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From: General Secretariat of the Council
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Subject: Any other business
Reflection on EU taxonomy and further possible steps
- Information from the Czech delegation

In view of the TTE (Energy) Council on 11 June 2021, delegations will find in Annex an information note from the Czech delegation.

Reflection on EU taxonomy and further possible steps

The EU taxonomy for sustainable activities is an ambitious legislation enhancing transparency of capital flows in sustainable investments. Originally, it was intended to be used solely by financial markets. In the meantime, it has become an overarching instrument significantly affecting most parts of our economies. The Delegated Act on the Technical Screening Criteria for climate change mitigation and adaptation was supposed to provide a comprehensive, science-based, credible and target-oriented tool for sustainable transition. Nonetheless, by not including all energy sources, concerns arise as to whether such intention is being truly accomplished.

In line with the Taxonomy Regulation, throughout most of the process leading to the current draft Delegated Act Member States were involved through the Member States Expert Group - MSEG and relevant stakeholders through public consultations. The topic has become highly politicized and extremely sensitive. Unfortunately, the final stage of the draft Delegated Act negotiations brought about substantial changes especially regarding the energy sector. We reckon these last minute changes were made with insufficient reflection of Member States' positions. Excluding certain energy technologies from the draft Delegated Act or postponing their inclusion could lead to rather grave uncertainty for financial institutions, investors and businesses, which may in turn undermine the necessary energy transition in the years to come.

Furthermore, we believe that excluding or delaying certain technologies when it comes to the draft Delegated Act is not in line with the principle of technology neutrality enshrined in Article 19.1 (a) of the Taxonomy Regulation, nor with the requirement set in Article 19.1 (j) that technical criteria shall cover all relevant economic activities within a specific sector. It is also a sign of lack of ambition of the EU in offering viable decarbonisation path for both market actors and Member States.

As taxonomy in general has significant impact on all sectors of the economy, we wish to invite the Commission to come up with not only ambitious but also realistic set of technical screening criteria for the energy sector. In this sense, we would appreciate if the Commission could inform the Member States about the latest state of play in the preparations of the Complementary Delegated Act - which should be published without any unnecessary delay. The Complementary Delegated Act and the potential accompanying legislation should take into account the fact that Member States have different starting points and that they intend to utilize different low-carbon and zero-carbon technologies that entail various decarbonisation pathways. Thus, it must leave sufficient flexibility to consider today's technological development, existing infrastructure and current energy mixes, while offering feasible pathways for low-carbon and zero-carbon energy sources and technologies. Economic sectors and Member States must be empowered through adequate screening criteria, including for transitional activities, to embark on progressive and achievable transition pathways, in line with the agreed EU energy and climate goals.
