



# Taxonomy Delegated Regulation on climate objectives

## Statement on the Climate Action Technical Screening Criteria

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EurEau welcomes the new European Commission Delegated Regulation on the climate action Technical Screening Criteria (TSC) supplementing the Taxonomy Regulation.

We would like to stress our appreciation on these since the final version of the delegated act reflects some of the suggestions advanced by EurEau and supported by other representatives of the water sector: the TSC have evolved to be applicable in the current and future EU legal framework.

However, EurEau is still concerned that some proposed TSC remain, and are, to a large extent, “one size fits all” and do not take into account the local circumstances in which water is supplied and returned to nature.

The local geographical factors under which water and waste water utilities operate around Europe are extremely different and we are concerned that these criteria may result in less capital or more expensive capital available for projects in the water and waste water sector and lead to discrimination between water utilities in an unfair way.

Such a scenario would be most unfortunate, considering the pivotal importance that water supply and waste water management plays for the protection of human health, the circular economy and the environment and the huge investment needs that have been identified for the sector. The OECD estimates that investment needs in water infrastructure are at least €289 billion by 2030 for the EU28.

EurEau, therefore, encourages the Commission to:

- ~ closely monitor the effect that the proposed criteria will have on capital flows to the water and waste water sector, and
- ~ swiftly react to and make the necessary adjustments through the review and revision of the screening criteria in three years.

Our alternative proposals for TSC suggested very specific changes, following a minimalistic approach based on the broad experience and knowledge EurEau’s members have, taking into account the diversity of the European water sector.

Having analysed the final TSC, we would like to provide some comments specifically on Annex I, in order to allow the European Parliament and Member States to be aware of the shortcomings and the Commission to be able to take our views into consideration when



reviewing the TCS in three years and when working on the future delegated act, the so-called “Taxonomy Four” delegated act.

## 5.1 Water supply - Construction, Extension and Operation

We appreciate the changes that made net energy consumption related only to the abstraction and treatment of water and those that allowed for taking into account measures to generate renewable energy.

The local geographical factors under which water and waste water utilities operate around Europe are extremely different which may result in less capital or more expensive capital available for projects in the water and waste water sector, leading to discrimination.

However, we believe that it is questionable to include “abstraction” as an activity in the scope of this criterion because water utilities have no influence on the groundwater level, how deep wells are or whether it is even possible to generate energy with a spring water supply. In addition, it is difficult to differentiate between the energy needed for water extraction with wells and energy needed for distribution if there is no clear technical separation through water tanks for example (such as the case in which water can be pumped directly from the water source into the distribution system without any intermediate treatment).

The circumstances under which drinking water is produced in Europe differ widely: from groundwater extracted from very deep aquifers to water taken from rivers undergoing physical and chemical treatment and to water flowing by gravity.

Furthermore, energy consumption is also influenced by the weather conditions upon which the service providers have no control. In addition, desalination, water softening and requirements for removing pollutants such as PFAS or pesticides due to health reasons and in line with the legal requirements, generate a significant energy consumption.

Applying a threshold of 0.5 kWh per cubic meter is a starting point, but we suggest that in the future revision, the energy threshold is refined and diversified so that it takes into consideration the significant differences in geography and production methods.

Furthermore, we suggest applying more indicators to define, whether a project is sustainable or not. In our previous response to the TSC we suggested to introduce energy efficiency defined as hydraulic/mechanical power output divided by electrical power input as an alternative.

It should also be clarified whether the so-called “green energy” (i.e. purchasing energy, produced with renewable methods only) can be used as an offset for the calculation of the net energy consumption.

Regarding the leakage level, we find the changes relevant and appropriate and we support the flexibility to apply other methods than ILI as well as other threshold values. This is indeed in line with the Drinking Water Directive that entered into force on 12 January 2021.



## 5.2 Water supply - Renewal

EurEau supports the approach of focusing on abstraction and treatment as well as applying the concept of net energy consumption.

However, we are sceptical about the required 20% reduction in energy consumption – it appears to be a somewhat arbitrary threshold – and we believe that hardly any single project will be able to generate a 20% reduction in energy consumption in the entire system. A suggestion for future changes would be to apply a threshold of 20% (or lower) at project level, similar to Article 5.4 Renewal of Waste Water collection and treatment.

A threshold of 20% energy reduction (or lower) favours investments in utilities with a high level of energy consumption as they have a higher potential. From a sustainability point of view, this makes perfectly good sense. However, it may lead to the paradox that very energy efficient utilities are deemed less attractive to invest in and, hence, will find it harder to attract sufficient and/or cheap capital. We encourage the Commission to address this issue under the review.

