Outlook on the new EU taxonomy for water. Is the EU taxonomy relevant for efficient water service provision?

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Disclaimer: This presentation includes slides extracted from the General Outreach Pack

Why a Taxonomy?

Urgent climate change challenge with clear goals

- European Green Deal
- 2030 -55% target
- 2050 net zero target

Solutions and capital are available

- Markets can work

We need tools to make it easy to:

- Identify the opportunities
- create sustainable assets and activities
- guide capital to the right place

The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities"

6 environmental interlinked objectives

CLIMATE CHANGE

Mitigation

Adaptation

Technical Screening Criteria
in the Climate Delegated Act (April 2021)

OTHER OBJECTIVES

Transition to a **circular economy**

Pollution prevention and control

Sustainable use and protection of **water and marine resources**

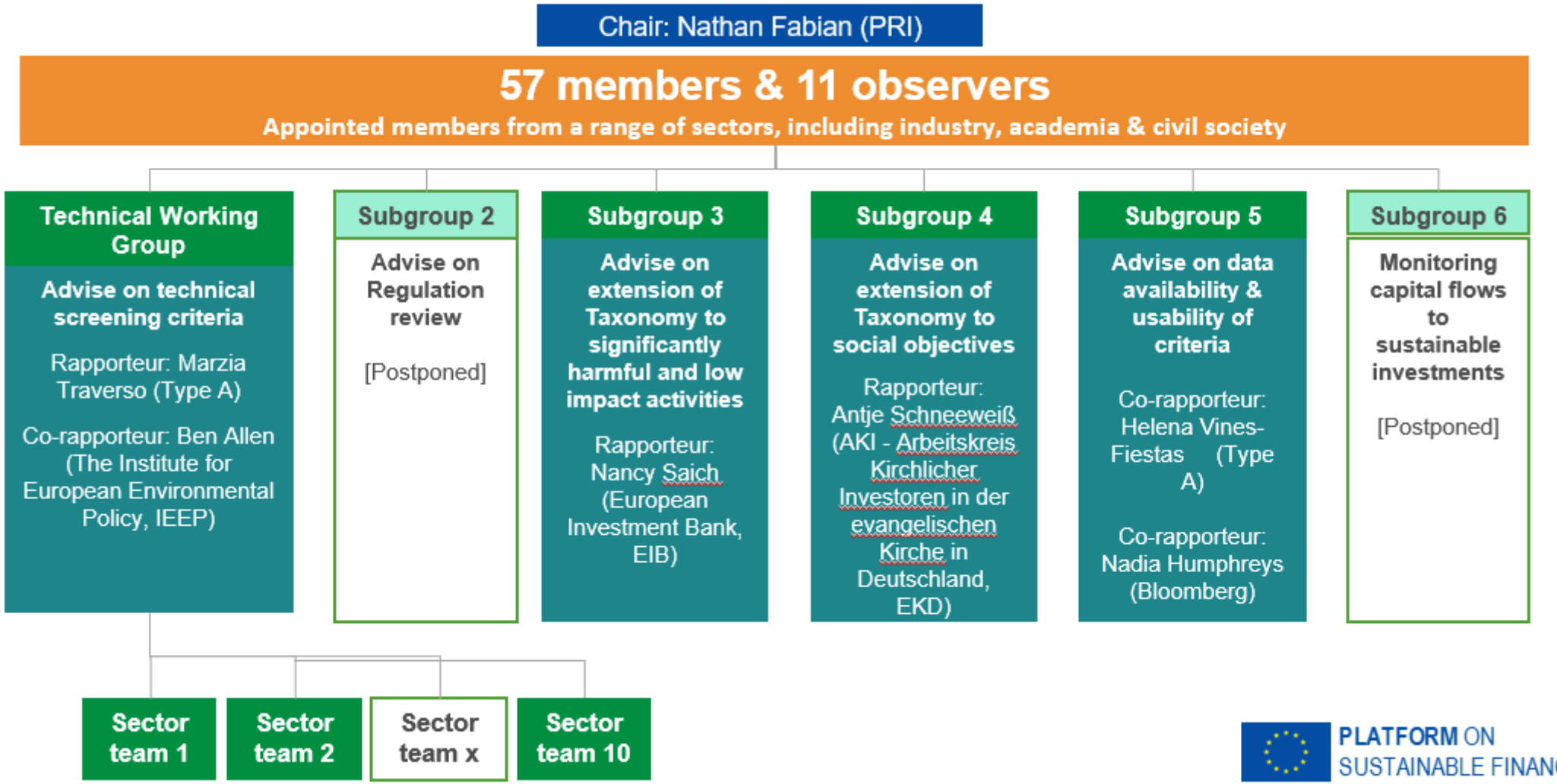
Protection and restoration of **biodiversity & ecosystems**

