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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	C(2021) 2800 final
Subject:	COMMISSION DELEGATED REGULATION (EU) .../... of 4.6.2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

Delegations will find attached document C(2021) 2800 final.

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Brussels, 4.6.2021
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COMMISSION DELEGATED REGULATION (EU) .../...

of 4.6.2021

supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

(Text with EEA relevance)

{SEC(2021) 166 final} - {SWD(2021) 152 final} - {SWD(2021) 153 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

1.1. General background and objective

The European Green Deal is a new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050, where the environment and the health of European citizens are protected, and where economic growth is achieved by the most efficient and sustainable use of natural resources. It also aims to protect, conserve and enhance the EU's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. In order to achieve this, we need to turn climate and environmental challenges into opportunities.

Other EU priorities include building an economy that works for the people, strengthening the EU's social market economy, helping to ensure that it is future-ready and that it delivers stability, jobs, growth and investment. These goals are especially important considering the socio-economic damage caused by the COVID-19 pandemic and the need for a sustainable, inclusive and fair recovery. Accordingly, it is important to make the transition to a more sustainable economic development just and inclusive for all.

Regulation (EU) 2020/852 of the European Parliament and of the Council¹ (the 'Taxonomy Regulation') was proposed as part of the Commission's earlier Action Plan on 'Financing Sustainable Growth' of March 2018, launching an ambitious and comprehensive strategy for sustainable finance with the aim of redirecting capital flows to help generate sustainable and inclusive growth. The Taxonomy Regulation is an important enabler for scaling up sustainable investment and therefore implementing the European Green Deal as part of the EU's response to the climate and environmental challenges. It provides uniform criteria for companies and investors on economic activities that can be considered environmentally sustainable (i.e. making a substantial contribution to EU environmental objectives such as climate change mitigation, while doing no significant harm to other environmental objectives), and thus aims to increase transparency and consistency in the classification of such activities and limit the risk of greenwashing and fragmentation in relevant markets. Investors may continue to invest as they wish and the Taxonomy Regulation does not imply any obligation on investors to invest only in those economic activities that meet specific criteria.

The economic impact of the COVID-19 pandemic has highlighted the importance of sustainable development and the need to redirect capital flows towards sustainable projects in order to make our economies, businesses and societies, including our health systems, more resilient against climate and environmental shocks and risks. In this way, the European Green Deal can provide for a strong and sustainable recovery strategy and the EU taxonomy can serve as an instrument to facilitate the role of financial markets in delivering such a recovery.

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¹ Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

The Taxonomy Regulation establishes the framework for the EU taxonomy by setting out four conditions that an economic activity must meet in order to qualify as environmentally sustainable. A qualifying activity must:

- (i) contribute substantially to one or more of the six environmental objectives set out in Article 9 of the Taxonomy Regulation in accordance with Articles 10 to 16 of that Regulation;
- (ii) do no significant harm to any of the other environmental objectives set out in Article 9 of the Taxonomy Regulation in accordance with Article 17 of that Regulation;
- (iii) be carried out in compliance with minimum (social) safeguards set out in Article 18 of the Taxonomy Regulation; and
- (iv) comply with technical screening criteria established by the Commission through delegated acts in accordance with Articles 10 (3), 11(3), 12(2), 13(2), 14(2) or 15(2) of the Taxonomy Regulation. The technical screening criteria need to specify the performance requirements for any economic activity that determine under what conditions that activity (i) makes a substantial contribution to a given environmental objective; and (ii) does not significantly harm the other objectives.

This Delegated Regulation specifies the technical screening criteria under which certain economic activities qualify as contributing substantially to climate change mitigation and climate change adaptation and for determining whether those economic activities cause significant harm to any of the other relevant environmental objectives.

In accordance with Article 19(5) of the Taxonomy Regulation, the Commission shall regularly review the technical screening criteria, including at least every three years in the case of activities labelled as transitional according to Article 10(2), and where appropriate, amend this Delegated Regulation in line with scientific and technological developments. These updates shall be developed based on input from the Platform on Sustainable Finance and take into account the experience of financial market participants with the criteria and the impact on channelling of investments into environmentally sustainable economic activities.

1.2. Legal background

This Delegated Regulation is based on the empowerments set out in Articles 10(3) and 11(3) of the Taxonomy Regulation. The technical screening criteria are set in accordance with the requirements of Article 19 of that Regulation.

In accordance with Article 31 of the Inter-institutional Agreement of 13 April 2016 on Better Law-Making, this Delegated Regulation combines in a single act two interrelated empowerments of the Taxonomy Regulation, namely Articles 10(3) and 11(3) on the technical screening criteria for climate change mitigation and climate change adaptation respectively. The Taxonomy Regulation requires the Commission to adopt delegated acts on these points by 31 December 2020. Further empowerments to adopt delegated acts in the Taxonomy Regulation have different timelines and will be acted upon at a later stage. These empowerments relate to the technical screening criteria for the remaining environmental objectives and to information to be disclosed by undertakings subject to the Non-Financial Reporting Directive, in their non-financial statements or consolidated non-financial statements, on whether and to what degree their activities align with the Taxonomy.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

This delegated act builds on the recommendations of the Technical Expert Group on Sustainable Finance (TEG), a Commission expert group composed of diverse private and public sector stakeholders set up in 2018. The mission of the TEG included helping the Commission to develop the EU taxonomy in line with the Commission's legislative proposals of May 2018 and taking into account the objectives of the European Green Deal.

The TEG published two interim versions of its recommendations in its reports of December 2018 and in June 2019. Both reports were subject to an open call for feedback, to which 257 and 830 responses were received, respectively. During its mandate, the TEG also engaged with over 200 additional experts to develop recommendations for the technical screening criteria for climate change mitigation and climate change adaptation. The Commission also organised two meetings with stakeholders to gather views on the TEG report in June 2019 and in March 2020.

On 9 March 2020, the TEG published its final report². Member States were given the opportunity to provide feedback on the final TEG recommendations at the meeting of the Member States Expert Group in May 2020, with observers from the European Parliament.

The Commission published the inception impact assessment in March 2020, and extended the opportunity to provide feedback until the end of April 2020 due to the outbreak of COVID-19. There were 409 respondents in total.

In accordance with the Better Regulation rules, the draft delegated act was published on the Better Regulation portal for a four-week feedback period between 20 November and 18 December 2020. In total, 46591 stakeholders provided feedback³. The draft delegated act was also discussed with the Platform on Sustainable Finance on 4 December 2020. Furthermore, the draft delegated act was presented to and discussed with the Member States' experts and observers from the European Parliament, at several meetings of the Member States Expert Group on 10 December 2020, on 26 January 2021, 26 February 2021 and 24 March 2021.

