

Euromines Position with regards to the [Technical Report on EU Taxonomy](#) published by TEG in June 2019

As the recognized representative of the European metals and minerals mining industry covering more than 42 different metals and minerals and employing 350.000 directly and about four times as many indirectly, Euromines welcomes the Commission's *Sustainable Finance Action Plan* for a low carbon, greener economy and agrees that such a socio - economically efficient, sustainable and flexible financial system will contribute to long-term value creation by:

- ☒ Continuing to fulfil our current needs without compromising the ability of future generations to meet theirs;
- ☒ Keeping finances and investments available to all, both to those that are trailblazers and to those that are in need of finance to modernise and upgrade to achieve the targets, including SMEs;
- ☒ Integrating the research, development and innovation potential in sustainability reporting;
- ☒ Fostering transparency and providing clarity to the markets through a common understanding of sustainable investments and their environmental impacts;

In order to successfully contribute to the common objectives, it is essential that these initiatives on sustainable finance are followed by subsequent proportionate, accurate and fit for purpose documents which include measures and recommendations appropriate to all affected stakeholders.

In light of the above, Euromines would like to make a series of comments regarding the [Technical Report on EU Taxonomy](#) published by the Technical Expert Group on Sustainable Finance on 18th of June 2019. The report is accompanied by a [call for feedback](#) as part of the ongoing work carried out by the Commission's Directorate-general for financial stability, financial services and capital markets union, Directorate-general for environment, public consultation to which Euromines intends to participate and submit its input.

The survey provided online does not allow the participants to express their views on a series of very important topics included in the report (such as the mitigation criteria) and it overlooks all questions regarding several chapters in the Report. Euromines would therefore like, by means of this paper, to express its views with regards to the following topics approached in the above-mentioned Report:

1. Explanation of the Taxonomy Approach

Action 1 of the EU level [action plan: financing sustainable growth](#) published in March 2018 calls for the establishment of an EU classification system for sustainable activities, i.e. an EU taxonomy. In this context the “taxonomy” concept should **not** be interpreted as a list of activities but as an EU level system including a general and technical set of criteria to be used when establishing if an activity complies with the six environmental objectives stated in the draft Regulation on the establishment of a framework to facilitate sustainable investment.

Euromines recommendation: The EU Taxonomy should be viewed as a set of general and technical set of criteria used to establish if an activity contributes to sustainably achieving the 2030 and 2050 EU climate change commitments. All lists of activities believed to be complying with individual environmental objectives should be avoided.

2. Climate Change Mitigation

1.1 Screening criteria: The Draft *Resolution on the establishment of a framework to facilitate sustainable investment* mentions at Article 6 a list of criteria that must be complied with by an activity in order *to be considered to contribute substantially to climate change mitigation*. Additionally, the Commission can adopt delegated acts supplementing the list with technical screening criteria for determining the conditions under which a specific economic activity is considered to contribute substantially to climate change mitigation. In this context, amongst other things, the TEG was mandated by the Commission to assist it in the developments of an EU classification system – the so-called EU taxonomy – to determine whether an economic activity is environmentally sustainable.

In spite of the above, the first result of the TEG’s work - the Technical Report of the EU Taxonomy does not refer to such criteria or system and only lists a series of economic activities considered to be sustainable from the climate mitigation point of view. Furthermore, in the Call for Feedback Survey, the chapter referring to Climate Change Mitigation refers mainly to the same listed series of economic activities.

Euromines recommendation: Such an EU classification system should not list which activities can be considered sustainable or not but rather define an integrated flexible, dynamic set of value chain criteria, which if applied correctly, will help identify if an economic activity is sustainable or not. Any activity list should be used only as examples of how these criteria should be applied.

1.2 Boundaries of the assessed activity: Assessing and ensuring a long term efficient contribution requires multiple actors along the entire value chain to act simultaneously towards the same objective. Therefore, a shift is required towards a systemic approach. When determining the contribution brought by a specific economic activity, three strategic segments should be addressed simultaneously: the sustainable supply of the raw materials needed to support the activity; the contribution of processes of upstream and downstream of the activity and the closure of material loops (the shift from linear to circular thinking). Only through an integrated value chain approach can real advances in climate mitigation and adaptation be understood, achieved and evaluated over the long term.

As it is now, the proposed system and list of activities will make very difficult the application and interpretation of the very different criteria, metrics and thresholds used to evaluate the different segments of the same value chain.

Euromines recommendation: Using a value chain approach would make it easier to boost the contribution of existing economic activities, and will also support the creation and development of new more efficient low-carbon activities, through the introduction of new materials and investments.

1.3 Mitigation activities example table: The mining of materials essential/strategic for the low carbon economy should also be included in the Mitigation Activities Table as all materials and products mentioned in the current taxonomy mitigation list require raw materials currently mined in compliance will all legislation in force in the EU, including the criteria listed in the draft *Resolution on the establishment of a framework to facilitate sustainable investment*. The availability of materials that are strategic for the low carbon economy is crucial to deploy those low carbon technologies needed to meet the global climate mitigation targets.

3. Climate Change Adaptation

2.1 Adaptation Activities Table: The activities listed in the adaptation chapter are different from the ones in the mitigation chapter, which makes it very hard for someone to assess if an activity is sustainable from both points of view. Strangely, „manufacturing“ which represents a very large, highly emissions intensive sector is not even included in the adaptation table.

Euromines recommendation: The EU classification system should not define which activities contribute or not to climate change adaptation but define and list an integrated flexible, dynamic set of value chain criteria, which, if applied correctly will help identify if an economic activity is sustainable or not.

Climate change mitigation and adaptation should not be seen as two separate processes, independently assessed and approached. They should be developed, together with the other objectives listed at Art 5 of the Draft Regulation on Taxonomy as a whole part of an integrated system.

The European manufacturing sector is seen as one of the biggest energy/emissions intensive sectors in Europe and assessed at a very high length in the mitigation chapter. Even so, the adaptation section of the report omits to mention it all together. Therefore, manufacturing, but also mining, should be included as essential

primary production sectors.

2.2 Climate Adaptation and the Do No Significant Harm (DNSH) principle: Adaptation is context and location specific and requires the use of a process-based approach to determine if an activity contributes to adaptation and broader system's climate resilience. The proposed approach recognises that an adaptation activity may target an entity (e.g. a corporation or a city) and/or a market, sector, or region and therefore the criteria for adaptation should apply accordingly. Page | 4

Euromines recommendations:

The DNSH objectives seem to be arbitrarily chosen and they do not include the necessary consideration of economic and social side-effects.

The DNSH-related terms and concepts such as "significant inefficiencies in materials use" as well as the conditions for causing "significant harm" still need to be clearly defined and explained. For example, with regards to the "transition to a circular economy, waste prevention and recycling", "generation" of waste does, itself, no harm. Any level of harm done depends on the opportunity cost of discarding the material and/or how the discarded material is then managed. Thus, any related objective must not be set only in terms of "generation" of waste.

Similarly, with respect to the "pollution prevention and control" objective, it is not the level of emissions that should be taken into consideration and assessed, but their impacts - especially because adaptation is site-specific.

With reference to the protection of healthy ecosystems, a separate criterion should not be necessary:

- E.g., good condition of ecosystems is already an integral part of good status of EU waters
- E.g., BAT should also be set so as to be protective of good condition of ecosystems