Technical Screening Criteria
under development

Basic Timeline

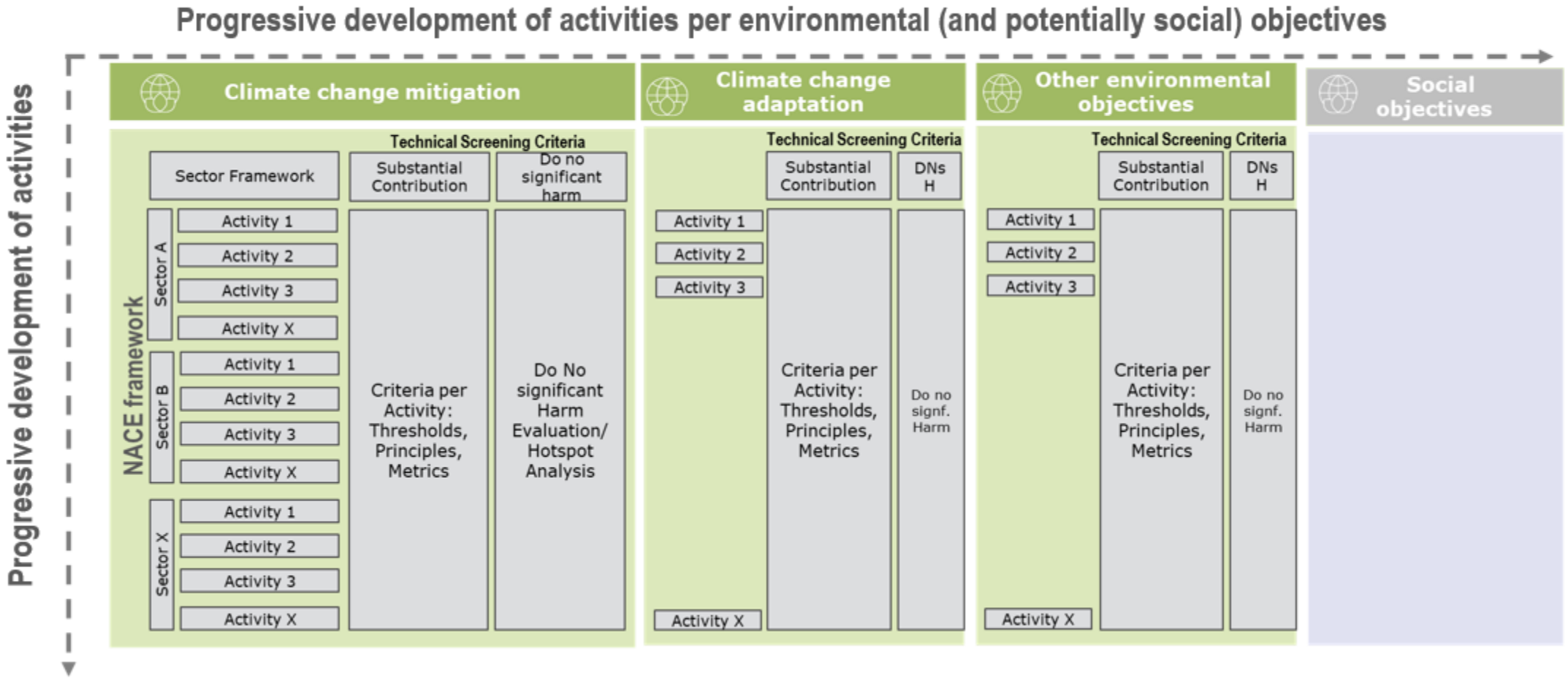
- **First Delegated Act on Sustainable Activities for Climate Change Adaptation and mitigation objectives**. Formally adopted on **4 June 2021** for scrutiny by the co-legislators. It was approved by the Parliament in **December 2021**
- **Second Delegated Act for the other 4 objectives.** Likely to be published by the end of the **2022**, to be in force mid **2023 (not known yet)**.

