**29 November 2024**

**DRAFT COMMISSION NOTICE**

**on the interpretation and implementation of certain legal provisions of the EU Taxonomy Environmental Delegated Act, the EU Taxonomy Climate Delegated Act and the EU Taxonomy Disclosures Delegated Act**

*This draft has been approved in principle by the European Commission on 29 November 2024 and its formal adoption in all the official languages of the European Union will take place later on, as soon as the language versions are available.*

In the Action Plan on Financing Sustainable Growth[1] adopted in March 2018 the Commission committed itself to establishing a clear EU classification system – or EU Taxonomy – for sustainable economic activities in order to create a common language for all actors in the financial system. The Regulation on the establishment of a framework to facilitate sustainable investment ('the Taxonomy Regulation')[2] has (i) created a unified EU classification system of environmentally sustainable economic activities and (ii) set transparency requirements for certain non-financial and financial undertakings with respect to those activities.

In June 2021, the Commission adopted the EU Taxonomy Climate Delegated Act[3], which sets out a list of technical screening criteria ('TSC') for certain economic activities considered to be contributing substantially to achieveing the objectives of climate change mitigation and climate change adaptation with no significant harm to any other environmental objective. The EU Taxonomy Climate Delegated Act was published in the Official Journal and has been in force since 1 January 2022. It was amended for the first time on 9 March 2022 by the Taxonomy Complementary Delegated Act[4].

In June 2023, the Commission adopted the EU Taxonomy Environmental Delegated Act[5], which sets out TSC for economic activities that can make a substantial contribution to achieving the other four

[1] Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions of 8 March 2018 'Action Plan: Financing Sustainable Growth', COM(2018) 97 final: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018DC0097.

[2] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020, p.13).

[3] Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (OJ L 442, 9.12.2021, p. 1).

[4] Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (OJ L 188, 15.7.2022, p. 1).

[5] Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending

environmental objectives under the Taxonomy Regulation (sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems, while doing no significant harm to any other environmental objective. Furthermore, amendments to the EU Taxonomy Disclosures Delegated Act[6] took the four non-climate related environmental objectives into consideration in undertakings' disclosures. The Commission also amended the Taxonomy Climate Delegated Act[7] by adding more economic activities for the objectives of climate change mitigation and climate change adaptation.

Following scrutiny by the European Parliament and the Council, the Taxonomy Environmental Delegated Act, the amendments to the Taxonomy Disclosures Delegated Act and to the Taxonomy Climate Delegated Act were published in the Official Journal on 21 November 2023. These came into force on 1 January 2024.

This notice contains technical clarifications responding to frequently asked questions (FAQs) on the TSC set out in the Taxonomy Climate Delegated Act (including the amendments to the Taxonomy Climate Delegated Act) and the Taxonomy Environmental Delegated Act, as well as the disclosure obligations for the non-climate environmental objectives laid down in the amendments to the Taxonomy Disclosures Delegated Act[8].

By focusing on technical questions on the criteria and activities included in the Taxonomy Environmental Delegated Act and additional questions received relating to activities included in the Taxonomy Climate Delegated Act, this Notice complements previous Commission Notices that have been published on the EU Taxonomy and its Delegated Acts so far, namely:

- Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets 2022/C 385/01[9];
- Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (second Commission Notice)[10];
- Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act establishing technical screening criteria for economic

Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (OJ L, 2023/2486, 21.11.2023).

[6] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9).

[7] Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause no significant harm to any of the other environmental objectives (OJ L, 2023/2485, 21.11.2023, p.1).

[8] Further practical guidance with worked examples on how to fill the reporting templates may be included in due course here: https://ec.europa.eu/sustainable-finance-taxonomy/.

[9] Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets 2022/C 385/01, C/2022/6937 (OJ C 385, 6.10.2022, p. 1): https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022XC1006(01)

[10] Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (second Commission Notice), C/2023/6747 (OJ C, C/2023/305, 20.10.2023): https://eur-lex.europa.eu/eli/C/2023/305/oj.

activities that contribute substantially to climate change mitigation or climate change adaptation and do no significant harm to other environmental objective[11];

- Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation 2023/C 211/01[12];
- Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (third Commission Notice)[13].