Overall, the large volume of feedback received confirmed the importance of the Taxonomy as a tool to help finance flow towards more sustainable economic activities and accelerate the transition under the European Green Deal. Several concerns were also expressed, with a large polarisation between those proposing more or less ambitious criteria. Some considered the calibration of some of the criteria for various activities as insufficiently ambitious. On the other hand, others considered some of the criteria as too ambitious, complex or narrow. Concerns were also raised as to the potential implications for stakeholders whose activities would not qualify under the Taxonomy as environmentally sustainable. Many also focused on usability of the criteria and technical clarifications.

Based on careful examination of the feedback received, a targeted recalibration of some of the criteria, as well as other improvements and modifications, have been made throughout the Delegated Regulation. These concern numerous technical clarifications and simplification of

² The report is available at https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/2003_09-sustainable-finance-teg-final-report-taxonomy_en.pdf.

³ All comments received are available at https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy/feedback?p_id=16015203.

the criteria, greater consistency with existing sectoral legislation, including references to upcoming reviews, and relevant national requirements to reflect subsidiarity, as well as improved coherence in the definition and presentation of various activities, including those labelled as transitional and enabling activities.

The energy sector criteria were the most commented on, followed by agriculture and transport. Many comments were also related to the criteria for forestry, manufacturing, and buildings. A complete summary of the feedback and main changes across different sectors is set out in Annex 2.10 of the impact assessment accompanying this Delegated Regulation.

Agriculture

It was decided to remove the criteria on this occasion for agriculture activities from the Delegated Regulation pending further progress on the negotiations underway on the Common agricultural policy (CAP), and in order to achieve greater coherence across the different instruments to achieve the environmental and climate ambitions of the Green Deal.

Forestry

Based on the feedback provided, changes were introduced to reduce complexity and burdens notably for smaller forest holdings, extend the timeframe for demonstrating the climate benefits of forestry, rely more on existing sustainability criteria under the recast Renewable Energy Directive, and clarify key concepts designed to ensure a substantial environmental contribution. Future developments in sustainability criteria for forestry will be taken into account in revisions of this Delegated Regulation.

Manufacturing

Feedback mostly focused on the criteria for the manufacture of iron and steel, aluminium, plastics, chemicals and other low carbon technologies. Notably, upon reflection, the use of EU emissions trading scheme (ETS) benchmarks was confirmed, in the absence of objective alternatives to ensure environmental ambition. Future revisions of the criteria will examine whether the technical screening criteria should be based on other relevant standards, considering life-cycle emissions and technological developments. Adjustments were introduced, for example, to better recognise different manufacturing processes and delineate distinct activities, widen the scope of some activities e.g. revise the emissions threshold for the production of hydrogen and allow sustainably sourced food and feed crops in the manufacturing of plastics and organic chemicals.

Energy

The cross-cutting 100gCO₂e/kWh lifecycle emissions threshold for energy activities was maintained, except where evidence clearly shows relevant technologies to be well below this level. Bioenergy is no longer labelled as transitional and the criteria for bioenergy were aligned more closely with applicable EU legislation, while those of hydropower were made more context-specific and likewise more aligned with existing EU law.

Transport

Based on the wide range and diversity of the feedback, changes were mostly technical. For example, electrified rail and zero tailpipe emission transport is no longer labelled “transitional”, the inclusion of waterway infrastructure in the climate change adaptation annex

is broadened, the criteria for DNSH to biodiversity for maritime transport activities are improved, and the criteria for interurban coaches were adjusted to reflect its role in modal shift.

Buildings

Based on the feedback provided, notably on the acquisition and ownership of buildings, it was decided to follow the TEG proposal and include also the buildings within the top 15% in terms of energy performance on a national or regional scale. Technical adjustments were also introduced e.g. for water consumption criteria and energy efficiency equipment of buildings.

Horizontal issue – use of criteria to determine what counts as taxonomy-aligned

A key concern in the feedback involved how and when economic operators can count their activities as taxonomy-aligned. This also springs from the need to clarify how the taxonomy framework and the broader sustainable finance framework could enable financing the transition of companies at different starting points, a topic addressed further in the Communication accompanying the Delegated Regulation.

Article 8 of the Taxonomy Regulation requires undertakings subject to the Non-Financial Reporting Directive (NFRD) to disclose information on how and to what extent their activities are associated with environmentally sustainable economic activities according to the technical screening criteria. Paragraph 2 of Article 8 specifies that in particular non-financial undertakings shall disclose the proportion of their turnover, capital expenditures (capex) and operational expenditures (opex) associated with activities included in the taxonomy. Paragraph 4 of Article 8 empowers the Commission to adopt a delegated act to specify the content, presentation and methodology of the information to be disclosed by non-financial undertakings and to define equivalent and appropriate information requirements for financial undertakings subject to the NFRD. The forthcoming delegated act under Article 8(4) will therefore set out when and how relevant turnover and expenditures associated with activities included in this Delegated Regulation count as taxonomy-aligned. The following paragraphs provide an indicative explanation, with some examples, but do not concern changes made to the technical screening criteria in this Delegated Regulation as a result of the feedback.

When an activity complies with the technical screening criteria in this Delegated Regulation, the undertaking should be able to count as taxonomy-aligned both the turnover from these activities as well as any capital expenditure (and specific operational expenditure) related to expanding these activities and maintaining these activities as taxonomy-aligned. Thus, an undertaking could count turnover from the sale of a taxonomy-aligned product or service, as well as expenditure related to the maintenance and/or expansion of the service or production process as taxonomy-aligned. However, for the environmental objective of climate change adaptation (unless for enabling activities), only expenditures related to making an activity climate-resilient should count, not the turnover associated with that activity, unless it also qualifies as environmentally sustainable for its substantial contribution to another environmental objective. This is because allowing for turnover from an entire “adapted” activity to count without including any further criteria would be misleading: once the “substantial contribution” to adaptation of an activity is made (i.e. it has been made resilient to climate change), in most cases it is unlikely that the turnover associated with that activity (which may or may not have environmental benefits) would count as green. Thus, for example, a manufacturing plant which does not comply with the criteria for substantial contribution to climate change mitigation but is being renovated to improve its resilience

against climate change could count expenditure linked to that renovation but not the turnover linked to its activity as a manufacturer, even after the plant has been made climate-resilient.

Further, when an undertaking performing an activity which does not yet comply with the technical screening criteria for substantial contribution sets out an investment plan to achieve compliance with the criteria over a defined time period, the undertaking could count the expenditure (capex and relevant opex) related to the improvements in the environmental performance of the activity set out in the plan as Taxonomy-aligned. This helps undertakings communicate credibly to investors and lenders regarding their plans to reach taxonomy-alignment, allowing for the recognition of efforts aimed at upgrading activities from their current environmental performance to the level of performance set by taxonomy criteria. Until an activity complies with the criteria, however, the turnover from the activity cannot be counted as taxonomy-aligned. Such turnover could only be counted once the activity complies with the criteria, that is once the plan has been successfully implemented. Finally, undertakings active in sectors that are not included in taxonomy could also disclose as taxonomy-aligned their expenditure in the purchase of the outputs of other activities that are taxonomy-aligned. Thus any undertaking whose activities are not covered by the taxonomy could count and disclose as taxonomy-aligned relevant expenditures in, for example, the purchase and installation of solar panels, energy efficient heating systems or energy efficient windows from manufacturers that comply with taxonomy criteria for these activities.