Platform structure



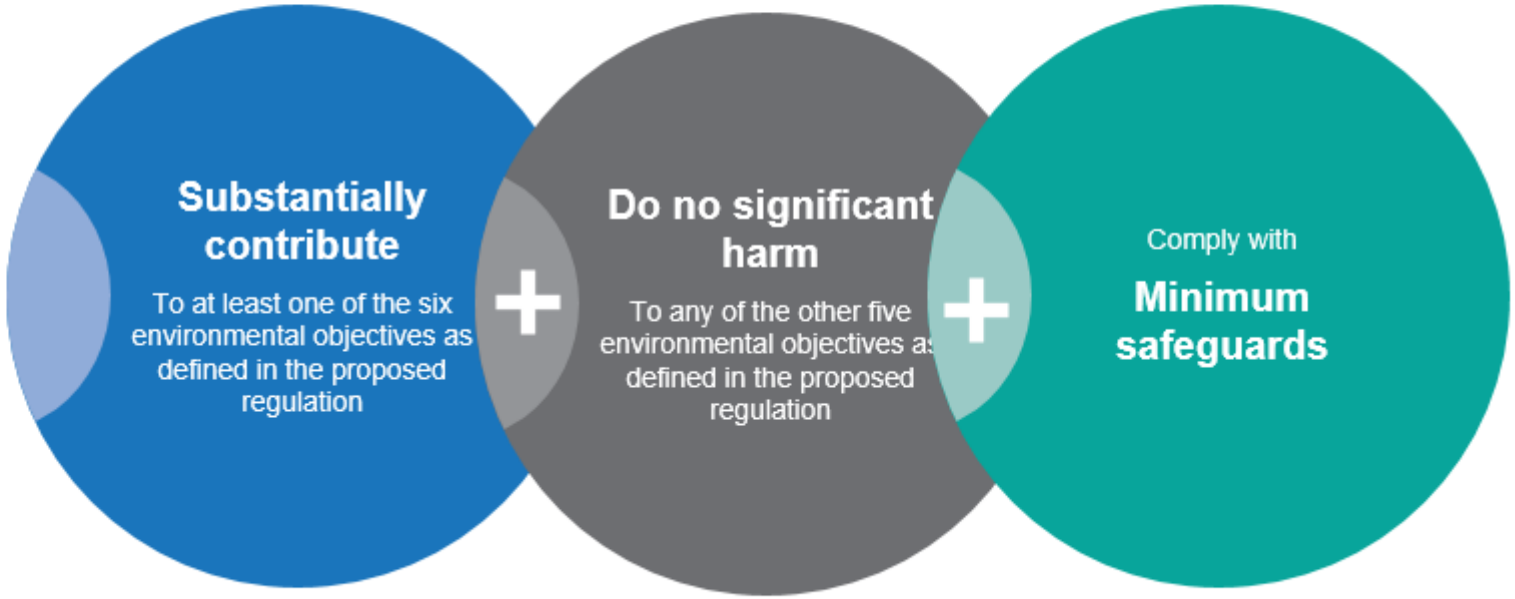
PLATFORM ON SUSTAINABLE FINANCE

The EU taxonomy – what does it look like?



Key features of the Activities

- **Science-based**
- Leverage existing work
- Dynamic
- Capex & Opex
- **Easy to use**



Minimum Safeguards = UN Guiding Principles and OECD Guidelines

EU Taxonomy

Regulation: mandatory disclosures

The Taxonomy Regulation mandates three user obligations:

Financial market participants

Offering financial products in the EU, including occupational pension providers

Article 5 – Article 7

- How and to what extent the Taxonomy was used in determining the sustainability of the underlying investments;
- To what environmental objective(s) the investments contribute; and
- The proportion of underlying investments that are Taxonomy-aligned, as a percentage of the investment, fund or portfolio.

Large companies

Who are already required to provide a non-financial statement under the Non-Financial Reporting Directive

Article 8

- The proportion of turnover aligned with the EU taxonomy;
- CAPEX and OPEX aligned with the EU taxonomy.

