

## GFO'S FEEDBACK ON THE DRAFT DELEGATED REGULATION FOR CLIMATE CHANGE MITIGATION AND ADAPTATION

Brussels, 1 December 2020

The European Commission has just published a draft regulation and annexes<sup>1</sup> detailing the technical screening criteria for activities contributing to climate change mitigation and adaptation in the taxonomy.

While they contain many welcome measures, these technical screening criteria also unfortunately confirm some of the concerns expressed in our policy report.<sup>2</sup>

### **ANNEX 1: CLIMATE CHANGE MITIGATION**

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29 so-called transitional activities, aka brown activities, are included in the taxonomy under certain conditions. These activities include livestock production, the manufacture of cement, aluminium, iron, steel, carbon black, chlorine, the manufacture of plastics in primary form, electricity generation from gaseous and liquid fuels (incl. oil and natural gas), freight transport services by road, acquisition and ownership of buildings and data processing, hosting and related activities.

Most of these activities are allowed on a best in class basis: for example, for the manufacture of cement, steel, iron, the condition is that the GHG emissions are lower than the average value of the top 10 installations, based on ETS data collected.

It is important here to remember the context: we are not discussing the possible prohibition of any activity, nor any financial penalty, but merely listing green activities that will benefit from an ecolabel and be subsidized. This means that any activity outside the taxonomy can still continue as usual. There is thus zero justification in our opinion to include notoriously brown economic activities in this list. In fact, doing so could slow down the indispensable structural changes that are required. Including them is also incompatible with our remaining carbon budget, if we want to have a chance to limit global warming at 1.5 or even 2°C.

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<sup>1</sup> [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC\\_WORKFLOW](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW)

<sup>2</sup> [https://greenfinanceobservatory.org/wp-content/uploads/2020/03/50-shades-part-III\\_v5.10.pdf](https://greenfinanceobservatory.org/wp-content/uploads/2020/03/50-shades-part-III_v5.10.pdf)

According to the 2014 IPCC assessment report, there were around 120 gigatons of CO<sub>2</sub> remaining from the beginning of 2018 – or around three years of current emissions – for a 66% chance of avoiding 1.5°C warming.<sup>3</sup> The IPCC’s 2018 report revised up the budget for a 66% chance of avoiding 1.5°C warming to 420GtCO<sub>2</sub> – or 10 years of current emissions, but only as it compensated by the large-scale use of negative emissions in the future.

What this means in practice is that depending on the assumptions made on the use of negative emissions, our remaining carbon budget consists of between 1 and 10 years of current emissions. In other words, limiting global warming to 1.5°C requires immediately cutting drastically our emissions of greenhouse gases. Practically this would require drastic new environmental policies immediately banning or severely curtailing the majority of brown economic activities in developed countries, where most of the emissions take place.

What a few years left means is NOT that we can continue as usual for these few more years, but instead that we need to start changing immediately, in order to spread and use frugally this remaining budget over the coming decades.

This makes recital (22) of the draft regulation all the more surprising: this recital explains that *‘separate studies are being conducted on sustainable financing criteria for’ ‘maritime shipping and aviation,’* as these sectors *‘constitute important transport modes for the transition to a low-carbon economy (...) it may therefore be necessary to assess those transport modes rapidly and establish relevant technical screening criteria, where appropriate.’*

The technical screening criteria also **foster underground carbon sequestration** for 6 transitional activities: the manufacture of cement, iron, steel, hydrogen, electricity generation from gaseous and liquid fuels, cogeneration of heat/cool and power from gaseous and liquid fuels, production of heat/cool from gaseous and liquid fuels. Yet, carbon capture and storage create a significant risk of leaks, whether in aquifers or in the atmosphere.<sup>4</sup> In fact, a major case of leakage has already occurred above the world’s largest carbon capture and storage site in Canada.<sup>5</sup>

We strongly hope that the final regulation text will strengthen the criteria for transitional activities so as to effectively exclude them, as they are obviously incompatible with IPCC findings.

