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EU Taxonomy

Call for Evidence: Climate Delegated Act

Eurogas response

The EU Taxonomy was designed to channel capital towards activities that support Europe's climate objectives and decarbonisation goals, but its effectiveness depends on the technical screening criteria (TSC) being scientifically robust, realistic and aligned with the pathways that are technologically and economically available today. Several of the current criteria fall short of these requirements. As a result, the EU Taxonomy may have discouraged investments that would have improved system stability, reduce emissions and support the integration of more renewable assets.

Eurogas seeks to ensure that the Taxonomy is pragmatic, proportionate and technically robust, enabling it to drive, rather than unintentionally hinder, the transition. This requires an approach that remains technologically neutral and flexible. To this end, we present a set of concrete recommendations below.

I. Shortcomings of the Taxonomy

We appreciate the Commission's work to make the Taxonomy more user-friendly by simplifying the TSC, removing unnecessary obstacles, and making it easier to demonstrate compliance. These improvements come at an important time during the European energy transition, which requires large investments in areas like renewable energy, grid infrastructure, and solutions for balancing supply and demand, including low-carbon thermal power plants.

The TSC set under the Climate Delegated Act and the Complementary Climate Delegated Act (CCDA) were developed with limited involvement from the sectors central to Europe's energy transition, resulting in Significantly Contribute (SC) 'substantial contribution' thresholds and Do Not Significantly Harm (DNSH) criteria values that do are not aligned with existing EU sectoral legislation, are overly complex to demonstrate proof of compliance, and do not fully reflect technological realities or the commercial availability of abatement options. **Instead of directing capital towards cleaner and more efficient assets, the framework restricts access to finance and slows investments needed to maintain system adequacy**. It is very challenging for gas-related activities to comply with the Climate Delegated Act, as it relies on overly restrictive criteria that discriminate between technologies, undermining technology neutrality. Among other issues, the requirement to commit to using renewable or low-carbon gases after 2035 (Activities 4.29, 4.30, 4.31) is too ambitious. Likewise, the GHG emission-intensity thresholds are too stringent. **Eurogas will stand ready to provide further recommendations in the future.**

The applicability of the Climate Delegated Act is worsened by the existence of a patchwork of legislations (i.e., EU Taxonomy and its DNSH criteria, Energy Efficiency Directive (EED), Renewable Energy Directive (RED), State Aid Guidelines, EPBD, DNSH technical guidance to the SCF Social Climate Fund) that are not necessarily aligned and can exclude investments that do not meet these requirements.

II. Horizontal Recommendations

To ensure that the Taxonomy Climate Delegated Act is both ambitious and implementable, attention must be given to horizontal issues that cut across all activities. This requires strengthening legal consistency with existing EU legislation, reducing unnecessary administrative complexity related to DNSH verification, facilitating the effective application of life-cycle assessment requirements, and clarifying what level of data should be provided to auditors to prove compliance.

1. **The TSC should be aligned with existing EU legislation**. Inconsistencies across different pieces of legislation generate legal uncertainty; full alignment (i.e. with the RED, EED, EPBD, Industrial Emissions Directive and others) would reduce duplicative burdens and support a more coherent implementation of the legislation.
2. **The process for demonstrating compliance with the DNSH criteria should be simplified**, particularly for areas where well-established and internationally recognised standards already exist. Certifications such as ISO 14001, for example, could serve as a reliable indicator of compliance with DNSH requirements related to water, circular economy, and biodiversity.
    a. For example, **simplify the risk assessment of the climate change adaptation DNSH (Appendix A).** This criterion is complex and requires climate risk assessments based on 'state-of-the-art' projections over 10–30 years for major investments, despite the uncertainty of such long-term forecasts.
    b. **Moreover, compliance with EU laws and their national transpositions should be deemed sufficient to demonstrate compliance with the DNSH criteria** (e.g. adherence to national measures implementing the Environmental Impact Assessment Directive and the Water Framework Directive should be deemed sufficient to demonstrate DNSH compliance).
3. **The Life-Cycle Assessment (LCA) requirements should be streamlined** to ensure that the TSC remain fair, usable and cost-efficient. As currently formulated, the LCA adds further difficulty due to limited and inconsistent data beyond operational emissions, which creates methodological uncertainty and complicates compliance assessments.
4. **Clarify what level of data should be provided to auditors to prove compliance.** The Commission should issue non-binding guidance, including a non-exhaustive list of concrete examples of acceptable documentation, informed by industry concerns, in order to reduce ambiguity and support compliance.

III. Energy-Related Thresholds

Across both the existing Taxonomy criteria and the new thresholds proposed by the Platform on Sustainable Finance (PSF), **the rationale for key GHG limits remains disconnected from technological realities.** In addition, they were not supported by a comprehensive impact assessment, while the tightening of the TSC for all energy-related activities could negatively impact a successful transition to a

low-carbon economy. Given these constraints, **thresholds should consider technological advancements, market maturity and economic feasibility,** with flexibility for companies to choose the most appropriate technological pathways to reach the 2050 climate goal.

For instance, the basis for the 100 gCO_2e/kWh threshold, and the lower thresholds for 2025–2030, remains uncertain since it shifted from being linked to direct ETS emissions to being introduced through a Life Cycle Analysis.