→***KPIs will be established in a seperate delegated act***

The EU and Member States

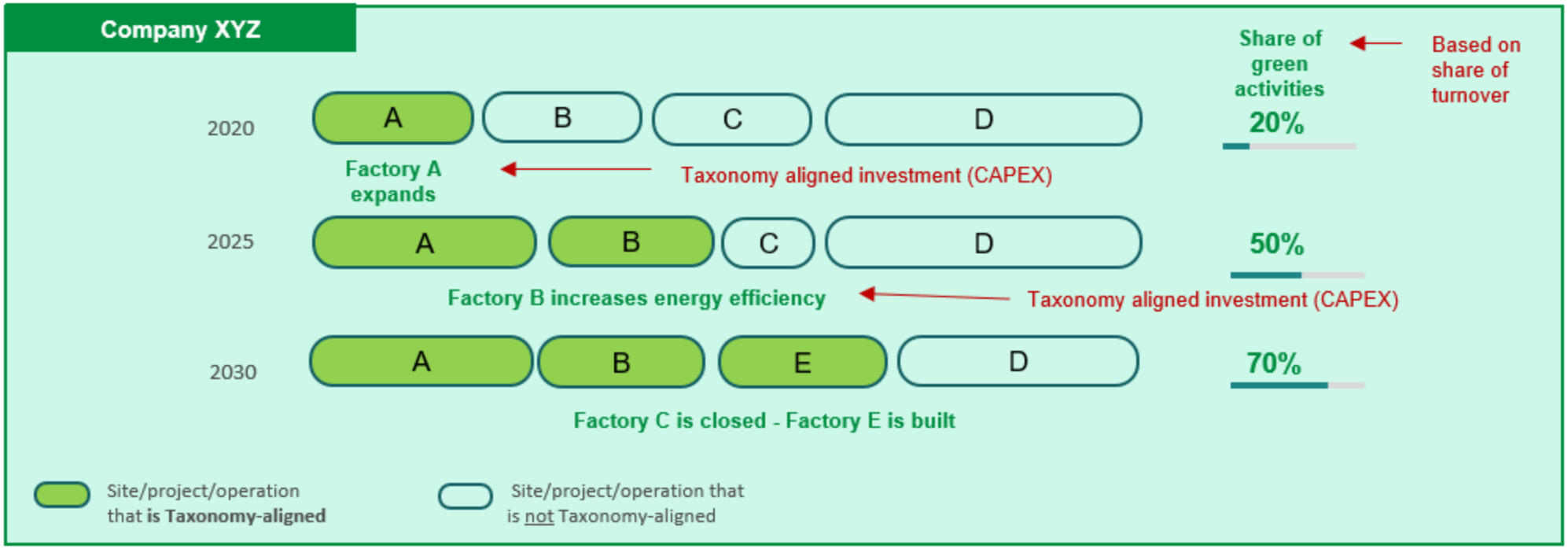
Article 4

When setting out measures on standards or labels for green financial products or green (corporate) bonds

EU Taxonomy use

Companies: how it helps transition

- By defining green economic activities, not companies
- The Taxonomy enables companies to transition by gradually increasing their share of green activities



First Delegated Act already published

NACE Macro-sector	Climate Change Mitigation Activities	Climate Change Adaptation Activities
Forestry	Afforestation Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event Forest management Conservation forestry	
Environmental Protection and Restoration Activities	Restoration of Wetlands	
Manufacturing	Manufacture of renewable energy technologies Manufacture of equipment for the production of hydrogen Manufacture of low carbon technologies for transport Manufacture of batteries Manufacture of energy efficiency equipment for buildings Manufacture of other low carbon technologies Manufacture of cement Manufacture of aluminium Manufacture of iron and steel Manufacture of hydrogen Manufacture of carbon black Manufacture of soda ash Manufacture of chlorine Manufacture of organic basic chemicals Manufacture of anhydrous ammonia Manufacture of nitric acid Manufacture of plastics in primary form	
Energy	Electricity generation using solar photovoltaic technology Electricity generation using concentrated solar power (CSP) technology Electricity generation from wind power Electricity generation from ocean energy technologies Electricity generation from hydropower Electricity generation from geothermal energy Electricity generation from renewable non-fossil gaseous and liquid fuels Electricity generation from bioenergy Transmission and distribution of electricity Storage of electricity Storage of thermal energy Storage of hydrogen Manufacture of biogas and biofuels for use in transport and of bioliquids Transmission and distribution networks for renewable and low-carbon gases District heating/cooling distribution Installation of electric heat pumps Cogeneration of heat/cool and power from solar energy Cogeneration of heat/cool and power from geothermal energy Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels Cogeneration of heat/cool and power from bioenergy Production of heat/cool from solar thermal heating Production of heat/cool from geothermal energy Production of heat/cool from renewable non-fossil gaseous liquid fuels Production of heat/cool from bioenergy Production of heat/cool using waste heat	

