

## JBCE contribution to the Taxonomy Delegated Act

The Japan Business Council in Europe (JBCE) welcomes this feedback opportunity regarding the 'Horizontal issues' of the delegated act on the Taxonomy Regulation. JBCE particularly appreciates this effort to elaborate on the Taxonomy classification system, as a means of adding concrete weight behind the initiatives of the Sustainable Finance Agenda. As you know, JBCE is eager to contribute to the EU's ambition of a green transition, with a view to achieving climate neutrality by 2050, and believes that a clear, effective classification of sustainable economic activities is paramount to achieve these objectives.

Nevertheless, for the Commission to achieve a fully successful taxonomy regulation, JBCE argues several provisions could be improved:

### 1. Provide additional clarity and guidance

JBCE plays an essential role in fostering international cooperation and respect for the responsible business activities which the Taxonomy Regulation seeks to achieve, notably between Japan and Europe. In that respect, JBCE believes that it is vital that the **delegated acts are clear and supported by additional guidelines and precise definitions**. In this vein, JBCE would like to draw attention to the description of the activities and technical criteria as proposed in the draft acts which we feel could benefit from additional development:

- **How to classify components.** For example, should they be classified under the end products or simply within "Manufacture of other low carbon technologies" (3.5)? The same electric transformer could theoretically also be classified as an activity within power transmission and distribution business operator (Transmission and distribution of electricity – 4.9) or even usage in a passenger transport (Passenger interurban rail transport – 6.1).
- The **definition of 'key components'**. We would like to explain this using an analogy: an 'engine' is obviously one of the key components in a car, but consequently how are 'brakes' then defined, given that without brakes, a car cannot run?
- The **definition of 'data centres'** (in category Data processing, hosting and related activities – 8.1).

### 2. Provide clarity on 'Best Performing Alternative Technology'

JBCE perceives the notion of "best performing alternative technology" to be somewhat unclear and potentially burdensome as a requirement, given the lack of **component producer perspective**. We therefore call upon the Commission to elaborate on the **definition of this term** and provide guidance and examples of what constitutes the "best performing alternative technology/solution available on the market".

We would further like to draw attention to one of the three conditions companies are obligated to meet within the activity: "manufacture of other low carbon technologies" (3.5):

- JBCE would like to point out that there is currently no available and validated information on what constitutes the "best performing alternative technology/solution available on the market", that would allow manufacturers to meet this condition. Unless the European Commission is able to provide such clarification as to what is meant by the best alternative solutions available on the market, this criterion will be difficult to meet; as innovation is dynamic and such comparison burden should not be left to companies.
- JBCE is further concerned that this burden would impact upon incentives (especially for a component producers) and the overall uptake of the EU taxonomy.

### 3. Complete the coverage of manufacturing technologies

JBCE believes that the delegated acts should be amended to reflect the imbalances observed in the incomplete coverage of manufacturing technologies.

In the draft delegated act, JBCE found an **incoherence** between the **technologies listed for low-carbon or transition activities, and those listed for manufacturing**. For example, in section 4.9. on 'Transmission and distribution of electricity, technologies for smart grids and integration of Distributed Energy', resources have been listed and could allow a utility deploying such technology to qualify as sustainable, **but not the same technology produced by the manufacturing company**. On the other hand, activities qualifying as sustainable under section 6.5 on 'Transport by motorbikes, passenger cars and light commercial vehicles', will have its manufacturing covered within section 3.3 on "manufacture of low carbon technologies for transport".

### 4. Recognise the importance of Transitional Technologies

JBCE is concerned that some of the technical criteria may exclude a number of technologies that still contribute to the goal of sustainability as transitional technologies. In this respect, JBCE calls upon the Commission to recognise the **importance of the transitional technologies**. We agree that green technology investments are the key ingredient in reaching decarbonization, but we would like to include the **importance of investments towards transitional technologies** and innovative technology in the Taxonomy for this delegated act regarding climate mitigation and adaptation.

