Brussels, 23 November 2022

To: Executive Vice-President Dombrovskis, Executive Vice-President Timmermans, Commissioner Breton, Commissioner McGuinness, Commissioner Simson, Commissioner Sinkevičius

Joint industry letter to ensure taxonomy alignment of our industry to meet EU's energy and climate objectives

The EU is at a strategic moment, where it needs to guarantee its security of supply, diversify energy resources while accelerating its decarbonization efforts. This will only be **possible provided massive investments are redirected towards renewables, electrification and energy savings**, as well as with the necessary regulatory support.

The European Commission estimates that the REPowerEU Plan only will require additional investments of €210 billion euro between now and 2027, on top of the ones needed to meet the objectives of the Fit for 55. In all our sectors, **these investment needs** have been clearly identified and **must be quickly addressed to ensure a successful energy and climate transition for the EU**:

- **Renewable energy:** to meet the REPowerEU targets, €86bn investment is needed for solar and wind between now and 2027.
- **Grid:** an additional €29 bn of additional investments are needed in the power grid by 2030, to make it fit for increased use and production of electricity.
- **Electrification:** Direct electrification of industrial processes will need to reach 37% in 2030 and 46% in 2050 in order to achieve carbon neutrality by 2050. Electrification-related investments must increase accordingly from €5bn year to €17bn year.
- **Heat pumps:** the EU must double the current roll-out rate of heat pumps, resulting in a cumulative 10 million units over the next 5 years, requiring a total investment of €56bn.
- **EV charging:** by 2030 a total amount of up to €280bn will need to be invested in installing public and private charging points, upgrading the power grid, and building capacity for renewable energy production. For public charging infrastructure, this amounts to €8bn annually.
- **Energy efficiency:** the estimated funding gap for energy efficiency investments in the EU over the next decade is €185 billion per year (figures before the crisis).

- **BACS:** annual investment needs in BACS would peak at €7.4 bn resulting in annual energy bill savings of €32 bn (without considering the ongoing revision of the Energy Performance of Buildings Directive).
- **Batteries:** The total level of investments along the battery value chain amounted to €127 billion by 2021. Additional investment of some €382 billion is expected to create a self-sufficient battery industry by 2030.

In this context, **all investments matter and the EU taxonomy will be instrumental** to ramp up needed capital flows towards these activities, to support the twofold challenge of EU's energy security and climate transition.

Most of our activities are covered by the Climate Change Mitigation Delegated Act and our member companies are starting to prepare for the reporting on taxonomy-alignment from 2023. However, according to our first assessment, the application of the **technical screening criteria adopted in the Climate Change Mitigation Delegated Act would exclude most of our manufacturing activities**.

This would **lead to qualify manufactured products we either produce or install as not sustainable, i.e. not aligned, from 2023** and therefore **preventing them to attract the necessary investments.** For example, the following technologies that are eligible under the first Climate Change Delegated Act, would be considered as non-aligned: solar PV, inverters, Building Automation and Controls, batteries, heat pumps, variable speed drives.

The main reason comes from the **Do No Significant Harm principle (DNSH) criteria, more specifically pollution prevention and control (Appendix C).** As recognized in the October 2022 report of the Sustainable Finance Platform on data and usability of the EU taxonomy: "*some of DNSH testing criteria create **substantial interpretation and usability challenges**. If left unaddressed, this could impact the goal of generating complete, comparable, and reliable disclosure*."

The key issue is the requirements of Appendix C that are departing from existing legislations on substances (Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation and the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) Directive). It is leading to a **situation where our industry won't be able to implement and therefore comply with these criteria**, because of:

1) **Undefined concept:** adopted criteria are prematurely referring to substance usages that are "essential for the society", while not being defined legally at EU level and mentioned in REACH.
2) **Unclear scope:**
   - It remains unclear whether sectors that are currently not in the scope of RoHS would be covered and whether existing exemptions will still apply;
   - All referenced legislations are based on EU legislation, whereas, for international companies, the taxonomy applies worldwide. Therefore, non-EU national legal requirements that is assessed as equivalent should be accepted to prove the alignment.
3) **Unrealistic requirements**:
   - Criterion (f) refers to Article 59 (1) of REACH Regulation, which specifies substances identified as Substances of Very High Concern (SVHC) and are listed on the REACH Candidate List. These substances are currently only subject to information duties and are not restricted.
   - Criterion (g) refers to Article 57 of REACH Regulation only specifies the conditions according to which substances can be qualified as SVHC but doesn't provide a list of such substances. It also risks of not being applied uniformly, as companies may come forward with different assessments of whether a substance meets these criteria.

- The industry has no knowledge of the application of these substances in finished products, due to no mandatory communication along the supply chain.

In addition, RoHS and REACH are currently being revised: **should more stringent and ambitious requirements apply, they must be adopted through the regular and transparent decision-making process**, and to enable companies to set up their innovation roadmaps accordingly.

We therefore call the European Commission to **clarify in its upcoming FAQ on usability, and more specifically on Appendix C, that compliance with REACH and RoHS, including current scope and exemptions, can apply** as regards Appendix C - criteria (d), (f), and (g).

We remain available for a follow-up meeting in the coming weeks to present our views on a successful EU taxonomy implementation in our sectors.