NACE Macro-sector	Climate Change Mitigation Activities	Climate Change Adaptation Activities
Water Supply, Sewerage, Waste Management and Remediation	Construction, extension and operation of water collection, treatment and supply systems Renewal of water collection, treatment and supply systems Construction, extension and operation of waste water collection and treatment Renewal of waste water collection and treatment Collection and transport of non-hazardous waste in source segregated fractions Anaerobic digestion of sewage sludge Anaerobic digestion of bio-waste Composting of bio-waste Material recovery from non-hazardous waste Landfill gas capture and utilisation Transport of CO2 Underground permanent geological storage of CO2	
Transport	Passenger interurban rail transport Freight rail transport Urban, suburban and road passenger transport Operation of personal mobility devices, cycle logistics Transport by motorbikes, passenger cars and light commercial vehicles Freight transport services by road Inland passenger water transport Inland freight water transport Retrofitting of inland water passenger and freight transport Sea and coastal freight water transport, vessels for port operations and auxiliary activities Sea and coastal passenger water transport Retrofitting of sea and coastal freight and passenger water transport Infrastructure for personal mobility, cycle logistics Infrastructure for rail transport Infrastructure enabling low-carbon road transport and public transport Infrastructure for water transport Low-carbon airport infrastructure	
Construction and Real Estate	Construction of new buildings Renovation of existing buildings Installation, maintenance and repair of energy efficiency equipment Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings Installation, maintenance and repair of renewable energy technologies Acquisition and ownership of buildings	
Information and Communication	Data processing, hosting and related activities	
	Data-driven solutions for GHG emissions reductions	N/A
	N/A	Computer programming, consultancy and related activities
	N/A	Programming and broadcasting activities

NACE Macro-sector	Climate Change Mitigation Activities	Climate Change Adaptation Activities
Professional, Scientific and Technical Activities	N/A	Engineering activities and related technical consultancy dedicated to adaptation to climate change
	Close to market research, development and innovation	
	Research, development and innovation for direct air capture of CO2	N/A
	Professional services related to energy performance of buildings	N/A
Financial and Insurance Activities	N/A	Non-life insurance: underwriting of climate-related perils
	N/A	Reinsurance
Education	N/A	Education
Human Health and Social Work Activities	N/A	Residential care activities
Arts, Entertainment and Recreation	N/A	Creative, arts and entertainment activities
	N/A	Libraries, archives, museums and cultural activities
	N/A	Motion picture, video and television programme production, sound recording and music publishing activities

Water Activities. First Delegated Act. ENERGY ANGLE!

Activity	Substantial contribution to climate change mitigation
Construction, extension and operation of water collection, treatment and supply systems	The water supply system complies with one of the following criteria: (a) the net average energy consumption for abstraction and treatment **equals to or is lower than 0.5 kWh per cubic meter** produced water supply. Net energy consumption may take into account measures decreasing energy consumption, such as source control (pollutant load inputs), and, as appropriate, energy generation (such as hydraulic, solar and wind energy); (b) The leakage level is either calculated using the **Infrastructure Leakage Index (ILI)** rating method and the threshold value **equals to or is lower than 1.5**, or is calculated using another appropriate method and the threshold value is established in accordance with Article 4 of Directive (EU) 2020/2184 of the European Parliament and of the Council. That calculation is to be applied across the extent of water supply (distribution) network where the works are carried out, i.e. at water supply zone level, district metered area(s) (DMAs) or pressure managed area(s) (PMAs).
Renewal of water collection, treatment and supply systems	The renewal of the water supply system leads to improved energy efficiency in one of the following ways:(a) by decreasing the net average **energy consumption of the system by at least 20%** compared to own baseline performance averaged for three years, including abstraction and treatment, measured in kWh per cubic meter produced water supply; b) **by closing the gap by at least 20%** either between the current leakage level averaged over three years, calculated using the **Infrastructure Leakage Index (ILI) rating method and an ILI of 1.5**, or between the current leakage level averaged over three years, calculated using another appropriate method, and the threshold value established in accordance with Article 4 of Directive (EU) 2020/2184. The current leakage level averaged over three years is calculated across the extent of water supply (distribution) network where the works are carried out, i.e. for the renewed water supply (distribution) network at district metered area(s) (DMAs) or pressure managed area(s) (PMAs).