Finally, for JBCE's views regarding specific taxonomy sections, please refer to our Annex.

#### [Annex]

##### JBCE comments on the Taxonomy Regulation Delegated Act on Climate Change Mitigation

	JBCE proposal	Reasoning
3.3. Manufacture of low carbon technologies for transport	- JBCE believes that the technical screening criteria for substantial contribution to climate change mitigation for vehicles of category M1 and N, regarding specific emissions of CO <sub>2</sub> , should be 50gCO <sub>2</sub> /km (low- and zero-emission light-duty vehicles) <b>at least until December 2030, instead of December 2025.</b>	- Although JBCE supports and contributes to the Green Deal's climate neutral objective, it would like to highlight that it does take times to develop the necessary innovations and technologies as well as the market uptake. As such, HEVs and PHEVs will continue to play an important role from 2026 onwards to realise zero emissions.
3.3. Manufacture of low carbon technologies for transport	- The activity classified under NACE codes <b>C22.1.1</b> (rubber tyres and tubes) <b>should be included into the list of activities</b> related to the manufacture of key components in low carbon transport. - Technical screening criteria for substantial contribution to climate change mitigation related with C22.11 should be <b>"tyres for vehicle categories M, N with Wet Grip Class A or B and</b>	- Tyres play an important role in transport decarbonization. Indeed, they can reduce up to 30% of the vehicle's fuel consumption. As such, JBCE believes that incentivizing the market uptake of best energy and safety graded tyres would lead to significant benefits in terms of carbon emission reduction from the road transport sector, and at the same time improve road safety.

	<p><b>with energy performance class A or B as set out in Regulation (EU) 2020/740.”</b></p>	
3.5 Manufacture of other low carbon technologies	<ul style="list-style-type: none"> <li>- JBCE suggest <b>adding ITU Recommendation L.1450 to the technical screening criteria</b> for substantial contribution to climate change mitigation.</li> </ul>	<ul style="list-style-type: none"> <li>- Adding the calculation method “the ITU Recommendation L.1450” as below in accordance with the section “8.2. Data-driven solutions for GHG emissions reductions” would ensure the inclusion of the Information and Communication Technology sector.</li> <li>- “Life-cycle GHG emission savings are calculated using Commission Recommendation 2013/179/EU or, alternatively, ISO 14067:2018 or ISO 14064-1:2018 or the ITU Recommendation L.1450.”</li> </ul>
4.16 Installation and operation of Electric Heat Pumps	<ul style="list-style-type: none"> <li>- Instead of the GWP-threshold of 675, JBCE suggests the threshold should <b>refer to compliance with the legislative framework for refrigerants, more specifically to the Annex I and II of EU Regulation 517/2014</b>. This will ensure better consistency with the energy efficiency requirements.</li> <li>- In case the specific GWP-threshold remains explicitly <math>GWP \leq 675</math>, <b>we recommend to justify this value by referring to the UN IPCC Assessment Report 4</b> (referenced in Regulation 517/2014)</li> <li>- JBCE notices that heat pumps can be eligible in several different economic activities (e.g. sections 3.4., 7.3., 7.6 and 8.1), each offering a different technical screening criteria. To avoid this inconsistency, JBCE calls upon the Commission to ensure the alignment of thresholds between the different economic activities. We recommend this alignment be based on the Eco-design and Energy Labelling product implementing act (Directive 2009/125/EU and Regulation 2017/1369/EU) and Renewable Energy Directive (2018/2001/EU).</li> </ul>	<ul style="list-style-type: none"> <li>- Regarding the GWP requirement, JBCE argues it is necessary to keep in mind the fact that GWP values are regularly re-evaluated under IPCC Assessment Reports and that there are several GWP values for each refrigerant. For example, the GWP value of HFC-32, which contributes to reduce climate impacts from heat pumps, is 675 in IPCC 4<sup>th</sup> assessment report, whilst it is 677 in IPCC 5<sup>th</sup> assessment report. .</li> <li>- If re-evaluated GWP values are adopted in the upcoming F-gas regulation revision, then the taxonomy thresholds need to be revised flexibly and accordingly.</li> </ul>
6.3. Urban, suburban and road passenger transport	<ul style="list-style-type: none"> <li>- JBCE proposes to change the DNSH criteria of the objective “pollution prevention and control” : <u>From</u></li> </ul>	<p>Our suggestion amends the DNSH criteria to comply with both tyre safety characteristics and low energy</p>