The purpose of this notice is to facilitate the effective application of these acts. It does not address the many questions and proposals regarding the reasoning and evidence for the choice of criteria. On these issues, the Commission points out that the impact assessment accompanying the Taxonomy Climate Delegated Act[14], as well as the staff working document[15] that accompanied the Taxonomy Environmental Delegated Act and the amendments to the Taxonomy Climate Delegated Act contains further explanations on the development of this act, notably on the reasoning and the balance between the requirements of the Taxonomy Regulation for setting the TSC.

The Commission may update these FAQs as appropriate.

The aim of this notice is to help stakeholders comply with the regulatory requirements in a cost-effective way and to ensure that the reported information is comparable and useful in scaling up sustainable finance.

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[11] Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act establishing technical screening criteria for economic activities that contribute substantially to climate change mitigation or climate change adaptation and do no significant harm to other environmental objective, C/2023/6756 (OJ C, C/2023/267, 20.10.2023) : https://eur-lex.europa.eu/eli/C/2023/267/oj.

[12] Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation 2023/C 211/01, C/2023/3719 (OJ C 211, 16.6.2023, p. 1) : https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOC_2023_211_R_0001.

[13] Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (third Commission Notice), C/2024/7494 (OJ C, C/2024/6691, 8.11.2024): https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:C_202406691.

[14] Commission Staff Working Document, Document of 4 June 2021, *'Impact assessment report accompanying the document Commission Delegated Regulation (EU) .../... supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives'*, SWD(2021) 152 final: https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-impact-assessment_en.pdf.

[15] Commission Staff Working Document, of 27 June 2023, *'Accompanying the document COMMISSION DELEGATED REGULATION (EU) .../... supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities and the COMMISSION DELEGATED REGULATION (EU) .../... amending Delegated Regulation (EU) 2021/2139 by establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause no significant harm to any of the other environmental objectives'*, SWD (2023) 0239 final: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52023SC0239.

A priority is to make the Taxonomy framework easier to use for undertakings, both financial and non-financial. As set out in the Communication 'A sustainable finance framework that works on the ground' included in the June 2023 sustainable finance package[16] and as recommended in the Eurogroup statement of March 2024[17], the Commission aims to facilitate reporting and reduce costs for undertakingsby:

- intensifying efforts to support users of the Taxonomy with the interpretation of and compliance with the TSC set out in the Taxonomy Delegated Acts and to explore digital solutions for reporting;
- working on possible adjustments to improve the usability of certain TSC (including DNSH criteria);
- providing tailor-made support through the Technical Support Instrument[18] to competent national authorities, including on the implementation of the Taxonomy TSC and the reduction of regulatory burden.

The replies to the FAQs in this Notice clarify existing provisions in the applicable legislation. They in no way extend the rights and obligations deriving from such legislation, nor do they introduce any additional requirements for undertakings concerned or competent authorities. The FAQs are merely intended to assist financial and non-financial undertakings in implementing the relevant legal provisions. Only the Court of Justice of the European Union is competent to interpret EU law authoritatively. The views expressed in this Notice cannot prejudge the position that any Commission might take before the EU and national courts.

[16]Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 13 June 2023, '*A sustainable finance framework that works on the ground*', SWD (2023) 209 final: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023DC0317.

[17]Statement of the Eurogroup in inclusive format on the future of Capital Markets Union, 11 March 2024. https://www.consilium.europa.eu/en/meetings/eurogroup/2024/03/11/.

[18] Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument.

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**RELEVANT TERMS AND LIST OF APPLICABLE LEGISLATION**

| Term/ instrument | Explanation/ reference |
|---|---|
| Accounting Directive | Directive 2013/34/EU[19] |
| ARC | Airworthiness Review Certificate |
| BAT | Best Available Techniques |
| BREF | Best Available Techniques Reference Document |
| B2B | Business-to-business |
| CapEx | Capital expenditure |
| CapEx KPI | Key performance indicator related to capital expenditure referred to in Section 1.1.2. of Annex I to the Taxonomy Disclosures Delegated Act |
| Commission Communication C(2024) 1995 | Communication from the Commission, Guiding criteria and principles for the essential use concept in EU legislation dealing with chemicals[20] |
| Regulation (EU) 2023/1464 | Commission Regulation (EU) 2023/1464 as regards formaldehyde and formaldehyde releasers[21] |
| CJEU | Court of Justice of the European Union |
| CLP Regulation | Classification, labelling and packaging of substances and mixtures Regulation[22] |
| C&L inventory | Classification and labelling inventory of the European Chemicals Agency[23] |
| CofA | Certificate of Airworthiness |
| CORSIA | Carbon Offsetting and Reduction Scheme for International Aviation |
| CPR | Construction Products Regulation[24] |
| CRVA | Climate Risk and Vulnerability Assessment |
| CSDDD | Corporate Sustainability Due Diligence Directive[25] |
| CSRD | Corporate Sustainability Reporting Directive[26] |
| Directive 2004/35/CE | Directive 2004/35/CE on environmental liability with regard to the prevention and remedying of environmental damage[27] |

