

**JBCE contribution to the initial impact assessment on “Sustainable finance – EU classification system for green investments”; Commission Delegated Regulation on a climate change mitigation and adaptation taxonomy**

The Japan Business Council in Europe (JBCE) and its members want to reiterate their continuous support for the vision and overarching objectives of the Sustainable Finance Agenda and the Taxonomy. Indeed, shifting investments towards sustainable activities and transitioning towards a carbon-neutral economy are key targets for both JBCE members and the EU.

JBCE has structured its response detailing fundamental issues pertaining to the framework of the climate change taxonomy and attached a document detailing the specific contributions to the technical screening criteria (TSC).

*1. Growth and Innovation*

In the wake of the COVID-19 crisis, the EU will need to create the conditions for a sustainable and dynamic economic recovery and embrace international cooperation. The JBCE therefore calls upon the Commission to promote a taxonomy-inducing green growth and entrench a technological-neutral approach, which will boost investments and support innovative sustainable technologies. For the JBCE, this includes safeguarding transitional and enabling technologies within the Taxonomy Regulation and recognising them as key facilitators of Europe’s rapid sustainable transition and economic dynamism.

Additionally, the JBCE stresses that future taxonomy criteria developed by the Commission should be transparent and adaptable to innovation speed. As suggested in the final TEG report, it is essential that future “criteria review and design is a dynamic and inclusive process” (page 55), which will avoid sectors or technologies being excluded or filtered out.

*2. Reliable Disclosures*

We invite the Commission to undergo an in-depth impact assessment focusing on companies not yet covered by the current NFRD who will face a dual challenge to align with the NFRD and the taxonomy once the NFRD’s scope is extended. In this spirit, we invite the Commission to clarify the future relationship between the NFRD and the taxonomy regulation without any overlap.

The Commission should ensure that metrics and thresholds for all economic activities are workable, balanced and defined precisely. This will avoid companies’ discretionary interpreting of their activities’ alignment to the taxonomy, which could cause fragmentation, bias and mistrust.

Lastly, the JBCE urges the Commission to:

- provide clear guidance to all stakeholders in order to ensure that companies are fairly assessed and compared by focusing only on their specific sectors and activities which are covered by the taxonomy;
- provide additional instructions on how companies disclose the turnover, CAPEX and OPEX of eligible economic activities.

*3. Transparency and Governance*

JBCE highlights that a transparent and open approach to the governance of the Taxonomy will determine the relevance and long-term usability of the classification. In these terms, the JBCE recommends selecting committed and representative non-financial industries to join the Platform on Sustainable Finance to create objective and substantive market-accepted thresholds. JBCE supports the recent position of the Council (published on 1 April 2020), which argued that the membership of the Platform should ensure “a high level of expertise, geographical balance” (p.36) and include private sector “representatives of financial and non-financial market participants” (p.35).

Moreover, the JBCE recommends that the Commission promotes an international perspective within the Platform to facilitate the exchange of diverse best practices and ensure that the classification does not undermine European competitiveness. This international outlook will also lead to a taxonomy increasingly usable across borders, throughout the value chain and, importantly, strengthen the coordination of international standards on the Taxonomy. For these reasons, the JBCE would cherish the opportunity to contribute to the Platform.

#### **About JBCE**

Created in 1999, the Japan Business Council in Europe (JBCE) is a leading European organisation representing the interests of 88 multinational companies of Japanese parentage active in Europe. Our members operate across a wide range of sectors including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceutical, railway, textiles and glass products.

Building a new era of cooperation between the European Union (EU) and Japan is at the core of our activities, organised under several committees focusing on: Corporate Policy, Corporate Social Responsibility, Digital Innovation, Environment & Energy, Standards and Conformity, and Trade.

Email: [info@jbce.org](mailto:info@jbce.org)

T. [+32 2 286 53 30](tel:+3222865330)

F. +32 2 230 54 85

website : <http://www.jbce.org>

**[Attachment ] Contributions to the Technical Screening Criteria**

Please find a table with our feedback on ten economic activities.

Economic Activity	Contributions for the Technical Screening Criteria – Roadmap
Technical screening criteria: substantial contribution to climate change mitigation	
3.1 Manufacturing of low carbon technologies	<ul style="list-style-type: none"> <li>- JBCE welcomes the inclusion of highly efficient space heating and domestic hot water systems, highly efficient cooling and ventilation systems, and heat pumps under the metric for eligibility.</li> <li>- With regard to the manufacture of low carbon transport vehicles, vehicles with a tailpipe emission intensity of a maximum 50 g CO<sub>2</sub>/km (WLTP) should also be considered as eligible after 2026. Although JBCE supports and makes contributions to zero emissions targets, it takes times to realize this in terms of technological development and market uptake. HEVs and PHEVs will continue to play an important role from 2026 onwards to realise zero emissions.</li> <li>- JBCE calls for the inclusion of key components in manufacturing of eligible low carbon transport and industrial equipment used in production factories such as motors, inverters and compressors.</li> </ul>
4.7 Production of Electricity from Gas (not exclusive to natural gas)	<ul style="list-style-type: none"> <li>- It is expected that renewable energies will be deployed on a large scale. This will require the grid to have a large-scale power source, as seen in parts of the world with a high supply of natural renewable energy. The role of thermal power plants to stabilize the grid should not be overlooked. Thermal power plants can serve as a flexible energy supply.</li> <li>- Even the thermal power plants' of cutting-edge technology cannot qualify under the recommended threshold. A lower threshold should therefore be adopted.</li> <li>- Coal-fired/gas-fired power plants may meet the 100 gCO<sub>2</sub>/kWh threshold provided they are equipped with CCS. The present CAPEX and OPEX costs are still at the FOAK (first-of-a-kind) level. The introduction of CCS at present remains unclear given issues concerning its financing, bankability, and impact on cost of electricity. Additionally, frameworks to support its introduction are not yet in place. JBCE believes CCS must be driven by financial incentives (FIT, etc.) and/or emission regulations.</li> <li>- The current CO<sub>2</sub> emission level varies by region, and the regional phases of Variable Renewable Energy integration in the electric power system differ. Therefore, JBCE believes the metric and threshold should also vary from region to region, and these measurements should be carefully developed later.</li> </ul>