	<p>For road vehicles of categories M and N, tyres comply with <b>external rolling noise Class A</b> and with energy performance class A or B set out in Regulation (EU) 2020/740 of the European Parliament and of the Council 433.</p> <p><u>To</u> For road vehicles of categories M and N, tyres comply with <del>external rolling noise Class A</del> <b>Wet Grip Class A or B</b> and with energy performance class A or B as set out in Regulation (EU) 2020/740 of the European Parliament and of the Council 433.</p>	<p>consumption. Indeed, JBCE wants to avoid this potential trade-off in tyre design. While highly energy efficient tyres can come with lower safety performance grading, the same does not immediately apply to Noise performance, whose variation still can be covered within the same class (B). Class A is by far better than even the most advanced products worldwide.</p>
<p>6.5. Transport by motorbikes, passenger cars and light commercial vehicles</p>	<p>- JBCE believes that the technical screening criteria for substantial contribution to climate change mitigation for vehicles of category M1 and N, regarding specific emissions of CO<sub>2</sub>, should be 50gCO<sub>2</sub>/km (low- and zero-emission light-duty vehicles) <b>at least until December 2030, instead of December 2025</b></p> <p>-</p>	<p>- Although JBCE supports and contributes to the Green Deal's climate neutral objective, it would like to highlight that it does take times to develop the necessary innovations and technologies as well as the market uptake. As such, HEVs and PHEVs will continue to play an important role from 2026 onwards to realise zero emissions.</p>
<p>6.5. Transport by motorbikes, passenger cars and light commercial vehicles</p>	<p>- JBCE proposes to change the DNSH criteria of the objective "pollution prevention and control" :</p> <p><u>From</u> For vehicles of categories M1 and N1, tyres comply with rolling noise Class A and with energy performance class A or B set out in Regulation (EU) 2020/740.</p> <p><u>To</u> For vehicles of categories M1 and N1, tyres comply with <del>external rolling noise Class A</del> <b>Wet Grip Class A or B</b> and with energy performance class A or B set out in Regulation (EU) 2020/740.</p>	<p>- Our suggestion amends the DNSH criteria to comply with both tyre safety characteristics and low energy consumption. Indeed, JBCE wants to avoid this potential trade-off in tyre design.</p> <p>- While highly energy efficient tyres can come with lower safety performance grading, the same does not immediately apply to Noise performance, whose variation still can be covered within the same class (B). Class A is by far better than even the most advanced products worldwide.</p>
<p>6.6. Freight transport services by road</p>	<p>JBCE proposes to change the DNSH criteria of the objective "pollution prevention and control":</p> <p><u>From</u> Tyres comply with rolling noise Class A and with energy performance class A or B set out in Regulation (EU) 2020/740.</p> <p><u>To</u> Tyres comply with <del>rolling noise Class A</del> <b>Wet</b></p>	<p>- Our suggestion amends the DNSH criteria to comply with both tyre safety characteristics and low energy consumption. Indeed, JBCE wants to avoid this potential trade-off in tyre design.</p> <p>- While highly energy efficient tyres can come with lower safety performance grading, the same does not</p>