[19] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

[20] Communication from the Commission of 22 April 2024, *'Guiding criteria and principles for the essential use concept in EU legislation dealing with chemicals'*, C(2024) 1995 final, https://environment.ec.europa.eu/document/download/fb27e67a-c275-4c47-b570-b3c07f0135e0_en?filename=C_2024_1995_F1_COMMUNICATION_FROM_COMMISSION_EN_V4_P1_3329609.PDF.

[21] Commission Regulation (EU) 2023/1464 of 14 July 2023 amending Annex XVII to Regulation (EC) No 1907/2006 of the European Parliament and of the Council as regards formaldehyde and formaldehyde releasers (OJ L 180, 17.7.2023, p. 12).

[22] Regulation (EC) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures, amending and repealing Directives 67/548/EEC and 1999/45/EC, and amending Regulation (EC) No 1907/2006. (OJ L 353, 31.12.2008, p. 1).

[23] https://echa.europa.eu/information-on-chemicals/cl-inventory-database.

[24] Regulation (EU) No 305/2011 of the European Parliament and of the Council of 9 March 2011 laying down harmonised conditions for the marketing of construction products and repealing Council Directive 89/106/EEC (OJ L 88, 4.4.2011, p. 5).

[25] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (OJ L, 2024/1760, 5.7.2024).

[26] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15).

[27] Directive 2004/35/CE of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage. (OJ L 143, 30.4.2004, p. 56).

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| Directive 2009/125/EC | Directive 2009/125/EC establishing a framework for the setting of ecodesign requirements for energy-related products[28] |
| Directive 2016/797 | Directive (EU) 2016/797 on the interoperability of the rail system within the European Union[29] |
| Disclosures Delegated Act | Commission Delegated Regulation (EU) 2021/2178[30] |
| DNSH | Do no significant harm |
| DWT | Deadweight tonnage |
| EAF | Electric arc furnaces |
| ECHA | European Chemicals Agency |
| EEDI | Energy efficiency design |
| EEXI | Energy Efficiency Existing Ship Index |
| EIA | Environmental impact assessment |
| EIA Directive | Directive 2011/92/EU [31] |
| Enabling activities | Economic activities referred to in Article 16 of the Taxonomy Regulation |
| 2018 Energy performance in buildings Directive (EPBD) | Directive (EU) 2018/844[32] |
| 2024 Energy performance in buildings Directive (EPBD) | Directive (EU) 2024/1275[33] |
| EPC | Energy performance certificate |
| EPREL | European Product Registry for Energy Labelling. |
| ERS | Electric road systems |
| ESDAC | European Soil Data Centre |
| ESRS | European sustainability reporting standards as laid down by Commission Delegated Regulation (EU) 2023/2772[34] |
| EU ETS | EU Emissions Trading System |
| EU Taxonomy | A unified EU classification system of environmentally sustainable economic activities established by the Taxonomy Regulationand its delegated acts[35] |

[28] Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products. (OJ L 285, 31.10.2009, p. 10).
[29] Directive (EU) 2016/797 of the European Parliament and of the Council of 11 May 2016 on the interoperability of the rail system within the European Union. (OJ L 138, 26.5.2016, p. 44).
[30] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation. (OJ L 443, 10.12.2021, p. 9).
[31] Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (OJ L 26, 28.1.2012, p. 1).
[32] Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency (OJ L 156, 19.6.2018, p. 75).
[33] Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings (recast). (OJ L, 2024/1275, 8.5.2024).
[34] Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (OJ L 2023/2772, 22.12.2023).
[35] Delegated Regulation (EU) 2021/2139, as amended by Delegated Regulations (EU) 2022/1214 and (EU) 2023/2485 (the Taxonomy Climate Delegated Act): Delegated Regulation (EU) 2023/2486 of 27 June 2023 (the