<p>4.16 Installation and operation of Electric Heat Pumps</p>	<ul style="list-style-type: none"> <li>- JBCE welcomes the aligning of energy efficiency requirements with the Ecodesign framework and believes the criteria review will be in line with regular review of eco-design requirement.</li> <li>- For the GWP requirement, it is not recommended that the EU taxonomy is setting individual GWP threshold as as they are technologically prescriptive and are already detailed under the EU F-Gas Regulation 517/2014</li> <li>- In case GWP threshold referred in technical screening criteria it is necessary to note that the GWP requirement, GWP values are regularly re-evaluated under IPCC Assessment Reports. If the GWP value is evaluated, JBCE proposes that it should be calculated based on the Fourth Assessment Report adopted by the IPCC, which is in line with F-gas regulation (EU Regulation 517/2014).</li> </ul>
<p>6.1 Passenger Rail Transport (Interurban)</p>	<ul style="list-style-type: none"> <li>- JBCE made the request to the TEG that either the metric <b>“CO2e emissions per passenger- kilometre”</b> or the metric <b>gCO2e/pkm</b> should be used, on the basis that CO2 is not the only “type” of emission considered. We appreciate that this request was taken into consideration and believe that it should be reflected in the future legislation.</li> </ul>
<p>6.2 Freight Rail Transport</p>	<ul style="list-style-type: none"> <li>- The JBCE believes there should be a clear distinction between the actual operation of “carriage” performed by the train and the cargo being transported. If the distinction is not made, then this would lead to the exclusion of clean freight train operations from the eligibility framework. The type of goods being transported shall, therefore, not be used as the basis for assessing the eligibility of freight train services or infrastructures for low-carbon transport.</li> </ul>
<p>6.4 Infrastructure for low carbon transport</p>	<ul style="list-style-type: none"> <li>- JBCE requests, among the thresholds to define the Taxonomy’s eligibility, the inclusion of benefits deriving from the modernization of traffic management systems through ICT applications. As clarified in the TEG report, we request that the Commission considers the importance of ICT applications for climate mitigation activities in its future work to define the specific criteria.</li> </ul>
<p>6.5 Passenger cars and commercial vehicles</p>	<ul style="list-style-type: none"> <li>- Vehicles with a tailpipe emission intensity of a maximum 50 g CO2/km (WLTP) should also be considered as eligible after 2026. Although JBCE supports and makes contributions to zero emissions, it takes time to realize this in terms of technological development and market uptake. HEVs and PHEVs will continue to play an important role after 2026 to pave the way for zero emissions.</li> </ul>
<p>7.1 Data processing, hosting and related activities</p>	<ul style="list-style-type: none"> <li>- The threshold for this activity is set on compliance with the <i>EU Code of Conduct for Data Centre Energy Efficiency</i> from the Joint Research Centre, although it is a voluntary initiative. Among other things, it sets requirements for the cooling of the data centre, such as through air flow management and design, cooling management and temperature and humidity settings. The JBCE recommends the further assessment of this guide, in combination with CLC TR 50600-99-1 (Data Centre</li> </ul>

	<p>facilities and infrastructures – recommended practices for energy management) and CLC TR 50600-99-2 (Information technology – data centre facilities and infrastructures: recommended practices for environmental sustainability).</p>
<p>7.2 Data-driven solutions for GHG emissions reductions</p>	<ul style="list-style-type: none"> <li>- Regarding ICT Data-driven solutions for GHG emissions reductions, the JBCE believes the Commission should consider more varied fields of activities than the TEG’s final report. IoT technology and AI technology, for example, will also be useful to utilize data obtained using sensors, measurement and analytical instruments. The reports below can contribute further to the calculation of the contribution to CO2 reduction with the 14 specific examples outlined:</li> <li>- <a href="#">Framework</a> for Quantifying IT Solutions' Contributions - Umbrella Method</li> <li>- Investigative <a href="#">Research</a> into Green Benefits - Logistics and Agriculture</li> </ul>
<p>Additional adaptation activities for future consideration</p>	
<p>Future Development of The Taxonomy</p>	<ul style="list-style-type: none"> <li>- The analytic and measurement instruments industry welcomes that research and development are nominated as additional adaptation activities for future consideration. With the further development of science and technology, many green activities will emerge in the future. Such activities should be included in the Taxonomy list in a timely manner and the JBCE looks forward to contributing to this by offering our expertise and support.</li> </ul>