	<p><b>Grip Class A or B</b> and with energy performance class A or B asset out in Regulation (EU) 2020/740.</p>	<p>immediately apply to Noise performance, whose variation still can be covered within the same class (B). Class A is by far better than even the most advanced products worldwide.</p>
<p>7.1. Construction of new buildings</p>	<ul style="list-style-type: none"> <li>- JBCE suggests that the current indicator of “life cycle Global Warming Potential”, explained in the footnote 516 (*), for the kgCO<sub>2</sub>/m<sup>2</sup>/y calculation, <b>be clearly stated and keeps including the energy consumption (energy carrier) over the total life cycle including the CO<sub>2</sub> impact of the construction materials and the end-of-life treatment for large buildings above 5000m<sup>2</sup>.</b></li> <li>- JBCE supports the assessment of the energy consumption as the “operational energy consumption” based on EN 15978 : 2012 (and not EN 15978 : 2011, as wrongly indicated in the Taxonomy draft delegated act). The energy consumption should always remain an important indicator in the EU Level(s) Framework. This framework refers to the buildings performance calculation as embedded in the EPB EN ISO 52000-1 series, based on the Energy Performance of Buildings Directive 2010/31/EU. Moreover, the footnote 516 is referring to the EU Level(s) Framework manual and the EN 15978.</li> </ul>	<ul style="list-style-type: none"> <li>- As long as the lifecycle climate performance does not include the impact of the energy consumption, then the current proposed indicator of “life cycle Global Warming Potential” (kgCO<sub>2</sub>/m<sup>2</sup>/y calculation) will not result in a reduction of the carbon usage throughout the lifecycle.</li> <li>- Moreover, if the CO<sub>2</sub> impact of the energy carrier is not taken into consideration, then “life cycle Global Warming Potential” (kgCO<sub>2</sub>/m<sup>2</sup>/y calculation) will not properly evaluate the real contribution of buildings to climate mitigation in terms of CO<sub>2</sub> emission.</li> </ul>
<p>8.1. Data processing, hosting and related activities</p>	<ul style="list-style-type: none"> <li>- JBCE calls upon the Commission to set a clear definition of “<b>data-centres</b>” <b>within</b> the delegated act.</li> <li>- As the installed cooling systems in datacentres are also eligible under other economic activities, <b>JBCE recommends applying the technical screening criteria found under section 4.16.</b></li> </ul>	<ul style="list-style-type: none"> <li>- Various types of cooling systems are used depending on the size and function of the data centres. The fact that there is no definition of “data-centres” in the draft delegated act and the GWP 10 limit, makes it unfeasible for all-types of cooling systems used in data centres to qualify as a sustainable activity.</li> <li>- Moreover, even the larger datacentres will have difficulties to comply as the required refrigerant will require larger equipment’s (eg heat exchanger) to ensure energy efficiency, which could</li> </ul>

		risk not fitting in the existing technical rooms.
8.2 Data-driven solutions for GHG emissions reductions	- JBCE proposes to modify the technical screening criteria for substantial contribution to climate change mitigation to enable more flexibility and include the direct and the indirect means of achieving the potential GHG emissions reduction.	- The direct (e.g. optimization of equipment operation) and indirect (efficient, streamlined and trustable data for decision-making) means of achieving GHG emissions reduction utilizing data-driven technologies are not comprehensively included. The delegated act supports an incomplete set of the necessary technologies, such as the multiple layers of physical and digital technologies which constitute the steppingstone for emission reduction

*\* (footnote 516) The GWP is communicated as a numeric indicator for each life cycle stage expressed as kgCO<sub>2</sub>e/m<sup>2</sup> (of useful internal floor area) averaged for one year of a reference study period of 50 years. The data selection, scenario definition and calculations are carried out in accordance with EN 15978 (BS EN 15978:2011. Sustainability of construction works. Assessment of environmental performance of buildings. Calculation method).....*

**About JBCE**

Founded in 1999, the Japan Business Council in Europe (JBCE) is a leading European organization representing the interests of about 90 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. For more information: <https://www.jbce.org/> / E-mail: [info@jbce.org](mailto:info@jbce.org)  
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