3. IMPACT ASSESSMENT

The Commission carried out a proportionate impact assessment to inform and accompany the Delegated Regulation. The impact assessment took account of the fact that the key elements of the EU taxonomy have been set by the European Parliament and the Council in the Taxonomy Regulation. The Regulation sets out inter alia the environmental objectives, the concepts of substantial contribution and ‘do no significant harm’, and the requirements for technical screening criteria. These requirements frame the discretion of the Commission in formulating the Delegated Regulation.

The impact assessment examined in detail the main technical input for this Delegated Regulation, namely the preparatory work that has been carried out by the TEG. The TEG report provided the methodology for selecting sectors and economic activities. It also provided recommendations for technical screening criteria for 70 economic activities that contribute substantially to climate change mitigation and 68 economic activities that contribute substantially to climate change adaptation. The final report also comprised detailed recommendations on the use of NACE codes to classify economic activities and a usability guide for the application of the EU Taxonomy by companies and financial market participants.

While the impact assessment concluded that the Commission should generally follow the TEG’s recommendations, it also helped conclude that this Delegated Regulation should deviate from the TEG report in some instances to better align with the requirements for technical screening criteria set out in the Taxonomy Regulation, notably in Article 19. The impact assessment recommended to include certain additional activities for climate change mitigation and climate change adaptation to cover further activities with significant potential while preserving the coherence of EU taxonomy. Certain activities from the TEG report, for which a complex and in-depth technical assessment still needs to be completed, have not been included in this Delegated Regulation.

Furthermore, the analysis in the accompanying impact assessment helped inform how to set certain criteria for defining a substantial contribution to climate change mitigation and climate change adaptation for certain activities. Some changes were also made to the ‘do no significant harm’ criteria in comparison to the TEG recommendations in order to ensure usability and proportionality.

The TEG recommendations on technical screening criteria were duly assessed in the impact assessment report against the detailed requirements of Article 19 of the Taxonomy Regulation. In particular, the analysis retained criteria that were considered to be consistent with EU legislation, reflect a high level of environmental ambition, promote a level playing field, and be easy for economic operators and investors to use.

The effectiveness of the EU taxonomy hinges on its uptake by market participants. The Commission carried out an indicative analysis of potential benefits and costs of the proposed approach as part of the impact assessment, focused on the calibration of the technical screening criteria against the requirements of the Taxonomy Regulation. This calibration can influence the levels of uptake by ensuing robust technical screening criteria, that would provide market players with relevant information when making decisions on sustainable investments. Improved transparency and consistency provided by the taxonomy criteria will therefore likely reduce costs for investors to identify, and for corporates to fund, environmentally sustainable activities. Environmental and social benefits are then likely to arise from an increase in capital flows to environmentally sustainable activities, thereby helping to deliver a cleaner, healthier and more climate-resilient living environment.

The Delegated Regulation in itself does not generate any new direct costs. However, costs will arise from the requirements of the Taxonomy Regulation, in particular for companies falling under the scope of the Non-Financial Reporting Directive and for financial market participants to collect and disclose taxonomy-relevant information. This would imply both one-off and ongoing costs for entities within the scope of these provisions.

Following a first negative opinion, the impact assessment received a positive opinion with reservations upon the second submission to the Regulatory Scrutiny Board.

In response to the two opinions issued by the Board, the report improved in various aspects. Notably, the logic for prioritising and including sectors and economic activities was explained more clearly for both climate change mitigation and climate change adaptation. The assessment of the technical screening criteria against the requirements of the Taxonomy Regulation was strengthened and the analytical basis for the assessment of the different approaches to set criteria was more substantiated. Likewise, the explanations of the deviations from the TEG’s recommendations were made with regard to how the recommended technical screening criteria and subsequent deviations align to the Taxonomy Regulation’s requirements. Estimations of the coverage of the economy by EU taxonomy were presented in more detail in the impact assessment report. In general, more thorough explanations and examples were included with regards to the application of the criteria of the taxonomy. In addition, the monitoring and evaluation framework was refined. In particular, a mechanism was proposed that would allow the Platform on Sustainable Finance to give technical and appropriate feedback on stakeholder concerns regarding possible unintended impacts of the EU taxonomy.

4. LEGAL ELEMENTS OF THE DELEGATED ACT

The right to adopt delegated acts is provided for under Articles 10(3) and 11(3) of the Taxonomy Regulation.

Article 1 lays down the technical screening criteria for climate change mitigation.

Article 2 lays down the technical screening criteria for climate change adaptation.

COMMISSION DELEGATED REGULATION (EU) .../...

of 4.6.2021

supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088⁴, and in particular Articles 10(3) and 11(3) thereof,

Whereas:

- (1) Regulation (EU) 2020/852 establishes the general framework for determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable. That Regulation applies to measures adopted by the Union or by Member States that set out requirements for financial market participants or issuers in respect of financial products or corporate bonds that are made available as environmentally sustainable, to financial market participants that make available financial products, and to undertakings that are subject to the obligation to publish a non-financial statement pursuant to Article 19a of Directive 2013/34/EU of the European Parliament and of the Council⁵ or a consolidated non-financial statement pursuant to Article 29a of that Directive. Economic operators or public authorities that are not covered by Regulation (EU) 2020/852 may also apply that Regulation on a voluntary basis.
- (2) Articles 10(3) and 11(3) of Regulation (EU) 2020/852 require the Commission to adopt delegated acts establishing the technical screening criteria for determining the conditions under which a specific economic activity qualifies as contributing

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⁴ OJ L 198, 22.6.2020, p. 13.

⁵ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

substantially to climate change mitigation or climate change adaptation, respectively, and to establish, for each relevant environmental objective laid down in Article 9 of that Regulation, technical screening criteria for determining whether that economic activity causes no significant harm to one or more of those environmental objectives.

