

# Comments

on the draft Delegated Regulation of the EU Commission establishing technical screening criteria for the first two environmental objectives of the EU Taxonomy Regulation

Register of Interest Representatives

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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent approximately 1,700 banks.

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## Comments on the draft Delegated Regulation of the EU Commission establishing technical screening criteria for the first two environmental objectives of the EU Taxonomy Regulation

The German Banking Industry Committee believes that, for the definition of the taxonomy, it is important to provide more precision by using clear, streamlined, and easy-to-use technical screening criteria. The current draft of the delegated act (including its annexes) is difficult to understand and, in particular, difficult to put into practice due to its significant length, its complexity, and the numerous cross-references. Most companies will only be able to implement the current version of the delegated act with a great deal of effort and will need to engage a sustainability consultant.

We therefore propose that the European Commission provides greater clarity and support on using the taxonomy, e.g. by setting out the expectations for due diligence in respect of DNSH criteria and social minimum safeguards more explicitly and by providing specific information on how the principle of proportionality is to be applied.

To make it easier to use the taxonomy, we suggest that a method be developed for companies not subject to the NFRD under which institutions would be able to use sector-specific estimates or proxy values, for example, in order to eliminate gaps in the data for the companies that do not provide this data. We propose revising the NACE code classification so that it is easier to categorize economic activities.

Giving the option to choose a CO<sub>2</sub> accounting method (ISO vs. GHG Protocol, etc.) in the context of an economic activity may significantly reduce comparability for investors and make the due diligence process more complex. The taxonomy should aim to standardize the methods for individual economic activities and thereby ensure that comparisons can be made.

Given the short implementation period, the scope of the delegated act should be restricted to new business from Jan 1, 2022. Business that is in force on that date and extensions should be excluded from the scope. The envisaged application date of Jan 1, 2022 is problematic in our view, including with regard to transparency in non-financial statements pursuant to art. 8 of the Taxonomy Regulation. An act providing more specific information is not expected to be available until June 1, 2021. Legal clarification is needed, stating that the disclosure obligation only comes into force for financial years beginning on or after Jan 1, 2022. We believe that a threshold of, for example, €10 million for taxonomy audits of individual transactions is urgently needed with regard to the granularity of banks' retail business.

For an applicable taxonomy in the building sector, a harmonised European and national framework would be required first including comparable NZEB standards, standardised EPCs and, based on these, uniformly derived CO<sub>2</sub> threshold values as well as EU-wide or national publicly accessible registers in which the necessary data are collected and can be accessed. In the transition towards the above described status a clear commitment to best national practice is necessary.

Not in all countries energy performance certificates (EPC) for buildings indicate energy efficiency classes. Therefore, to require for the acquisition and ownership of existing buildings an EPC label "A" is not feasible. We advocate, at least on a transitional basis, to follow the TEG's proposal that buildings belong to the TOP 15% of the national building stock in terms of primary energy demand. In the long term, an orientation towards absolute thresholds for energy and carbon emissions would be preferable.

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Some of the do no significant harm requirements and the evidence required in this context cannot be met by the financing institutions or at reasonable cost, e.g. due to a lack of national regulations/laws and the resulting lack of data collection by the owners/builders, the required proof of water consumption cannot be provided. Legal requirements need to be addressed to manufacturers/retailers. A corresponding requirement could then be legally standardised as a construction standard.

Enclosure:

Building sector:

Regarding the construction of new buildings, requiring NZEB minus 20% is not considered necessary, since national NZEB definitions and the corresponding EPBD are already designed for achieving the Paris climate goals and thus consider the decarbonisation targets.

The 30% reduction requirement for renovations should be based on the final energy demand/consumption and thereby exclude the energy source, since it seems to be inconsistent to require a reduction of the primary energy demand without taking into account reductions stemming from renewable energy sources (footnote 535).

As mentioned above we would like to indicate to the problem, where a building, which is today part of the TOP 15% of the national building stock and in the future might not belong to that cohort any longer due to market developments and thus could then not be classified as green. This is a sophisticated problem which needs to be solved, because this building is still energy efficient or its carbon emissions are still low.