## **ANNEX 2: CLIMATE CHANGE ADAPTATION**

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The draft technical screening criteria for climate change adaptation also confirm some of the concerns raised in our policy report 50 shades part 3.<sup>6</sup>

‘Nature-based solutions’ (NbS) appear 194 times in the document. Nearly all the activities listed as contributing to climate change adaptation are required, in order to be included in the taxonomy, to

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<sup>3</sup> Carbon Brief Analysis, Analysis: Why the IPCC 1.5C report expanded the carbon budget, 8 October 2018;

<https://www.carbonbrief.org/analysis-why-the-ipcc-1-5c-report-expanded-the-carbon-budget>

<sup>4</sup> Fast Company, Schwartz A, The Problem With Carbon Capture: CO<sub>2</sub> Doesn’t Always Stay Captured, 19 November

2010, <https://www.fastcompany.com/1704105/problem-carbon-capture-co2-doesnt-always-stay-captured>

The New York Times green blog, Barringer F, What if Captured Carbon Makes a Getaway?, 19 November 2010,

<https://green.blogs.nytimes.com/2010/11/19/what-if-captured-carbon-makes-a-getaway>

<sup>5</sup> GEOCHEMICAL SOIL GAS SURVEY A Site Investigation of SW30-5-13-W2M Weyburn Field, SASKATCHEWAN,

27 August 2010, [https://web.archive.org/web/20110219025128/http://www.ecojustice.ca/media-centre/mediarelease-files/petro-find-geochem-ltd-report/at\\_download/file](https://web.archive.org/web/20110219025128/http://www.ecojustice.ca/media-centre/mediarelease-files/petro-find-geochem-ltd-report/at_download/file)

<sup>6</sup> [https://greenfinanceobservatory.org/wp-content/uploads/2020/03/50-shades-part-III\\_v5.10.pdf](https://greenfinanceobservatory.org/wp-content/uploads/2020/03/50-shades-part-III_v5.10.pdf)

*‘favour nature-based solutions or rely on blue or green infrastructure to the extent possible.’* This applies to activities as varied as the restoration of forests or wetlands or the manufacture of cement, aluminium and steel.

While the term ‘Nature-Based solutions’ covers a broad range of activities, the 2020 global standard for nature-based solutions can be understood as fostering among other things the monetary valuation of nature and market-based solutions such as biodiversity offsetting.<sup>7</sup> The term nature-based solutions is also being increasingly co-opted by some large companies as a way to maintain business as usual while claiming to offset their environmental degradation.

Yet, it has been shown that the monetary values of nature produced are most of the time meaningless. Biodiversity offsetting has also been shown to have an appalling track record and intractable conceptual issues, including measurement issues, incalculable additionality, highly uncertain valuations, and an inexistent price signal.<sup>8</sup> This means that biodiversity offset markets will never be able to address the current critical loss of biodiversity.

References to nature-based solutions in the technical screening criteria should therefore be replaced by other terms that clearly reject the monetary valuation of nature and market-based solutions to biodiversity loss, in order to strengthen the environmental integrity of the taxonomy.

Green infrastructure is defined in the European Commission’s communication ‘Green Infrastructure (GI) — Enhancing Europe’s Natural Capital.’<sup>9</sup> *‘The roadmap identifies investing in GI as an important step towards protecting natural capital.’* GI is *‘a successfully tested tool for providing ecological, economic and social benefits through natural solutions. It helps us to understand the value of the benefits that nature provides to human society.’* Green infrastructure is *‘a strategically planned network of natural and semi-natural areas with other environmental features designed and managed to deliver a wide range of ecosystem services.’* Blue infrastructure is the same where aquatic ecosystems are concerned.

The references to ‘natural capital’, ‘ecosystem services’, ‘economic benefits’ and to valuing the benefits that nature provides indicate quite clearly that blue and green infrastructure foster the monetary valuation of nature under the simplistic and debunked natural capital framing.

This is very problematic as natural capital does not represent nature, is not even a proxy since it only takes into account some ecosystem services while ignoring others and ignoring also many interdependencies.<sup>10</sup> This is also problematic since all monetary valuation methodologies have been shown to be biased. As a result, the values produced are meaningless and risk leading to the wrong policy choices with irreversible consequences.

We strongly hope that the technical screening criteria will be amended to address these concerns and explicitly exclude references to nature-based solutions and to natural capital. Failing that, we hope that the European Parliament will use its veto power to prevent technical screening criteria endorsing doomed policy tools.

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<sup>7</sup> As discussed in our forthcoming brief ‘10 questions about the global standard for nature-based solutions’

<sup>8</sup> <https://greenfinanceobservatory.org/wp-content/uploads/2019/05/50-shades-biodiversity-final.pdf>

<sup>9</sup> [https://eur-lex.europa.eu/resource.html?uri=cellar:d41348f2-01d5-4abe-b817-4c73e6f1b2df.0014.03/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:d41348f2-01d5-4abe-b817-4c73e6f1b2df.0014.03/DOC_1&format=PDF)

<sup>10</sup> <https://greenfinanceobservatory.org/wp-content/uploads/2019/05/50-shades-biodiversity-final.pdf>