Activity	Substantial contribution to climate change mitigation
Construction, extension and operation of waste water collection and treatment	1. The net energy consumption of the waste water treatment plant equals to or is lower than: (a) **35 kWh** per population equivalent (p.e.) per annum for treatment plant capacity below 10 000 p.e.; (b) **25 kWh** per population equivalent (p.e.) per annum for treatment plant capacity between 10 000 and 100 000 p.e.; (c) **20 kWh** per population equivalent (p.e.) per annum for treatment plant capacity above 100 000 p.e. Net energy consumption of the operation of the waste water treatment plant may take into account measures decreasing energy consumption relating to source control (reduction of storm water or pollutant load inputs), and, as appropriate, energy generation within the system (such as hydraulic, solar, thermal and wind energy).
	2. For the construction and extension of a waste water treatment plant or a waste water treatment plant with a collection system, which are substituting more GHG-intensive treatment systems (such as septic tanks, anaerobic lagoons), an assessment of the direct GHG emissions is performed. The results are disclosed to investors and clients on demand.
Renewal of waste water collection and treatment	1. The renewal of a collection system improves energy efficiency by decreasing the average **energy consumption by 20%** compared to own baseline performance averaged over three years, demonstrated on an annual basis. That decrease of energy consumption can be accounted for at the level of the project (i.e. the collection system renewal) or, across the downstream waste water agglomeration (i.e. including the downstream collection system, treatment plant or discharge of waste water).
	2. The renewal of a waste water treatment plant improves energy efficiency by decreasing the **average energy consumption of the system by at least 20%** compared to own baseline performance averaged over three years, demonstrated on an annual basis

Waste water Activities. First Delegated Act

Activity	Substantial contribution to climate change mitigation
Anaerobic Digestion of Sewage Sludge	1. A monitoring and contingency plan is in place in order to minimise methane leakage at the facility.
	2. The produced biogas is used directly for the generation of electricity or heat, or upgraded to bio-methane for injection in the natural gas grid, or used as vehicle fuel or as feedstock in chemical industry

Waste water Activities. First Delegated Act. Climate Action Adaptation

Activity	Substantial contribution to climate change adaptation
All Water & Wastewater Activities	1. The economic activity has implemented physical and non-physical solutions ('adaptation solutions') that substantially reduce the most important physical climate risks that are material to that activity. 2. The physical climate risks that are material to the activity have been identified from those listed in Appendix A to this Annex by performing a robust climate risk and vulnerability assessment with the following steps: (a) screening of the activity to identify which physical climate risks from the list in Appendix A to this Annex may affect the performance of the economic activity during its expected lifetime; (b) where the activity is assessed to be at risk from one or more of the physical climate risks listed in Appendix A to this Annex, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity; (c) an assessment of adaptation solutions that can reduce the identified physical climate risk. The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that: (a) for activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale; (b) for all other activities, the assessment is performed using the highest available resolution, state-of-the-art climate projections across the existing range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 year climate projections scenarios for major investments. 3. The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications and open source or paying models. 4. The adaptation solutions implemented: (a) do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; (b) favour nature-based solutions or rely on blue or green infrastructure to the extent possible;(c) are consistent with local, sectoral, regional or national adaptation plans and strategies; (d) are monitored and measured against pre-defined indicators and remedial action is considered where those indicators are not met; where the solution implemented is physical and consists in an activity for which technical screening criteria have been specified in this Annex, the solution complies with the do no significant harm technical screening criteria for that activity.

Tasks Technical Working Group. 2nd Delegated Act

Recommendations on technical screening criteria will form the basis for **Second Delegated Act** under art. 8 Taxonomy Regulation.

Draft criteria for the considered economic activities are developed by the TWG – around 60 activities.

Setting conditions under which an activity is

- Substantially contributing to one or more environmental objectives
- Does no significant harm to the other objectives

climate change mitigation

climate change adaptation

Sustainable use and protection of **water and marine resources**

Transition to a **circular economy**

Pollution prevention and control

Protection and restoration of **biodiversity & ecosystems**

[Annex to the platform on Sustainable Finance's report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU taxonomy (europa.eu)]

Climate Bank Roadmap

EIB Group Climate Bank Roadmap 2021-2025

- ✓ Increase **EIB finance for climate action and environmental sustainability** from about 30% today to at least **50% by 2025**
  - ✓ **40% green finance in 2020**
- ✓ Align all new finance with the principles and goals of the Paris Agreement
- ✓ Support **€1 trillion** of investment **in climate action and environmental sustainability** from 2021 to 2030.
- ✓ Climate and Environmental Sustainability criteria aligned with the **EU Taxonomy**

Thank you!

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