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# Eurometaux feedback to the delegated act on climate change mitigation and adaptation criteria under the EU Taxonomy

Eurometaux, representing the European non-ferrous metals industry, supports the Sustainable Finance Action Plan's objective to further mobilise investments in the EU and achieve sustainable growth, job creation and prosperity, as well as the development of a taxonomy at European level to reorient investment towards environmentally sustainable projects and activities.

This paper represents our feedback to the draft delegated act, and relative annexes, establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

In our feedback, we aim to 1) demonstrate how non-ferrous metals are key enabler of the low-carbon transition; 2) demonstrate why the definition of 'sustainable' aluminium should be changed (Supporting the submission of European Aluminium on the criteria defined for manufacturing of taxonomy-compliant aluminium); iii) provide our views in relation to electricity generation.

## 1. Non-ferrous metals: A key enabler of the low-carbon transition

The non-ferrous metals industry is a key enabler of the low-carbon transition. The [World Bank](#) has concluded that metals will globally be required in higher volumes of up to 500% by 2050 for batteries, renewable energy technologies and clean mobility. As well as a limited industrial capacity for critical metals like lithium, cobalt and rare earths, Europe has lost a significant share of the global market in the last decade for the base metals where it has an industrial base (e.g. aluminium, copper, nickel, lead, zinc), which operates to leading climate and environmental standards on a global level

Metals are essential for low-carbon technologies. For example, Aluminium for lightweighting cars; Copper for electrics and motors in electric vehicles, solar panels and wind turbines; Battery metals (Cobalt, Lead, Lithium, Manganese, and Nickel) for clean mobility and grid storage batteries; Zinc and Cobalt for protecting off-shore wind turbines; Silicon in solar panels; Precious metals for clean mobility and solar panels. The EU must take steps to secure a level playing field that helps prevent a further decline of Europe's metals production, and stimulate new investments into expanding its capacity for sustainable mining, smelting & refining, fabrication, transformation, and recycling.

In the [Critical Raw Materials Action Plan](#), the European Commission stresses that *"The EU sustainable finance taxonomy will guide public and private investments towards sustainable activities. It will address the enabling potential of the mining and extractive value chain and the need for the sector to minimise its impacts on the climate and environment, taking into account life cycle considerations. This should help to mobilise support for compliant exploration, mining and processing projects for critical raw materials in a sustainable and responsible way."*

In order for the EU Taxonomy to support the transition of the sector in its transition, it is key that the new technical screening criteria that will be developed are ambitious while at the same time realistically reachable and implementable.

Our sector will require access to finance and long-term predictability to support its transition to low-carbon production processes, which require significant capital investments (see Institute for European Studies's [2019 report on](#) the sector's transition potential). It is fundamental to remember that the economic activity in a low carbon economy implies many sectors and industries with varying degrees of carbon footprint. Metals are permanent materials which can be recycled an



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unlimited amount of times without losing their core properties. Metals can also enable cross-sectoral emission reductions by providing materials that reduce emissions in other sectors. A life cycle approach assessing the different phases of the value chain is hence needed when assessing a sustainable economic activity.

The definition of sustainable aluminium under present consideration will likely set a precedent when assessing the climate mitigation and adaptation potential of other (critical) raw materials. Almost all the metals and minerals required in higher volumes for the energy transition are produced through electricity-intensive refining processes, meaning a country's electricity mix has a decisive impact on their carbon footprint. The Sustainable Finance Taxonomy must avoid discrimination between differing EU Member State electricity mixes in its criteria for raw materials smelting/refining (especially with an overall EU decarbonised power system projected well before 2050). Use of global averages is preferred, with all raw materials value chains operating in global markets.

## 2. Definition of Sustainable Aluminium

On the second point, concerning the criteria and thresholds proposed for manufacturing of aluminium, we have major concerns with the definition in the delegated act. An approach that is at odds with the lifecycle approach, referred in the EU Taxonomy regulation.

As outlined in the response of our member [European Aluminium](#), we believe the fairest way to assess the sustainability of the primary production in Europe for the EU Taxonomy's TSCs for climate mitigation and adaptation would be to follow the methodology of the **Aluminium Stewardship Initiative (ASI)**<sup>1</sup>. **ASI brings together the most robust and recent set of requirements for the aluminium industry encompassing all dimensions of sustainability.**

We are very concerned that the approach chosen for indirect emissions risks to undermine green investments across the value chain in Europe. The stringent thresholds for indirect emissions included in the TSC will lead investors and financial market participants to the erroneous conclusion that the majority of aluminium production in Europe is either not sustainable (climate mitigation) or even significantly harming the environment (climate adaptation), even though their average carbon footprint (7 tCO<sub>2</sub>/tAl) is around two times lower than the global average and three times lower than the footprint of Chinese aluminium production (which accounts for around 56% of total aluminium production across the world). The Taxonomy will affect companies' cost of capital and potentially their access to EU funding. The proposed criteria are overly stringent, and in certain cases even completely impossible to meet, which will harm European companies and benefitting more carbon-intensive producers in other regions of the world (leading to carbon leakage). European aluminium smelters, amongst the least carbon-intensive in the world, cannot possibly be considered as 'doing significant harm' to the environment. Technology development has already reduced direct emissions substantially, bringing the best installations already close to the theoretical limit.