- (3) Pursuant to Article 19(1), point (h), of Regulation (EU) 2020/852, the technical screening criteria are to take into account the nature and the scale of the economic activity and sector that they refer to, and whether the economic activity is a transitional economic activity as referred to in Article 10(2) of Regulation (EU) 2020/852, or an enabling activity as referred to in Article 16 of that Regulation. For the technical screening criteria to meet the requirements of Article 19 of Regulation (EU) 2020/852 in an effective and balanced way they should be set as a quantitative threshold or minimum requirement, as a relative improvement, as a set of qualitative performance requirements, as process or practice-based requirements, or as a precise description of the nature of the economic activity itself where that activity by its nature can contribute substantially to climate change mitigation.
- (4) The technical screening criteria for determining whether an economic activity contributes substantially to climate change mitigation or climate change adaptation should ensure that the economic activity makes a positive impact on the climate objective or reduces negative impact on the climate objective. Those technical screening criteria should therefore refer to thresholds or performance levels that the economic activity should achieve in order to qualify as contributing substantially to one of those climate objectives. The technical screening criteria for ‘do no significant harm’ should ensure that the economic activity has no significant negative environmental impact. Consequently, those technical screening criteria should specify the minimum requirements that the economic activity should meet in order to qualify as environmentally sustainable.
- (5) The technical screening criteria for determining whether an economic activity contributes substantially to climate change mitigation or climate change adaptation and does no significant harm to any of the environmental objectives should build, where relevant, on existing Union law, best practices, standards and methodologies, as well as on well-established standards, practices and methodologies developed by internationally reputed public entities. Where objectively there are no viable alternatives for a specific policy area, the technical screening criteria could also build on well-established standards developed by internationally reputed private bodies.
- (6) In order to ensure a level playing field, the same categories of economic activities should be subject to the same technical screening criteria for each climate objective. It is therefore necessary that the technical screening criteria, where possible, follow the classification of economic activities laid down in the NACE Revision 2 classification system of economic activities established by Regulation (EC) No 1893/2006 of the European Parliament and of the Council⁶. To facilitate the identification by undertakings and financial market participants of the relevant economic activities for which technical screening criteria should be established, the specific description of an

⁶ Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).

economic activity should also include the references to NACE codes that can be associated with that activity. Those references should be understood as indicative and should not prevail over the specific definition of the activity provided in its description.

- (7) The technical screening criteria for determining under which conditions an economic activity qualifies as contributing substantially to climate change mitigation should reflect the need to avoid producing greenhouse gas emissions, to reduce such emissions or to increase greenhouse gas removals and long-term carbon storage. It is therefore appropriate to focus first on those economic activities and sectors that have the greatest potential to achieve those aims. The choice of those economic activities and sectors should be based on their share of overall greenhouse gas emissions, and on evidence regarding their potential to contribute to avoid producing greenhouse gas emissions, to reduce such emissions or to contribute to greenhouse gas removal, or to enable such avoidance, reduction, removal or long-term storage for other activities.
- (8) The methodology to calculate life-cycle greenhouse gas emissions should be robust and widely applicable and thereby promote the comparability of greenhouse gas emissions calculations within and across sectors. It is therefore appropriate to demand the same calculation methodology across activities, where such calculation is required, while providing sufficient flexibility for entities applying Regulation (EU) 2020/852. Accordingly, the [Commission Recommendation 2013/179/EU](#) is useful for the calculation of life-cycle greenhouse gas emissions, with, as an alternative, the possibility to use ISO 14067 or ISO 14064-1 standards. Where alternative well-established tools or standards are particularly suitable to provide exact and comparable information on the calculation of life-cycle greenhouse gas emission for a specific sector, such as the G-res tool for the hydropower sector and the ETSI standard ES 203 199 for the information and communication sector, it is appropriate to include such tool or standards as additional alternatives for that sector.
- (9) The methodology to calculate life-cycle greenhouse gas emissions for activities in the hydropower sector should reflect the specificities of that sector, including new modelling methodologies, scientific knowledge and empirical measurements from reservoirs worldwide. To allow accurate reporting on the net impact on greenhouse gas emissions for the hydropower sector, it is therefore appropriate to allow for the use of the G-res tool that is publicly available free of charge and has been developed by the International Hydropower Association in collaboration with the UNESCO Chair for Global Environmental Change.
- (10) The methodology to calculate life-cycle greenhouse gas emissions for activities in the information and communication sector should reflect the specificities of that sector, in particular the specialised work and guidance that has been provided by European Telecommunications Standards Institute (ETSI) for the operation of life-cycle assessments in the information and communication sector. It is therefore appropriate to allow for the use of the ETSI standard ES 203 199 as a methodology to accurately calculate greenhouse gas emissions for that sector.
- (11) The technical screening criteria for certain activities rely on elements of considerable technical complexity and the assessment whether those criteria have been complied with may require expert knowledge and may not be feasible for investors. To facilitate

that assessment, the compliance with such technical screening criteria for such activities should be verified by an independent third party.

- (12) Enabling economic activities as referred to in Article 10(1), point (i), of Regulation (EU) 2020/852 do not substantially contribute to climate change mitigation through their own performance. Such activities play a crucial role in the decarbonisation of the economy by directly enabling other activities to be carried out at a low carbon level of environmental performance. Technical screening criteria should therefore be established for those economic activities which play an essential role in enabling the target activities to become low-carbon or to lead to greenhouse gas reductions. Those technical screening criteria should ensure that an activity complying with them respects the safeguards of Article 16 of Regulation (EU) 2020/852, in particular that the activity does not lead to a lock-in of assets and has a substantial positive environmental impact.
- (13) Transitional economic activities as referred to in Article 10(2) of Regulation (EU) 2020/852 cannot yet be replaced by technologically and economically feasible low-carbon alternatives but support the transition to a climate-neutral economy. Those activities can play a crucial role in mitigating climate change by substantially reducing their currently high carbon footprint, including by helping to phase out reliance on fossil fuels. Technical screening criteria should therefore be established for those economic activities, where near-zero carbon solutions are not yet viable or where near-zero carbon activities exist, but are not yet practicable at scale, that have the highest potential for significant greenhouse gas reductions. Those technical screening criteria should ensure that an activity complying with them respects the safeguards of Article 10(2) of Regulation (EU) 2020/852, in particular that the activity has the greenhouse gas emissions corresponding to the best performance in the sector or industry, does not hamper the development and deployment of low-carbon alternatives and does not lead to a lock-in of carbon-intensive assets.
- (14) In view of the ongoing negotiations underway on the Common Agricultural Policy (CAP), and in order to achieve greater coherence across the different instruments to achieve the environmental and climate ambitions of the Green Deal, the establishment of the technical screening criteria for agriculture should be delayed.
- (15) Forests are under increasing pressure as a result of climate change, which aggravates other key drivers of pressures such as pests, diseases, extreme weather events and forest fires. Other pressures come from rural abandonment, lack of management and fragmentation due to land use changes, increasing management intensity due to rising demand for wood, forest products and energy, infrastructure development, urbanisation and land take. At the same time, forests play a crucial role for reaching the Union's objectives of reversing biodiversity loss and enhancing ambition on climate change mitigation and adaptation, reducing and controlling disaster risk due in particular to floods, droughts or wildfires and promoting a circular bioeconomy. To reach climate neutrality and a healthy environment, it is necessary to improve both the quality and the quantity of forest areas that are the largest carbon sink in the land use, land use change and forestry ('LULUCF') sector. Forest-related activities can contribute to climate change mitigation by increasing net removals of carbon dioxide, by preserving carbon stocks, and by providing materials and renewable energy, generating co-benefits for climate change adaptation, biodiversity, circular economy, sustainable use and protection of water and marine resources, and pollution prevention

and control. Technical screening criteria should therefore be laid down for afforestation, forest restoration, forest management and forest conservation activities. Those technical screening criteria should be fully in line with Union's climate change adaptation, biodiversity and circular economy objectives.