Likewise, the 270 gCO_2/kWh DNSH threshold, originally derived from the average EU electricity mix, does not reflect the emissions performance of specific technologies such as modern CCGTs, and the PSF's proposed thresholds (25, 45, 115 and 240 gCO_2/kWh) replicate this problem, as none corresponds to levels achievable by existing or near-term technologies under real operating conditions.

These issues become more evident in practice, as the planned limits of 45 gCO_2/kWh in 2027 and 25 gCO_2/kWh in 2031 for CCGT, OCGT and high-efficiency CHP are technically unattainable without commercially viable CCS solutions, while lowering the 270 gCO_2/kWh DNSH threshold is equally unrealistic because natural gas technologies already operate close to this level and cannot reduce emissions further without compromising system adequacy.

To safeguard regulatory certainty and avoid jeopardising investments, any adjustments to the thresholds should be designed with robust grandfathering arrangements, taking into account the lifetime of the asset.

IV. Bioenergy activities

1. Alignment with RED III

Eurogas strongly recommends alignment between the EU Taxonomy and RED III. The Taxonomy is intended to identify activities that make a substantial contribution to climate objectives, but its criteria must remain aligned with established sectoral legislation. If thresholds diverge from RED III, they create uncertainty for operators, weaken investment signals and risk delaying new projects.

- **RED III already sets strict sustainability and GHG-saving rules and should remain the EU's reference for ensuring the sustainable use of biomass**. While we support the need for GHG-emission thresholds for biomass fuels, we are concerned that tightening them too quickly, such as moving from the already demanding 100 gCO_2e/kWh threshold to 45 gCO_2e/kWh, would be unrealistic and could make it harder for bioenergy producers to access the investment needed to scale up. The proposed increase of the GHG-saving requirement for activity 4.13 to 70 percent would also have major implications for the value chain and should be approached carefully. Additionally, the technical screening criteria for activity 4.13 should:
    - use GHG-saving thresholds aligned with RED III Article 29(10)
    - follow the methodology and fossil fuel comparator in Annex V of RED III
    - rely on feedstocks listed in Annex IX of RED III, including future updates

2. Production of biogas and biomethane

The Taxonomy should incentivise both the production and use of biogas and biomethane across sectors.

- References to specific end uses for Taxonomy eligibility and alignment should be removed.
- To this end, we propose broadening the scope of certain activities, in particular activity 4.13, to encompass the production of biogas and biogas upgrading to biomethane for all end uses (e.g. industry, transport, heating, grid injection, etc.).
- This would also resolve the issue faced by biomethane and biogas producers when injecting their production output into the grid, since they do not necessarily know the final end use, which would prevent them from declaring Taxonomy alignment.

V. Transmission and distribution networks for renewable and low-carbon gases

We believe that the PSF recommendation to require all new transmission and distribution networks to carry only hydrogen or other low-carbon gases would significantly reduce usability and delay essential investments. During the transition period, **dual-purpose infrastructure should remain eligible**, provided it is prepared for future use with renewable and low-carbon gases.

- New renewable and low carbon gases (i.e., biogas/biomethane and hydrogen) production sites must be connected to the existing gas network, and dedicated hydrogen-only pipelines are not yet commercially or technically viable in most regions. Infrastructure therefore needs the flexibility to operate initially with natural gas and gradually transition to renewable and low-carbon gases as supply grows.
- Such a restriction would also affect Member States that are currently shifting from coal to gas, for example when new connections or upgrades are required for power and heat generation. Although these assets are designed to be hydrogen-ready, they would lose access to Taxonomy-aligned financing simply because operators cannot control when networks will reach a fully renewable and low carbon gases supply. Biomethane projects would face similar barriers where strengthening local networks is necessary, but the wider grid is not yet fully renewable.

V. Storage of Hydrogen (Activity 4.12)

The EU Taxonomy recognises the storage of hydrogen as a sustainable activity in principle, subject to meeting certain criteria. However, several gaps need to be corrected in order to ensure a fully favorable treatment of all underground hydrogen storage, in particular, in activity 4.12. **It is fundamental to ensure non-discriminatory treatment of underground hydrogen storage in the Taxonomy.**

- **Recognise dual-purpose storage during the transition**. To facilitate decarbonisation, dual purpose underground storage projects (i.e. repurposing, new builds) dedicated to blends of

natural gas and hydrogen, should be recognised under the Taxonomy to ensure the necessary investments in (low-carbon) storage are incentivised.

- **Broaden Activity 4.12 to encompass the storage of sustainable hydrogen-based fuels**. Activity 4.12 should be expanded to cover the storage of sustainable hydrogen-derived fuels, including ammonia and methanol, which play an important role in the transition.
- **Remove the exclusion of hydrogen blends created by criterion (c).** The requirement that all hydrogen stored must meet sustainability criteria of Activity 3.10 effectively excludes the storage of hydrogen blends, including mixtures of blue, green, and others. This risks disincentivising essential transitional infrastructure. Moreover, enforcing full compliance with Activity 3.10 would impose unnecessary contractual and administrative burdens on operators. Therefore, criterion (c) should be improved to reflect those concerns.