On the latter, the draft Delegated Regulation now introduces a new threshold under the "do no significant harm" (DNSH) criteria for the climate adaptation objective referring to (i) the median value based on the methodology and data collected for the definition of the revised ETS benchmarks for phase IV, and (ii) the average carbon footprint of the European electricity mix. This is at odds with the TEG's original proposal which recommended to have "an internationally recognised method for determining low carbon transition pathway or (2) that are lower than the average global emissions (based on emission performance standard determined by internationally recognised data) for that economic activity". Such new

<sup>1</sup> ASI has taken 7 years to build a standard for the aluminium value chain, based on consensus with industry and civil society and covering a holistic approach to governance, social and environmental performance. For further information, see ASI's website and proposed methodology [here](#)



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proposal, which is strictly based on the carbon content of the electricity consumed and therefore its location, does not take into account the global dimension of our value chain. Basing the DNSH criteria on the average footprint of the European electricity mix **disregards the important differences that exist between the electricity mixes in different Member States**. As a result, it will be completely impossible for aluminium smelters in certain Member States (e.g., Germany, Greece, Romania) to match this threshold. These producers will be labelled as 'doing significant harm' to the environment, despite having a carbon footprint that is 50% lower than the average global footprint for aluminium production: as a result, said industries will be essentially blocked from much needed financing in order to proceed with capital-intensive investment (where possible) towards further emissions' reduction. This is in fact compromising the exact objective of the taxonomy.

The DNSH criteria for climate change mitigation must also be amended to reflect the global average carbon footprint for aluminium production. This is absolutely necessary in order to ensure that European smelters are not labelled as doing 'significant harm' to the environment despite having a carbon footprint that is ~50% lower than the global average. If this issue is not fixed, European aluminium producers will be penalized, to the benefit of more carbon-intensive producers in other regions of the world, leading to carbon leakage.

### 3. Electricity generation

A renewable and low-carbon energy system is crucial for reaching the European adopted climate targets. The taxonomy should ensure a level playing field and equal treatment of all types of carbon free electricity generation. In the draft delegated act for climate mitigation (annex 1), the proposed technical screening criteria for electricity generation from hydropower (section 4.5) goes far beyond the criteria for other types of renewable electricity generation from e.g., wind, ocean technologies, etc. We believe that the EU Taxonomy should be developed with as technology neutral criteria for different types of carbon free electricity generation as possible. This applies both to criteria for substantial contribution to climate change mitigation and the "do not significant harm" criteria for the environmental objective of sustainable use and protection of water and marine resources.

Elsewhere on the proposed criteria for gas-fired electricity generation, we believe those are also highly unsuitable and will cause massive problems for the Member-States that are attempting to transition away from coal. While there is perhaps some room for debate about whether unabated natural-gas fired electricity production should be labelled as 'sustainable' (based on the technical screening criteria), **there is absolutely no justification for labelling such production as doing significant harm to the environment, given its status as by far the most sustainable form of widely available, controllable electricity generation**. Despite this, the proposed DNSH threshold for the production of electricity from gas has been set at 270 gCO<sub>2</sub>/kWh, meaning that even state-of-the-art, hyper-efficient CCGTs will be labelled as doing significant harm (with the negative repercussions that this entails). The only ways for a CCGT to ensure compliance with the proposed limit would be to either implement some form of blending (e.g. with green hydrogen), or to implement some form of CCS/CCU. However, those technologies have not been sufficiently tested or can only be applied in a limited manner, which will unduly increase the probability to miss our climate targets and, in the end, deprive those in need of the energy transition funds of the very much needed financial assistance.

In order to facilitate the transition away from coal across European Member States, **the DNSH threshold for the production of electricity from gas must be set at a level that ensures that natural gas-fired generation is not labelled as doing significant harm to the environment**. Given that an emissions performance standard of 550 gCO<sub>2</sub>/kWh was introduced just last year (in the Electricity Market Regulation, 2019/943), this would seem to be the most reasonable proposal. Alternatively, a limit of 350 gCO<sub>2</sub>/kWh would at least ensure that state-of-the-art CCGTs are not labelled as doing significant harm to the environment.



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The Taxonomy thresholds must be grounded in reality, and cannot possibly be based on unproven technologies and solutions. The 270g threshold is based on the average footprint of the European electricity mix, and therefore bears absolutely no relation to the carbon footprint of actually producing electricity from natural gas (nor does it bear any relation to the other forms of electricity generation to which the same threshold is applied).

**4. Possibility to support the transition to a low carbon economy**

Finally, in line with the European Commission’s goal of using the EU Taxonomy as a tool to help supporting the greening of European industry and as highlighted also in the [TEG Final report](#): “*help to grow low-carbon sectors and decarbonise high-carbon ones*”, it is important to add back into the delegated act the reference to projects and measures allowing the industry to move towards the indicated thresholds: “*Mitigation measures are eligible provided they are incorporated into a single investment plan within a determined time frame (5 or 10 years) that outlines how each of the measures in combination with others will in combination enable the activity to meet the threshold defined below actions*” (as highlighted in the [Technical Annex](#) of the Final TEG report)

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