- (16) To measure the evolution of greenhouse gas emission savings and carbon stock in forest ecosystems, it is appropriate that forest owners should perform a climate benefit analysis. In order to reflect proportionality and minimise administrative burden for small-scale forest owners in particular, forest holdings below 13 hectares should not be required to perform a climate benefit analysis. In order to reduce administrative costs further, smaller forest owners should be allowed to perform a group assessment with other holdings to certify their calculations, performed every 10 years. Adequate free-of charge tools, such as tools provided by the Food and Agriculture Organisation of the United Nations (FAO), based on data of the Intergovernmental Panel on Climate Change (IPCC)⁷, are available to estimate the magnitude of costs and minimise costs and burdens for small-scale foresters. The tool can notably be adapted to different levels of analysis, such as specific values and detailed calculation for big holdings, default values and simplified calculation for smaller owners.
- (17) In the follow-up to communications from the Commission of 11 December 2019 'The European Green Deal'⁸, of 20 May 2020 on 'EU Biodiversity Strategy for 2030'⁹ and of 17 September 2020 'Stepping up Europe's 2030 climate ambition – Investing in a climate-neutral future for the benefit of our people'¹⁰, in line with Union wider biodiversity and climate neutrality ambitions, with the communication from the Commission of 24 February 2021 'Forging a climate-resilient Europe – the new EU Strategy on Adaptation to Climate Change'¹¹, and with the new Forests Strategy planned in 2021, technical screening criteria for forest activities should be complemented, reviewed and where necessary revised at the time of adoption of the delegated act referred to in Article 15(2) of Regulation 2020/852. Those technical screening criteria should be reviewed to take better into account biodiversity friendly practices that are under development such as close to nature forestry.
- (18) Given its importance for reducing greenhouse gas emissions and for strengthening land carbon sinks, wetland restoration has a potential to contribute substantially to climate change mitigation. Wetlands restoration can also deliver benefits for climate change adaptation, including through buffering climate change impacts, and help to

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⁷ The EX-Ante Carbon-balance Tool (EX-ACT) (version of [adoption date]: <http://www.fao.org/in-action/epic/ex-act-tool/suite-of-tools/ex-act/en/>).

⁸ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: The European Green Deal (COM/2019/640 final).

⁹ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: EU Biodiversity Strategy for 2030 Bringing nature back into our lives (COM/2020/380 final).

¹⁰ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Stepping up Europe's 2030 climate ambition Investing in a climate-neutral future for the benefit of our people (COM/2020/562 final).

¹¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Forging a climate-resilient Europe - the new EU Strategy on Adaptation to Climate Change (COM(2021) 82 final).

reverse the loss of biodiversity and to preserve water quantity and quality. To ensure coherence with the ‘The European Green Deal’, with the communication ‘Stepping up Europe’s 2030 climate ambition’ and with the EU Biodiversity Strategy for 2030, technical screening criteria should also cover the restoration of wetlands.

- (19) The manufacturing sector emits approximately 21% of direct greenhouse gas emissions in the Union¹². It is the third largest source of those emissions in the Union and thus can play a pivotal role in climate change mitigation. At the same time, manufacturing can be a key sector in enabling greenhouse gas emission avoidance and reductions in other sectors of the economy by manufacturing the products and technologies that those other sectors need in order to become or remain low-carbon. The technical screening criteria for the manufacturing sector should therefore be specified both for manufacturing activities associated with the highest levels of greenhouse gas emissions and for manufacturing of low-carbon products and technologies.
- (20) Manufacturing activities for which there are no technologically and economically feasible low-carbon alternatives but that support the transition to a climate-neutral economy should be considered transitional economic activities, as referred to in Article 10(2) of Regulation (EU) 2020/852. To encourage the reduction of greenhouse gas emissions, the thresholds of the technical screening criteria for those activities should be set at a level that will only be achievable by the best performers of each sector, in most cases based on greenhouse gas emissions per unit of output produced.
- (21) In order to ensure that transitional manufacturing activities as referred to in Article 10(2) of Regulation (EU) 2020/852 remain on a credible pathway to decarbonisation and in accordance with Article 19(5) of that Regulation, the technical screening criteria for those economic activities should be reviewed at a minimum, every three years. That review should include an analysis of whether the technical screening criteria are underpinned by the most relevant standards and whether life-cycle emissions from those activities are sufficiently taken into account. That review should also assess the potential use of captured carbon, in the light of technology development. For manufacturing of iron and steel, new data and evidences from low-carbon steel pilot production processes using hydrogen should be further considered and the use of EU emissions trading scheme and of other possible benchmarks in the technical screening criteria should be further assessed.
- (22) For manufacturing activities that are to be considered to be the enabling activities referred to in Article 10(1), point (i), of Regulation (EU) 2020/852, the technical screening criteria should be based predominantly on the nature of the manufactured products, combined, where appropriate, with additional quantitative thresholds to ensure that those products can make a substantial contribution to avoidance or reduction of greenhouse gas emissions in other sectors. In order to reflect the fact that priority is given to activities that have the greatest potential to avoid producing greenhouse gas emissions, to reduce such emissions or to increase greenhouse gas

¹² Shares of emissions per sector representing direct emissions and based on Eurostat data from 2018 and 2019 (NACE level 2), except for the construction sector that has no associated NACE code and therefore its emissions are considered across various sectors (version of [adoption date]: https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en).

removals and long-term carbon storage, the enabling manufacturing activities should focus on the manufacturing of products that are necessary for those economic activities to be carried out.

