

Draft Taxonomy amendments – Norway's comments

General comments

Norway welcomes the Commission's proposed amendments to the Taxonomy criteria, which we believe will generally contribute to the stated goals of making the Taxonomy framework simpler and easier to use by streamlining the criteria, aligning them with updated EU legislation and ensuring that they reflect technological advances. In our view, the proposed amendments generally improve usability which should contribute to increased uptake of the Taxonomy, increasing its environmental impact in the long term. For some activities we believe further amendments to the criteria are merited or current criteria should be retained, see our comments on specific activities and criteria below.

Annex I to Climate DA, Section 4.5, Electricity generation from hydropower

Norway welcomes the Commission's proposal to significantly simplify the DNSH criteria related to water for hydropower. Hydropower plays an important role for baseload power and flexibility in the Nordic and European energy market. As an important supplement to the growth of solar and wind power, hydropower is of strategic interest for the energy competitiveness of Europe. In this regard, the Taxonomy is a vital tool for financing marginal renewable energy projects. To avoid unnecessary burdens for hydropower producers, the Taxonomy criteria should allow for justified derogations consistent with the Water Framework Directive (WFD).

As we understand the amendments, ensuring alignment with WFD remains the overall objective of the criteria. In our view, the wording "in the sense of the Directive" in the first paragraph should be interpreted to allow for legal and justified derogations after both art. 4(5) and 4(7) of the Directive.

Should the criteria be understood to not allow for any art. 4(5) derogations, we believe this would align poorly with the Commission's objective of improving alignment with relevant EU-regulation and usability. This understanding would allow for derogations for new hydropower, but not for existing. In our view, this is inconsistent and lacks justification. The inclusion of socio-economic elements in the criteria for one type of activity and not the other, aligns poorly with licensing regimes. Diverging criteria for new and existing activities would also not align well with other sections of the Taxonomy and amendments proposed by the Commission. Most of the proposed amendments entail equal or less stringent criteria for existing activities compared to new activities. One example is ICT services, where less stringent criteria for existing activities are proposed by the Commission due to the difficulty to meet new requirements.

While the simplifications proposed by the Commission are welcome, we believe that the criteria are still insufficiently clear for users of the Taxonomy. We urge the Commission

to consider further simplification to ensure clear and coherent criteria. In our view a criterion simply requiring alignment with the Water Framework Directive is sufficient to safeguard the ecological integrity of water bodies. Norway therefore proposes to retain the first paragraph in current DNSH criteria for water: “The activity complies with the provisions of Directive 2000/60/EC, in particular with all the requirements laid down in Article 4 of the Directive.”

This would highlight WFD as the primary tool for ensuring ecological integrity of water bodies, while eliminating room for interpretation regarding the legal requirements across regulations. We do not advocate more lenient criteria for existing hydropower, but to follow the systematic approach of the Directive to ensure equal treatment for all activities. As for art. 4 (7), derogations after article 4(5) can only be used if stringent conditions are met and must still represent the highest achievable status.

Furthermore, this would underline the crucial function of permits issued by public authorities, as the responsibility for complying with the Directive rests with the government. This would, in our view, further strengthen the Commission’s aim of simplifying compliance. The added emphasis the Commission puts on permits for compliance, is an argument for fully aligning the criteria with the WFD. If permits are to determine compliance, the criteria for compliance should harmonize with those that are binding for the authorities to ensure that the aim and purpose of the mechanisms are consistent. Otherwise, the criteria could lead to conflicting interests between the producer and public authorities.

In our view, full alignment with WFD is necessary to ensure usability for all relevant actors. The amendment Norway proposes would significantly simplify time consuming procedures for proving compliance, thus removing obstacles for realising renewable energy projects, while safeguarding the EU’s ambitious objectives to protect the environment.

Annex II to Env. DA, Section 1.1, Manufacture of plastic packaging goods & Annex II to Climate DA, Section 3.17, Manufacture of plastics in primary form and plastic compounding activities

In our view, the changes to the Climate change mitigation DNSH criteria and the removal of explicit life-cycle GHG performance requirements for plastic-related activities may reduce the environmental integrity of the Taxonomy. The latter implies that manufacturers of plastic produced from chemical recycled material or bio-waste do not have to provide evidence that the climate gas emissions throughout the life cycle are lower than similar plastics produced from fossil raw material. The removal of this requirement means that technologies with high energy consumption and potentially high emissions, such as certain forms of chemical recycling, may be included in the Taxonomy without demonstrating a genuine climate benefit. This undermines the

Taxonomy's function as a tool for directing capital towards activities with proven environmental performance.

In addition, it should be ensured that the criteria for plastics in primary form do not weaken the incentives for material recycling. The requirement for a minimum of 15 pct. recycled content in compounding is positive but appears relatively low and insufficient to compensate for the removal of climate-related requirements.

Overall, the changes represent a shift away from documented environmental performance, towards more flexible and process-based criteria. This may weaken the environmental integrity of the taxonomy and make it more difficult to ensure that the activities genuinely contribute to the EU's environmental objectives.

Norway recommends that the Commission retain requirements to demonstrate lower life-cycle emissions than fossil-based plastics for relevant production processes, including chemical recycling and bio-based plastics in the Taxonomy. We further recommend that the Commission strengthen the requirements for the use of secondary raw materials, in particular bio-waste-based feedstocks, and clarifies which recycling technologies are eligible, and under what conditions.

Appendix C: Generic criteria for DNSH to pollution prevention and control regarding use and presence of chemicals

In our view, the incentive to substitute harmful substances will be significantly reduced by the proposed amendments. As proposed, the requirement only applies to the design phase of new products. This means that ongoing production of existing products, and the use of substances of very high concern (SVHC) in current processes, are not covered. This also implies that the use of secondary raw materials is not covered by the requirements to assess alternatives to SVHC-substances, since these are often used without redesigning the product. Hence, there is an increased risk that the use of SVHC in existing production and material streams continues without further assessment.

Limiting the requirement based on the size and complexity of companies may also lead to different interpretations and practices. As a result, parts of the same value chain may be assessed at different levels of ambition.

Norway recommends that the Commission retains robust and effective requirements for the management of substances on the REACH Candidate List (SVHC) within the Taxonomy, ensuring that the criteria continue to support substitution of the most hazardous substances.

Annex II to Environment DA, Section 3.3 Demolition and wrecking of buildings and other structures

In our view, the current DNSH criterion for pollution prevention and control incentivises measures which reduce air and noise pollution connected to the activity. If this

requirement is removed, the risk of negative impacts on human health and the environment from demolition and wrecking is likely to increase. We therefore suggest retaining the current criterion.

Annex I to Climate DA, Section 5.9 Material recovery from non-hazardous waste

In our view, the criteria for sorting and material recovery of non-hazardous waste should include activities that convert the majority of the waste into secondary raw materials. This objective can be achieved both through separate collection and centralized sorting of waste, but the criteria are currently limited to separate collection of waste. In many cases, centralized sorting of waste may supplement separate collection. For certain types of waste, it ensures a better overall environmental outcome than separate collection. Thus, central sorting of waste can further enable a circular economy and is part of the solution for future waste management. We therefore recommend that both separate collection and centralized sorting is included in the technical screening criteria.