As mentioned under 5.1, we do not believe that a single indicator is sufficient to determine sustainability due to the very different and complex nature of supplying drinking water in Europe and we encourage the Commission to engage in a process of identifying more indicators to be included in the TSC when revised.

We support the flexibility of choice in the leakage calculation methods. However, the threshold of 20% reduction in leakage does not seem to be scientifically based, and the specific problems addressed above regarding capital flow and the discrimination of utilities that have already achieved a lower leakage level apply here as well.

## 5.3 Waste water collection and treatment - Construction, Extension and Operation

Focusing on treatment plants only, and, when addressing energy consumption, taking into account energy generation within the system is a sensible approach that EurEau supports.

However there is a lack of definition of what a “water system” is.

Waste water collection systems are not necessarily owned and managed by a single or by the same actor (e.g. sewer networks are still often managed by municipalities). Similarly, waste water operators are usually not involved in the permitting process for industrial discharges in sewers. Most of the source-control measures are beyond the remit of the waste water operators and are taken by competent public authorities. It seems unfair to limit the access to sustainable funding for waste water operators by imposing criteria on which they do not have any control nor influence.

Due to economies of scale, introducing different levels of energy consumption based on treatment capacity also seems reasonable, at least as a preliminary approach.

However, levels seem very low and we are concerned that there is insufficient data behind



these levels and categories. We suggest that within the review the Commission examines if the levels are appropriate and representative – especially when considering the demands for more advanced treatment of waste water due to stricter environmental standards.

Biogas/bio-methane is not mentioned specifically when listing examples of energy produced within the system. However, biogas/bio-methane produced from sludge encourages the circular economy and in this context should have a status equal to that of the already listed forms of renewable energy. We hope that this approach will be applied when the taxonomy becomes operational.

## 5.4 Waste Water collection and treatment - Renewal

We have noted that the required decrease in energy consumption has risen to 20% in contrast to the draft delegated act that indicated 10%. We question the technical rationale for this and we believe - especially when looking at renewal in the collection system - that only very few projects will be able of making such a contribution. This is due to the nature of the projects (mainly replacing pipelines) supplemented with the fact that there are only limited options for generating energy within the collection system.

We would advise the Commission to consider a more differentiated approach when setting standards for energy reduction in the future revision of the delegated act. The review should also address methods to handle requirements for more advanced and energy-consuming treatment of waste water in order to avoid a conflict with stricter environmental requirements.

We appreciate the inclusion of the possibility to look at project level when renewing the collection system, however we believe that “water system” should be clearly defined.

Furthermore, we would ask for a clearer definition of the term “project” so there is a clear distinction between the aim of the investment (the project) and the part of the system in which it is carried out.

A threshold of 20% energy reduction favours investments in utilities with a high level of energy consumption as they have a higher potential for efficiency. From a sustainability point of view this makes perfectly good sense. However, it may lead to the paradox that

very energy efficient utilities are deemed less attractive to invest in and, hence, will find it harder to attract sufficient and/or cheap capital.

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## Biogas produced in Waste Water Treatment Plants

Within Europe, sludge from waste water is used for the production of biogas and this is reflected in chapter 5, where biogas production is encouraged. However, in chapter 6, biogas seems to be discriminated against as a renewable vehicle fuel, due to the chosen so called "tailpipe principle".

With the current taxonomy tailpipe calculation methodology, it will not be possible to regard biogas as a sustainable vehicle fuel in the EU – except during a transitional period. This may result in reduced investments in facilities of biogas production and upgrading of biogas to vehicle fuel.

The Commission should instead apply the much more technology-neutral well-to-wheels principle on emissions, and by extension consider the entire life cycle of both fuel and vehicles.

The tailpipe principle should be changed in the technical screening criteria:

from:

~ "the vehicle has zero direct (tailpipe) CO2 emissions"

to:

~ "the vehicle has 75% less CO2 emissions calculated as well-to-wheels principle on emissions"

This change should be made in the technical screening criteria in chapter 6 where biogas is already used as a vehicle fuel with good climate mitigation effects.

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### About EurEau

EurEau is the voice of Europe's water sector. We represent drinking water and waste water operators from 29 countries in Europe, from both the private and the public sectors.

Our members are 34 national associations of water services. At EurEau, we bring national water professionals together to agree European water sector positions regarding the management of water quality, resource efficiency and access to water for Europe's citizens and businesses. The EurEau secretariat is based in Brussels.



With a direct employment of around 476,000 people, the European water sector makes a significant contribution to the European economy.