- (23) The manufacturing of electrical equipment for electricity plays an important role for the upgrade, uptake and compensation of fluctuations of the electricity provided by the renewable sources of energy in the Union electric grids, the recharging of the zero emissions vehicles and deployment of smart, green house applications. At the same time, manufacturing of electrical equipment for electricity might enable the development of the smart housing concept with the objective of further promoting the use of renewable sources of energy and the good management of home equipment. It might therefore be necessary to complement the technical screening criteria in the manufacturing sector and to assess the potential of the manufacture of electrical equipment to make a substantial contribution to the climate change mitigation and climate change adaptation.
- (24) Energy efficiency measures and other climate change mitigation measures, such as deployment of on-site renewable energy technologies, and existing state-of-the-art technologies can lead to significant greenhouse gas emission reductions in the manufacturing sector. Therefore, those measures can play an important role to help economic activities in the manufacturing sector for which technical screening criteria should be established, to reach their respective performance standards and thresholds for substantial contribution to climate change mitigation.
- (25) The energy sector accounts for approximately 22% of direct greenhouse gas emissions in the Union and for approximately 75% of those emissions when taking into account the use of energy in other sectors. It thus plays a key role in climate change mitigation. The energy sector has significant potential to reduce greenhouse gas emissions, and several activities in that sector act as enabling activities that facilitate the transition of the energy sector towards renewable or low-carbon electricity or heat. It is therefore appropriate to establish technical screening criteria for a wide range of activities related to the energy supply chain, ranging from electricity or heat generation from different sources, through transmission and distribution networks to storage, as well as heat pumps and the manufacture of biogas and biofuels.
- (26) The technical screening criteria for determining whether electricity or heat generation activities, including cogeneration activities, contribute substantially to climate change mitigation should ensure that greenhouse gas emissions are reduced or avoided. Technical screening criteria based on greenhouse gas emissions should signal the decarbonisation pathway for those activities. The technical screening criteria for enabling activities that facilitate the long-term decarbonisation should predominantly be based on the nature of the activity or on the best available technologies.
- (27) Regulation (EU) 2020/852 recognises the importance of ‘climate-neutral energy’ and requires the Commission to assess the potential contribution and feasibility of all relevant existing technologies. For nuclear energy, that assessment is still ongoing and, as soon as the dedicated process is complete, the Commission will follow up based on its results in the context of this Regulation.
- (28) The legal boundaries for transitional activities set out in Article 10(2) of Regulation (EU) 2020/852 provide constraints in respect to greenhouse gas intensive activities

with large potential for emission reduction. Such transitional activities should make a substantial contribution to climate change mitigation where no technologically and economically feasible low carbon alternative exists, provided they are compatible with a pathway to limit the temperature increase to 1,5 °C above pre-industrial levels, reflect best-in-class performance, do not hamper the development and deployment of low-carbon alternatives and do not lead to lock-in of carbon-intensive assets. In addition, Article 19 of the same Regulation requires, in particular, that the technical screening criteria should be based on conclusive scientific evidence. Where natural gas activities fulfil those requirements, they will be included in a future delegated act. For these activities, the technical screening criteria for assessing substantial contribution to climate change mitigation and ‘do no significant harm’ to other environmental objectives will be specified in that future delegated act. Activities that do not meet these requirements cannot be recognised under the Regulation (EU) 2020/852. In order to acknowledge the role of natural gas as an important technology in reducing greenhouse gas emissions, the Commission will consider a specific legislation to ensure that activities contributing to emissions reductions would not be deprived of appropriate financing.

- (29) The technical screening criteria for electricity or heat generation activities as well as for transmission and distribution networks should ensure coherence with the Communication from the Commission of 14 October 2020 on an EU strategy to reduce methane emissions¹³. It may therefore be necessary to review, complement, and, where necessary, revise those technical screening criteria to reflect any future metrics and requirements established as follow-up to that strategy.
- (30) The technical screening criteria for the production of heating, cooling and power from bioenergy and the production of biofuels and biogas for transport should be consistent with the comprehensive sustainability framework for those sectors laid down under Directive (EU) 2018/2001 of the European Parliament and of the Council¹⁴, setting requirements for sustainable harvesting, carbon accounting and greenhouse gas emission savings.
- (31) In the follow-up of to the European Green Deal, the European Climate Law¹⁵ proposal, the EU Biodiversity Strategy for 2030, and in accordance with the biodiversity and climate neutrality ambitions of the Union, technical screening criteria for bioenergy activities should be complemented, reviewed and where necessary revised to take into account the latest evidence base and policy developments at the time of adoption of the delegated act referred to in Article 15(2) of Regulation 2020/852 and taking into account relevant Union law, including Directive (EU) 2018/2001 and its future revisions.

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¹³ Communication from the Commission to the European Parliament, the Council, The European Economic and Social Committee and the Committee of the Regions: EU strategy to reduce methane emissions (COM/2020/663 final).

¹⁴ Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

¹⁵ Amended proposal for a Regulation of the European Parliament and of the Council on establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law), COM/2020/563 final.

- (32) Greenhouse gas emissions in the Union stemming from the water, sewerage, waste and remediation sector are relatively small. That sector nevertheless has a great potential to contribute to reduce greenhouse gas emissions in other sectors, particularly through the provision of secondary raw materials to replace virgin raw materials, through replacing fossil-based products, fertiliser and energy, and through the transport and permanent storage of captured carbon dioxide. Furthermore, activities involving anaerobic digestion as well as composting of separately collected bio-waste, which avoid landfilling of bio-waste are particularly important for reducing methane emissions. The technical screening criteria for waste activities should therefore recognise those activities as substantially contributing to climate change mitigation, provided that those activities apply certain best practices for that sector. Those technical screening criteria should also ensure that waste treatment options are in line with higher levels of the waste hierarchy. The technical screening criteria should recognise as substantially contributing to climate change mitigation those activities that process a uniformly set minimum share of sorted separately collected non-hazardous waste into secondary raw materials. However, it is not possible at this stage for technical screening criteria based on a uniformly set target for reprocessing waste to address fully the climate mitigation potential of individual material streams. It may therefore be necessary to further assess and review those technical screening criteria. The uniformly set target should be without prejudice to waste management targets addressed to Member States in Union legislation on waste. For activities related to water collection, treatment and supply as well as centralised waste water treatment systems, those technical screening criteria should take into account absolute performance and relative performance improvement targets in relation to energy consumption and alternative metrics, where relevant, such as leakage levels in water supply systems.
- (33) Transport operations consume one third of all energy in the Union and account for approximately 23% of total direct greenhouse gas emissions in the Union. Decarbonising the transport fleet and infrastructure can therefore play a central role in climate change mitigation. Technical screening criteria for the transport sector should focus on reducing the main emission sources from that sector, while also considering the need to shift the transport of people and goods to lower emission modes and for the creation of an infrastructure that enables clean mobility. Technical screening criteria for the transport sector should therefore focus on the performance within one transport mode, while also taking into account the performance of that transport mode in comparison with other transport modes.
- (34) Given their potential to reduce their greenhouse gas emissions and thus contribute to greening the transport sector, maritime shipping and aviation constitute important transport modes for the transition to a low-carbon economy. According to the communication from the Commission of 9 December 2020 ‘Sustainable and Smart Mobility Strategy– putting European transport on track for the future’¹⁶, zero emission vessels are expected to become ready for market by 2030. According to that strategy, large zero-emission aircrafts are expected to become ready for market by 2035 for short distance, while for longer distance decarbonisation is expected to rely on

¹⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Sustainable and Smart Mobility Strategy – putting European transport on track for the future (COM/2020/789 final).

renewable and low-carbon fuels. Separate studies have also been conducted on sustainable financing criteria for those sectors. Therefore, maritime shipping should be considered as a transitional economic activity as referred to in Article 10(2) of Regulation (EU) 2020/852. Shipping is one of the least carbon intensive ways to transport goods. To ensure equal treatment of shipping in comparison with other modes of transport, technical screening criteria for maritime transport should be established and should be applicable until the end of 2025. It will however be necessary to further assess maritime shipping and, where appropriate, to establish technical screening criteria for maritime shipping applicable as of 2026. It will also be necessary to further assess aviation and, where appropriate, to establish relevant technical screening criteria. Furthermore, the technical screening criteria should be established for low carbon transport infrastructure for certain modes of transport. However, in light of the potential of transport infrastructure to contribute to modal shift, it will be necessary to assess and where appropriate establish relevant technical screening criteria for overall infrastructure that is essential for low carbon transport modes, notably inland waterways. Depending on the outcome of the technical assessment, relevant technical screening criteria should also be established for the economic activities referred to in this recital at the time of adoption of the delegated act referred to in Articles 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852.