AFME is a non-profit professional organisation operating on the national level which covers the various sub-sectors of the electrical industry. It is, in fact, the only organisation in Spain where the various areas of activity in the electrical industry come together. Our mission is to defend the leading position of electrical manufacturers in matters like standardisation, legislation and certification, to support their national market and to increase exports through our services. https://www.afme.es/en/

Agoria, the federation of the technology industry, brings together more than 2000 technology companies and all those who are inspired by technology. With more than 321,000 employees, the technology sector is the largest sector in Belgium. https://www.agoria.be/en

CAPIEL is the Coordinating Committee for the Associations of Manufacturers of Switchgear and Controlgear equipments for industrial, commercial and similar use in the European Union, that work in the range of voltages until 1 kV a.c. of 1,5 kV d.c. CAPIEL represents 9 national associations from 8 European countries which include small, medium and large-sized companies representing more than 100,000 direct jobs across the EU. www.capiel.eu

CECAPI is the European Committee of Electrical Installation Equipment Manufacturers. CECAPI was established in 1967 and represents associations of manufacturers of electrical installation equipment within the EU and EFTA. CECAPI represents nine national trade associations, in turn representing almost 500-member companies with a combined sales turnover of 16,1 Billion Euros and employing more than 120.000 employees. www.cecapi.org

CEMEP is the European Committee of Manufacturers of Electrical Machines and Power Electronics, representing an industry with a market value of more than €22 billion and around 200,000 employees. Our members represent manufacturers of electric motors, variable speed drives and uninterruptible power supplies - essential equipment enabling the electrification of a wide range of sectors with energy efficient solutions. https://cemep.eu/

ChargeUp Europe is the industry association for the electric vehicle (EV) charging infrastructure sector. Our association works to accelerate the switch to zero emission mobility and ensure that EV drivers can enjoy a seamless charging experience with access to high quality, readily available charging infrastructure across Europe. As of today, our 24 member companies are active in all 27 EU Member States, the UK and EFTA, with over 500,000 charging points in the EU. https://www.chargeupeurope.eu/

The European Heat Pump Association (EHPA, www.ehpa.org) promotes awareness and proper deployment of heat pump technology in the European marketplace for residential, commercial and industrial applications. EHPA has more than 170 members from 22 European countries representing the European heat pump sector. The association provides insight on legislative matters, technology and markets to European, national and local authorities and interested stakeholders.

Confederation of Finnish Industries EK is the leading business organization in Finland. Our main task is to make Finland an internationally attractive and competitive business environment. Successful business activities are the foundation for the Finnish welfare society. EK represents the entire private sector and companies of all sizes: 19 member associations, 15,300 member companies across all business sectors (96% SMEs9). Our member companies employ 900,000 employees. EK is a member of BUSINESSEUROPE, the European-level association for employers, commerce and industry and IOE, the International Organisation of Employers. We are also active in the OECD and the ILO. EU Transparency register 1274604847-34 https://ek.fi/en/

eu.bac – European building automation and controls association represents 27 industry manufacturers. We advocate for a world where energy efficiency and sustainability in every building are achieved through the optimal application of home and building controls, automation systems and services. https://eubac.org/

EUROBAT is the leading association for European automotive and industrial battery manufacturers, covering all battery technologies, and has more than 50 members. The members and staff work with all policymakers, industry stakeholders, NGOs and media to highlight the important role batteries play for decarbonized mobility and energy systems as well as all other numerous applications. https://www.eurobat.org/

The European Electrical Contractors' association echoes the voice of over 1.8 million professionals switching on the green and digital transition, since 1954. https://europe-on.org/

FIEEC is a French Association for Electrical, Electronic and Communications Industries bringing together 27 professional organizations. Members of FIEEC together represent about 2 000 companies, employing 430 000 workers and realize 107 billion euros in sales revenue (29% from export). https://www.fieec.fr

The Association of Metaltechnology Industries (FMTI) represents all Austrian industrial enterprises and companies active in mechanical and plant engineering, steel construction and metalware production, which, in 2021 accounted for a total production value of about 43,8 billion €. This branch with more than 1,200 predominantly medium-sized companies employing over 134,000 people, is the backbone of industrial employment in Austria. https://www.metalltechnischeindustrie.at/en/

SolarPower Europe is the award-winning link between policymakers and the solar PV value chain. Our mission is to ensure solar becomes Europe's leading energy source by 2030. As the member-led association for the European solar PV sector, SolarPower Europe represents over 260 organisations across the entire solar sector. With solar sitting on the horizon of unprecedented expansion, we work together with our members to create the necessary regulatory and business environment to take solar to the next level. https://www.solarpowereurope.org/

T&D Europe's members enable the energy transition to a climate-neutral Europe by 2050. Over 200,000 people in our industry manufacture, innovate

and supply smart systems for the efficient transmission and distribution of electricity. Our technologies and services future-proof the grid and make clean electricity accessible to all Europeans. We put our collective expertise to work to craft a brighter, electric future. www.tdeurope.eu

WindEurope is the voice of the wind industry, actively promoting wind energy across Europe. We have 500 members from across the whole value chain of wind energy: wind turbine manufacturers, component suppliers, power utilities and wind farm developers, financial institutions, research institutes and national wind energy associations. https://windeurope.org

The ZVEI – German Electrical and Electronic Manufacturers' Association promotes the industry's joint economic, technological and environmental policy interests on a national, European and global level. The electro-industry has around 873,000 employees in Germany plus further 790,000 worldwide. In 2020, the turnover was 180 billion Euro. The electrical and electronics industry is the most innovative industry sector in Germany: One third of the industry's sales are based on new products. It spends Euro 20 billion in R&D every year, more than Euro 6 billion in investments and 2 billion Euro on training and education. Every third innovation in Germany's manufacturing sector stems from electro-industry's solutions. https://www.zvei.org/en