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| Generic DNSH criteria for the protection and restoration of biodiversity and ecosystems | The generic DNSH criteria included in Appendix D of Annexes I and II to the Taxonomy Climate Delegated Act and Appendix D of Annexes I, II and III to the Taxonomy Environmental Delegated Act |
| Generic DNSH criteria for climate change adaptation | The generic DNSH criteria included in Appendix A of Annex I to the Taxonomy Climate Delegated Act and Appendix A of Annex I, II, III and IV to the Taxonomy Environmental Delegated Act |
| GHG emissions | Greenhouse gas emissions |
| GRR | Global replacement ratio |
| Habitats Directive | Council Directive 92/43/EEC[36] |
| HVAC | Heating, ventilation, and air conditioning |
| IAEA | International Atomic Energy Agency |
| ICAO | International Civil Aviation Organization |
| IED | Industrial Emissions Directive[37] |
| Innovation Fund | Commission Delegated Regulation (EU) 2019/856[38] |
| IUCN | International Union for Conservation of Nature and Natural Resources |
| Key performance indicators (KPIs) | Key performance indicators used by undertakings and referred to in the relevant annex to the Taxonomy Disclosures Delegated Act |
| LCA | Lifecycle assessment |
| Modernisation Fund | Commission Implementing Regulation (EU) 2020/1001[39] |
| NACE | Statistical classification of economic activities in the European Community (Nomenclature statistique des Activités économiques dans la Communauté Européenne) |
| NFRD | Non-financial Reporting Directive[40] |
| NZEB | Nearly Zero-Energy Building |
| OEM | Original equipment manufacturer |
| OpEx | Operational expenditure |
| OpEx KPI | The key performance indicator for operational expenditure referred to in Section 1.1.3. of Annex I to the Taxonomy Disclosures Delegated Act |
| PED | Primary energy demand |
| POP Regulation | Persistent Organic Pollutants Regulation [41] |
| RAC | Committee for Risk Assessment of the European Chemicals Agency |

Taxonomy Environmental Delegated Act); Delegated Regulation (EU) 2021/2178 of 6 July 2021 as amended (the Taxonomy Disclosures Delegated Act).

[36] Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, OJ L 206, 22.7.1992, p. 7.

[37] Directive 2010/75/EU of the European Parliament and Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control), OJ L 334, 17.12.2010, p. 17.

[38] Commission Delegated Regulation (EU) 2019/856 of 26 February 2019 supplementing Directive 2003/87/EC of the European Parliament and of the Council with regard to the operation of the Innovation Fund (OJ L 140, 28.5.2019, p. 6).

[39] Commission Implementing Regulation (EU) 2020/1001 of 9 July 2020 laying down detailed rules for the application of Directive 2003/87/EC of the European Parliament and of the Council as regards the operation of the Modernisation Fund supporting investments to modernise the energy systems and to improve energy efficiency of certain Member States (OJ L 221, 10.7.2020, p. 107).

[40] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ L 330, 15.11.2014, p. 1).

[41] Regulation (EU) 2019/1021 of the European Parliament and of the Council of 20 June 2019 on persistent organic pollutants (recast) (OJ L 169, 25.6.2019, p. 45).

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| REACH Regulation | Regulation (EC) No 1907/2006[42] |
| ReFuelEU Aviation Regulation | Regulation (EU) 2023/2405[43] |
| Renewable Energy Directive | Directive (EU) 2023/2413[44] |
| RO | Reverse osmosis |
| RoHS Directive | Directive 2011/65/EU[45] |
| RRF | Recovery and Resilience Facility[46] |
| SAF | Sustainable aviation fuels |
| SEAC | Socio-economic Assessment Committe of the European Chemicals Agency |
| SFDR | Sustainable Finance Disclosure Regulation[47] |
| Social Climate Fund | Regulation (EU) 2023/955[48] |
| Taxonomy Climate Delegated Act | Commission Delegated Regulation (EU) 2021/2139[49] |
| Taxonomy Complementary Climate Delegated Act | Commission Delegated Regulation (EU) 2022/1214[50] |
| Taxonomy Environmental Delegated Act | Commission Delegated Regulation (EU) 2023/2486[51] |

[42] Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC.

[43] Regulation (EU) 2023/2405 of the European Parliament and of the Council of 18 October 2023 on ensuring a level playing field for sustainable air transport (ReFuelEU Aviation) (OJ L, 2023/2405, 31.10.2023).

[44] Directive (EU) 2023/2413 of the European Parliament and of the Council of 18 October 2023 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the promotion of energy from renewable sources, and repealing Council Directive (EU) 2015/652 (OJ L, 2023/2413, 31.10.2023).