- (35) To ensure that the transport activities considered as sustainable do not facilitate the use of fossil fuels, the technical screening criteria for the relevant activities should exclude assets, operations and infrastructure dedicated to transport of fossil fuels. While applying this criterion, it is necessary to recognise the multiple uses, different ownership, user arrangements and fuels blending rates, in line with the relevant existing market practices. The Platform on Sustainable Finance should assess the usability of this criterion in the context of fulfilling its mandate.
- (36) Buildings across all sectors in the Union are responsible for 40% of energy consumption and 36% of carbon emissions. Buildings can therefore play an important role in climate change mitigation. Technical screening criteria should therefore be laid down for the construction of new buildings, for building renovation, installation of different energy efficiency equipment, on-site renewables, provision of energy services, and for the acquisition and ownership of buildings. Those technical screening criteria should be based on the potential impact of those activities, on the energy performance of buildings and on related greenhouse gas emissions and embedded carbon. For new buildings, it might be necessary to review the technical screening criteria to ensure that those criteria remain aligned with the Union climate and energy targets.
- (37) The construction of an asset or facility that is an integral part of an activity, for which technical screening criteria determining under which conditions that activity qualifies as contributing substantially to climate change mitigation should be established, may represent an important condition for that economic activity to be carried out. It is therefore appropriate to include the construction of such assets or facilities as part of the activity for which that construction is relevant, in particular for activities in the energy sector, the water, sewerage, waste and remediation sector as well as the transport sector.
- (38) The information and communication sector is a constantly growing sector representing an increasing share in greenhouse gas emissions. At the same time, information and

communication technologies have the potential to contribute to climate change mitigation and to reduce greenhouse gas emissions in other sectors, such as by providing solutions that may help decision making enabling greenhouse gas emission reductions. Technical screening criteria should therefore be laid down for data processing and hosting activities that emit high volumes of greenhouse gas, and for data-driven solutions that enable reductions in greenhouse gas emissions in other sectors. The technical screening criteria for those activities should be based on the best practices and standards in that sector. They may need to be reviewed and updated in the future to take into account the greenhouse gas reduction potential from increased durability of information and communication technologies hardware solutions and the potential for digital technologies to be deployed in each sector directly to enable greenhouse gas emissions reductions. Moreover, the deployment and operation of electronic communications networks use considerable amounts of energy and have the potential to bring significant reductions of greenhouse gas emissions. It may therefore be necessary to assess those activities and establish relevant technical screening criteria, where appropriate.

- (39) Furthermore, information and communication technology solutions that are an integral part of those economic activities for which technical screening criteria for substantial contribution to climate change mitigation should be established for their own respective performance, can also be of particular importance in assisting those different activities to reach the standards and thresholds established under those criteria.
- (40) Research, development and innovation have the potential to enable other sectors to meet their respective climate change mitigation targets. The technical screening criteria for research, development and innovation activities should therefore focus on the potential of solutions, processes, technologies and other products for reducing greenhouse gas emissions. Research dedicated to enabling activities as referred to in Article 10(1), point (i) of Regulation EU 2020/852 can also play an important role in enabling those economic activities and their target activities to substantially reduce their greenhouse gas emissions or to improve their technological and economic feasibility and ultimately facilitate their scaling up. Research can also play an important role in further decarbonisation of transitional activities as referred to in Article 10(2) of Regulation EU 2020/852, by enabling those activities to be carried out with substantially lower greenhouse gas emissions levels compared to the thresholds specified in the technical screening criteria for substantial contribution to climate change mitigation for those activities.
- (41) Furthermore, research, development and innovation that are an integral part of those economic activities for which technical screening criteria for substantial contribution to climate change mitigation should be established for their own respective performance, can also be of particular importance in assisting those different activities to reach the standards and thresholds established under those criteria.
- (42) The technical screening criteria for determining under which conditions an economic activity qualifies as contributing substantially to climate change adaptation should reflect the fact that climate change is likely to affect all sectors of the economy. As a result, all sectors will need to be adapted to the adverse impact of the current climate and the expected future climate. It needs to be ensured, however, that an economic activity that contributes substantially to climate change adaptation also causes no

significant harm to any of the other environmental objectives laid down in Article 9 of Regulation (EU) 2020/852. It is therefore appropriate to first establish technical screening criteria for climate change adaptation for those sectors and economic activities that are covered by the technical screening criteria for climate change mitigation, including the relevant ‘do no significant harm’ criteria to the environmental objectives. The descriptions of the economic activities considered as contributing substantially to climate change adaptation should correspond to the scope for which appropriate ‘do no significant harm’ criteria could be determined. In the light of the need to increase the overall climate resilience of the economy, technical screening criteria, including relevant ‘do no significant harm criteria’ should in the future be developed for additional economic activities.

- (43) Technical screening criteria should ensure that the broadest possible range of critical infrastructures, including in particular energy transmission or storage infrastructure, or transport infrastructure is adapted to adverse impact of the current climate and the expected future climate, thereby preventing serious negative impacts on the health, safety, security or economic well-being of citizens or the effective functioning of governments in Member States. It might however be necessary to review those technical screening criteria to take better account of the specificities of infrastructure for defence against floods
- (44) Furthermore, technical screening criteria should also be established for education, human health, social work, arts, entertainment and recreation activities. Those activities provide essential services and solutions towards increasing collective resilience of the whole society and they can increase climate literacy and awareness.
- (45) The technical screening criteria for determining whether an economic activity qualifies as contributing substantially to climate change adaptation by including adaptation solutions in accordance with Article 11(1), point (a) of Regulation (EU) 2020/852 should aim at increasing the resilience of the economic activities against identified climate risks that are material to those activities. The technical screening criteria should require that the economic operators concerned perform a climate change risk assessment and implement adaptation solutions that reduce the most important risks identified in that assessment. The technical screening criteria should also take into account the context- and location-specific nature of adaptation needs and solutions. Furthermore, the technical screening criteria should ensure the integrity of the environmental and climate objectives and should not be disproportionately prescriptive as to the type of solutions implemented. Those technical screening criteria should take into account the need to prevent climate- and weather related disasters and manage risk of such disasters and to ensure the resilience of critical infrastructure, in accordance with relevant Union law relating to assessing the risk and mitigating the effects of such disasters.
- (46) The technical screening criteria for determining whether an economic activity qualifies as contributing substantially to climate change adaptation by providing adaptation solutions in accordance with Article 11(1), point (b) of Regulation (EU) 2020/852 should be established for engineering activities and related technical consultancy dedicated to adaptation to climate change, research, development and innovation, non-life insurance consisting in underwriting of climate-related perils, and reinsurance. Those activities have the potential to provide adaptation solutions that contribute substantially to preventing or reducing the risk of the adverse impact of the current

climate and the expected future climate on people, nature, or assets, without increasing the risk of an adverse impact.

