

JBCE's feedback on the Taxonomy Environmental Delegated Act

Japan Business Council in Europe (JBCE) welcomes this opportunity to provide feedback on the draft Delegated Regulation on EU environmental taxonomyⁱ.

JBCE supports this new set of EU Taxonomy criteria for economic activities that contribute substantially to environmental objectives.

However, JBCE believes that additional clarity is needed on certain aspects. JBCE would welcome further guidance from the European Commission and dedicated workshops for stakeholders to avoid confusion in the global supply chains, both within and outside the EU.

You will find below our specific concerns. These comments reflect individual views of some of JBCE's members on specific aspects of the proposal.

ANNEX II Environmental Delegated Act

I. (CE) Activity: 1.2 "Manufacture of electrical and electronic equipment"

1. Comment on activity substantial contribution criteria: 2.1 "Design for long lifetime"

Technical screening criteria 2 defines an alternative set of criteria than the ones existing in EU Ecolabel criteria, some of which are similar to existing criteria or very complex. Hence, companies will have to make significant efforts to meet and verify the criteria under Technical Screening Criteria 2, which will create an additional burden on manufacturers that already tried hard to meet existing criteria for electrical and electronic equipment.

We would like to propose the addition of the words in red and the deletion of the words that are crossed out:

*2.1.1 "All version of software components, software support and software/firmware, including updates, are made available to users for the lifetime of an item as defined under Directive 2009/125/EC and implementing acts adopted under that Directive. Where the availability of software updates is not regulated, the availability is at least ~~eight~~ **seven** years. Functionality and lifetime of the product are not reduced through software updates or lack of software updates."*

2. Comment on activity substantial contribution criteria: 2.6 "Proactive substitution of hazardous substances"

A) Section 2.6.2 would not allow products to contain SVHC which would affect most electronic products. It takes time and effort to replace SVHC, if there are alternatives available.

B) Section 2.6.3 – we would like to propose that the exemption should not be limited to 7(a) and 7(c) in ANNEX III of Directive 2011/65/EU (RoHS).

- C) Section 2.6.4 - Hazardous substances specified in the table that should not be introduced to or formed in the specified sub-assemblies and component parts at or above the specified concentration limit.
- iii) Biocidal products should be removed from the list as biocidal products have the benefit of improving the quality of air humans breathe and inhibit growth of harmful bacteria and viruses.
- D) Section 2.6.6. - To meet TSC 1.2 OEMs would need to meet all the criteria under Part 2 of the TSC, in lieu of a Type-1 Ecolabel under Part 1. In the draft Annex II, TSC 1.2 includes point 2.6.6 “The products do not contain fluor[inated] gases”.

JBCE would like to stress that point 2.6.6 would be extremely prejudicial to investments in the manufacture of energy efficient RACHP equipment using fluorinated gases (F-Gases) as refrigerant. This would be particularly true for the heat pumps that are necessary for the decarbonisation of the building stock to meet the EU's 2030 and 2050 Climate Targets, and the target for heat pump deployment under REPowerEU.

From a legislative consistency perspective, JBCE notes that F-Gases are already covered by TSC under the Climate Change Mitigation (CCM) Delegated Act; see TSC 4.16 “Installation and operation of electric heat pumps” and TSC 8.1 “*Data processing, hosting and related activities*”. It is JBCE’s firm position that the CCM Delegated Act is the appropriate legislative instrument to address F-Gases in the context of the Sustainable Finance Taxonomy Regulation (SFTR) given that their use is inherently a climate issue, not a Circular Economy (CE) issue. In addition, point 2.6.6 conflicts with TSC 4.16 and TSC 8.1 which set a Global Warming Potential (GWP) threshold at 675.

Finally, point 2.6.6 is inconsistent with the “Do No Significant Harm” (DNSH) criteria under CE TSC 1.2 in respect to the CCM Delegated Act/environmental objective which would require that the treatment of F-Gases is in line with the F-Gas Regulation.

In light of the above points, JBCE strongly supports the deletion of CE TSC 1.2 point 2.6.6. in deference to the provisions addressing F-Gases in the CCM TSC.

II. (CE) Activity: 5.1 “Repair, refurbishment, and remanufacturing”

Comment on activity substantial contribution criteria:

We would like to underline that repair, refurbishment, and remanufacturing of automotive (ZLEV) components are key economic activities to be considered when it comes to maximise vehicle lifetime value and resource efficiency. Therefore, C29 should be included in Economic activities under CE5.1.

III. (CE) Activity: 5.5 “Product-as-a-service and other circular use- and result-oriented service models”

Comment on activity substantial contribution criteria:

Regarding the definition of packaging in the proposed taxonomy, JBCE is concerned that the entire resource cycle for packaging in the EU will not be established unless at least one of the two standards below is eased, (1) The target value for recycled resin or (2) Restrictions on biomass feedstock that can be used.

1. The target value of recycled resin

We welcome the inclusion of chemical recycling in the technical screening criteria and its definition as a supplementary means to mechanical recycling. On the other hand, the target values regarding the usage fee for post-consumer recycled materials seem too high.

These target values are 2040 in the PPWR. If this definition remains as it is, it may discourage green investments in packaging through 2030.

Hence, we propose to lower the target values until the packaging recycling industry in the EU gets on track, and when it is ready, to define taxonomy in line with the PPWR's 2040 target.

2. Restriction on biomass feedstock

The recycled resins mentioned above are likely to be insufficient for the establishment of resource recycling, and we welcome the inclusion of the biomass raw materials in the definition. On the other hand, the Directive (EU) 2018/2001 is cited as the raw material for biomass resins, and the biomass that can be used as raw material is greatly restricted. Following this definition would mean that biomass resins, which are currently abundant on the market, would not be included. In such a case, it would not be expected to be a means of compensating for the shortage of recycled resins, which would hinder the resource cycle in the EU.

About JBCE

Founded in 1999, the Japan Business Council in Europe (JBCE) is a leading European organization representing the interests of about 100 multinational companies of Japanese parentage active in Europe. Our members operate across a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceutical, textiles and glass products.

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