

Statement on the Taxonomy Delegated Act

The Czech Gas Association (hereinafter CGA) is an independent association of companies and experts operating in the gas and related industries. It brings together organizations active in the gas industry, along with research and scientific institutes, and further comprises experts whose specialization corresponds to the focus of the CGA.

CGA would like to express its concern regarding the Taxonomy Climate Delegated Act published on 21st April 2021. From our perspective, delegated act in question does not reflect strategic course of action enshrined, for example, in the Energy System Integration Strategy. **If Europe's economy and society is to achieve climate neutrality by 2050 it should take a holistic approach towards energy system.** Opting for a reductionist approach will lead to suboptimal outcomes not only in terms of cost-efficiency, but also system efficiency and ultimately environmental efficiency. Thus, to fulfill the EU's strengthened commitment under the Paris Agreement to reduce greenhouse gas emissions by at least 55 % by 2030 **all taxonomy delegated acts** should be based on:

- **Evidence-based and transparent criteria for all economic activities covered by the Taxonomy Delegated Acts;**
- **Take into account systemic efficiency of all economic activities covered by the Taxonomy Delegated Acts;**
- **Ensure a level playing field for all fuels and technologies that are already available to decarbonise all sectors of the economy;**
- **Technology neutrality and policy-neutral methodology should be the overarching principles for all economic activities covered by the Taxonomy Delegated Acts.**

Complementary delegated act for natural gas and nuclear energy

European Commission has announced that in the Q4 2021 it will come up with the complementary delegated act specifically covering how certain economic activities, primarily in the energy sector, contribute to decarbonization and **taking into account four abovementioned principles** the CGA would like to propose technical screening criteria for following **transitional¹** activity:

- *Cogeneration of heat/cool and power from fossil gaseous and liquid fuels*

¹ Transitional activity as defined in the Article 10(2) of Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

- *Cogeneration of heat/cool and power from fossil gaseous and liquid fuels:*
 - **245 gCO₂/kWh of direct emissions in the context of total energy production (combining electrical, heating and cooling, and mechanical energy) should be applied in the case of combined heat and power (CHP)²**
 - The activity meets either of the following criteria:
 - at operation, physical measurement of methane emissions is reported and leak is eliminated;
 - at construction, measurement equipment for monitoring of physical emissions, such as methane leakage is installed or a leak detection and repair program is introduced;
 - Where the activity blends fossil gaseous or liquid fuels with biogas or bioliquids, the agricultural biomass used for the production of the biogas or bioliquids complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001 while forest biomass complies with the criteria laid down in Article 29, paragraphs 6 and 7, of that Directive;
 - Final investment decision is taken by 2025 and the new facility is in operation by 2030;
 - Every newly installed gas-fired power plant connected to the grid from 2025 is "hydrogen-ready".

Activity complies with *Do No Significant Harm* – Pollution Prevention and Control

- Emissions are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set out in the latest relevant best available techniques (BAT) conclusions, including the best available techniques (BAT) conclusions for large combustion plants³. No significant cross-media effects occur.
- For combustion plants with thermal input greater than 1 MW but below the thresholds for the BAT conclusions for large combustion plants to apply, emissions are below the emission limit values set out in Annex II, part 2, to Directive (EU) 2015/2193.

Common EU-wide Life-Cycle Analysis methodology for *Cogeneration of heat/cool and power from fossil gaseous and liquid fuels* does not exist yet (another case in point is a transport sector and use of TTW instead of WTW methodology). Thus, the CGA argues for setting technical screening criteria for the economic activity based on easily measurable direct greenhouse gas emissions. Technical screening criteria should be revised in line with the

² High efficiency **CHP with total efficiency min. 82%** can meet such a threshold even when using natural gas at the horizon **when renewable, decarbonized and low carbon gases are not available yet.**

³ Implementing Decision (EU) 2017/1442

Article 19(5) of Regulation (EU) 2020/852⁴. It is still possible to take into account emissions from upstream and midstream⁵ in accordance with Article 19(1g) of Regulation 2020/852 through increased emission factor of natural gas.

Furthermore, **an additional activity is needed, corresponding to electricity generated by fossil gaseous fuels power plants ensuring the grid stability in a system with growing shares of intermittent renewable energy.** This would ensure that the system benefits from the flexibility and reliability of renewable and low-carbon gas-ready plants until higher shares of these gases become available. Given the intermittent operation of such grid-stabilizing plants, a suitable threshold for this activity should refer to total annual direct GHG emissions.

Final remarks

To achieve climate neutrality by 2050, further massive growth in electricity production from RES-E is expected. However, RES-E are intermittent sources of energy and in order to avoid “*dunkelflaute*” effect, gas technologies offer best solutions available on the market. As a source of energy, gas-fired power plants are very operationally flexible, they can start supplying electricity to the grid within 10-15 minutes interval, and in addition continue to supply it for any length of time, which is a significant advantage over other sources of flexibility. **CHP sources for district heating (DH) are key to the reliable operation of the electricity system.** They currently provide and, in the future, definitely will provide a range of support services, e.g., addressing the reliability of network management at the local level and island mode operations. Natural gas will play an important role in the heating sector, where more than 60% of heat is currently produced from coal. **Coal-to-gas switch and the use of natural gas in the DH can ensure decarbonization of heat supply in the DH, which is delivered to 1,6 mil. households and industrial consumers, and thus prevent the disintegration of DH.** Therefore, it will prevent the disconnection of customers and their transition to local sources, which would shift the issue of emissions to areas that are difficult to control. Respecting Art. 194 of the TFEU and enabling quick wins in terms of GHG reductions, CGA argues that final investment decision should be taken by 2025 and new gas-fired CHPs should be put into operation by 2030 at the latest.

⁴ The Commission shall regularly review the technical screening criteria referred to in paragraph 1 and, where appropriate, amend the delegated acts adopted in accordance with this Regulation in line with scientific and technological developments.

In that context, before amending or replacing a delegated act, the Commission shall assess the implementation of those criteria taking into account the outcome of their application by financial market participants and their impact on capital markets, including on the channeling of investment into environmentally sustainable economic activities. To ensure that economic activities as referred to in Article 10(2) remain on a credible transition pathway consistent with a climate-neutral economy, the Commission shall review the technical screening criteria for those activities at least every three years and, where appropriate, amend the delegated act referred to in Article 10(3) in line with scientific and technological developments.

⁵ Whereas appr. 90% of indirect emissions are due to methane emissions during methane extraction and transport, emissions from the construction of the power plant (and its demolition) are absolutely marginal.