- (47) The technical screening criteria should recognise that certain economic activities may contribute substantially to climate change adaptation by providing adaptation solutions in accordance with Article 11(1), point (b), of Regulation (EU) 2020/852, or by including adaptation solutions in accordance with the Article 11(1), point (a), of that Regulation. The technical screening criteria for the forestry activities, restoration of wetlands, programming and broadcasting, as well as for education, the creative, arts and entertainment activities should recognise that possibility. Those activities, while they should be adapted to the adverse impact of the current climate and the expected future climate, also have the potential to provide adaptation solutions that contribute substantially to preventing or reducing the risk of that adverse impact on people, nature, or assets.
- (48) The technical screening criteria for determining whether an economic activity contributes substantially to climate change adaptation should ensure that the economic activity is made climate resilient or provides solutions to other activities to become climate resilient. Where an economic activity is made climate resilient, the implementation of physical and non-physical solutions that substantially reduce the most important physical climate risks that are material to that activity represents the substantial contribution of that activity towards climate change adaptation. It is therefore appropriate that only capital expenditures incurred for all steps necessary for making the activity climate resilient should be considered as the proportion of capital and operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable and that turnover from that economic activity that has been made resilient should not be counted as derived from products or services associated with economic activities that qualify as environmentally sustainable. However, when the core business of economic activities enabling adaptation in accordance with Article 11(1), point (b), of Regulation (EU) 2020/852 is to provide technologies, products, services, information, or practices with the objectives of increasing the level of resilience to physical climate risks of other people, nature, cultural heritage, assets or of other economic activities, in addition to capital expenditure, the turnover derived from products or services associated with those economic activities should be considered as proportion of turnover derived from products or services associated with economic activities that qualify as environmentally sustainable.
- (49) The technical screening criteria for determining whether the economic activities that contribute substantially to climate change mitigation or climate change adaptation cause no significant harm to any of the other environmental objectives should aim at ensuring that contribution to one of the environmental objectives is not made at the expense of other environmental objectives. The ‘do no significant harm’ criteria play therefore an essential role in ensuring the environmental integrity of the classification of environmentally sustainable activities. The ‘do no significant harm’ criteria for a given environmental objective should be specified for those activities that present a risk of causing significant harm to that objective. The ‘do no significant harm’ criteria should take into account and build upon the relevant requirements of existing Union law.

- (50) The technical screening criteria for ensuring that activities that contribute substantially to climate change adaptation do not cause significant harm to climate change mitigation should be laid down for those activities that present a risk of producing significant greenhouse gas emissions while they have the potential to contribute substantially to climate change adaptation.
- (51) Climate change is likely to affect all sectors of the economy. The technical screening criteria for ensuring that economic activities that contribute substantially to climate change mitigation do not cause significant harm to climate change adaptation should therefore apply to all of those economic activities. Those criteria should ensure that existing and future risks that are material to the activity are identified and that adaptation solutions are implemented to minimise or avoid possible losses or impacts on business continuity.
- (52) The technical screening criteria for ‘do no significant harm’ to sustainable use and protection of water and marine resources should be specified for all activities that can pose a risk to such sustainable use and protection. Those criteria should aim at avoiding that activities are detrimental to the good status or the good ecological potential of bodies of water, including surface water and groundwater, or to the good environmental status of marine waters, by requiring that environmental degradation risks are identified and addressed, in accordance with a water use and protection management plan.
- (53) The technical screening criteria for ‘do no significant harm’ to transition to a circular economy should be tailored to the specific sectors in order to ensure that economic activities do not lead to inefficiencies in the use of resources or lock-in linear production models, that waste is avoided or reduced and, where unavoidable, managed in accordance with the waste hierarchy. Those criteria should also ensure that economic activities do not undermine the objective of transitioning to a circular economy.
- (54) The technical screening criteria for ‘do no significant harm’ to pollution prevention and control should reflect sector specificities to address the relevant sources and types of pollution into air, water or land, referring, where relevant, to best available techniques conclusions established under Directive 2010/75/EU of the European Parliament and of the Council¹⁷.
- (55) The criteria for ‘do no significant harm’ to protection and restoration of biodiversity and ecosystems should be specified for all activities that can pose risks to the status or condition of habitats, species or ecosystems and should require that, where relevant, environmental impact assessments or appropriate assessments are undertaken and the conclusions from such assessments are implemented. Those criteria should ensure that even in the absence of a requirement to perform an environmental impact assessment or other appropriate assessment, activities do not lead to the disturbance, capture or killing of legally protected species or the deterioration of legally protected habitats.
- (56) The technical screening criteria should be without prejudice to the requirement to comply with provisions related to the environment, health, safety and social

¹⁷ Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).

sustainability laid down in Union and national law, and to the adoption of appropriate mitigation measures in that regard where applicable.

- (57) The provisions in this Regulation are closely linked, since they deal with criteria for determining whether an economic activity contributes substantially to climate change mitigation or climate change adaptation, and whether such economic activity causes no significant harm to one or more of the other environmental objectives laid down in Article 9 of Regulation (EU) 2020/852. In order to ensure coherence between those provisions, which should enter into force at the same time, to facilitate a comprehensive view of the legal framework for stakeholders and to facilitate the application of Regulation (EU) 2020/852, it is necessary to include those provisions in a single Regulation.
- (58) To ensure that the application of Regulation (EU) 2020/852 evolves with technological, market and policy developments, this Regulation should be regularly reviewed and, where appropriate, amended as regards the activities considered to be contributing substantially to climate change mitigation or climate change adaptation and the corresponding technical screening criteria.
- (59) In order to comply with Articles 10(6) and 11(6) of Regulation (EU) 2020/852, this Regulation should apply from 1 January 2022,

HAS ADOPTED THIS REGULATION:

Article 1

The technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives laid down in Article 9 of Regulation (EU) 2020/852 are set out in Annex I to this Regulation.

Article 2

The technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives laid down in Article 9 of Regulation (EU) 2020/852 are set out in Annex II to this Regulation.

Article 3

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2022.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 4.6.2021

*For the Commission
On behalf of the President,
Mairead McGUINNESS
Member of the Commission*