuse and recycling.
Do No Significant Harm (DNSH) criteria (2/3)

**Pollution** (for 7.1, 7.2, 7.3)

- Building components and materials used in the construction comply with the criteria set out to avoid the manufacture, placing on the market or use of harmful and polluting substances.

- Building components and materials used in the construction that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³.

- (for 7.1.) Where the new construction is located on a potentially contaminated site (brownfield site), the site has been subject to an investigation for potential contaminants.

- (for 7.1 and 7.2) Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.

- (for 7.3) In case of addition of thermal insulation, asbestos surveying.
Biodiversity (for 7.1)

- Environmental Impact Assessment (EIA) or screening; the required mitigation and compensation measures for protecting the environment are implemented.

- For sites/operations located in or near biodiversity-sensitive areas, an appropriate assessment has been conducted and the necessary mitigation measures are implemented.

- The new construction is not built on arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity, greenfield land of recognised high biodiversity value, land matching the definition of forest.
Next steps

2nd Delegated Act

- Recommendations from the Platform on Sustainable finance (PSF) by end March. Additional set of activities planned for May, and for September.

- DA to be adopted in 2022.

- Building activities likely to be included.

Usability

- Recommendations from the Platform on Sustainable finance (PSF) by September 2022.

Revision of the existing criteria

- Aimed to strengthen the criteria, align to new policies, available data and scientific evidence.

- Aimed to address usability issues.
Thank you for for your attention