[45] Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment (recast) (OJ L 174, 1.7.2011, p. 88).

[46] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

[47] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

[48] Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060 (OJ L 130, 16.5.2023, p. 1).

[49] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation. (OJ L 443, 10.12.2021, p. 9).

[50] Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (OJ L 188, 15.7.2022, p. 1).

[51] Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (OJ L, 2023/2486, 21.11.2023).

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| Taxonomy-aligned economic activity | An economic activity as defined in Article 1(2) of the Taxonomy Disclosures Delegated Act |
| Taxonomy-eligible economic activity | An economic activity as defined in Article 1(5) of the Taxonomy Disclosures Delegated Act |
| Taxonomy-non-eligible economic activity | An economic activity as defined in Article 1 (6) of the Taxonomy Disclosures Delegated Act |
| Taxonomy Regulation | Regulation (EU) 2020/852[52] |
| Technical screening criteria (TSC) | Technical screening criteria set out in the Taxonomy Climate Delegated Act and the Taxonomy Environmental Delegated Act |
| (Draft) Third Commission Notice | (Draft) Commission Notice on the interpretation and implementation of certain legal provisions of the Taxonomy Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets[53] |
| Turnover KPI | The key performance indicator for turnover referred to in Section 1.1.1. of Annex I to the Taxonomy Disclosures Delegated Act |
| Waste Framework Directive | Directive 2008/98/EC[54] |
| Water Framework Directive | Directive 2000/60/EC[55] |
| WEEE Directive | Directive 2012/19/EU[56] |

[52] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p.13).

[53] https://ec.europa.eu/finance/docs/law/231221-draft-commission-notice-eu-taxonomy-reporting-financials_en.pdf.

[54] Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (OJ L 312, 22.11.2008, p. 3).

[55] Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy. (OJ L 327, 22.12.2000, p. 1).

[56] Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment (WEEE) (OJ L 197, 24.7.2012, p. 38).

## SECTION I – GENERAL QUESTIONS

### 1. How should Article 18 of the Taxonomy Regulation (minimum safeguards) be interpreted in the light of the June 2023 update to the OECD Guidelines for Multinational Enterprises?

Under Article 18(1) of the Taxonomy Regulation, undertakings whose economic activities are to be considered Taxonomy-aligned must have implemented procedures to ensure alignment with the standards for responsible business conduct set out in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Unless otherwise indicated, the generic references to the OECD Guidelines and the UN Guiding Principles contained in Article 18 of the Taxonomy Regulation are dynamic, which means that when those acts are amended, the reference is understood to be to the amended version of those acts. For companies falling within the scope of the Corporate Sustainability Due Diligence Directive (CSDDD) after the date of its application and for any other companies voluntarily complying with its provisions, full compliance with the CSDDD should normally constitute compliance with the OECD Guidelines for Multinational Enterprises or the UN Guiding Principles.

For further guidance on the application of minimum safeguards under the EU Taxonomy Regulation, please refer to the Commission Notice on the interpretation and implementation of certain legal provisions in the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation (SFDR)[57].

### 2. What is the relationship between the DNSH criteria in the EU Taxonomy and the way the DNSH principle is applied in the context of public funds, such as the Recovery and Resilience Facility[58] and InvestEU[59]?

The DNSH principle plays a different role in relation to the EU Taxonomy and other public funding instruments, such as the Recovery and Resilience Facility (RRF) or InvestEU.

The EU Taxonomy is a transparency tool for private finance that establishes a classification of environmentally sustainable activities with a view to promoting environmentally sustainable investments. Under Article 3 of the Taxonomy Regulation, to be considered 'environmentally sustainable', economic activities must:

- 'substantially contribute' to one of the six environmental objectives;
- 'do no significant harm' (DNSH) to any of the other environmental objectives;
- be carried out in compliance with the minimum safeguards set out in Article 18 of the Taxonomy Regulation; and
- comply with technical screening criteria.

The general requirements relating to DNSH under the Taxonomy Regulation are set out in Article 17. The specific DNSH criteria for each economic activity are specified in the Taxonomy Delegated Acts.

At the same time, the DNSH principle applies to an increasing number of public funds targeting the European Economic Area, including the Recovery and Resilience Facility, the Modernisation Fund, the

[57] OJ C 211, 16.6.2023, p. 1.
[58] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, p. 17.
[59] Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017, OJ L 107, 26.3.2021, p. 30.

Innovation Fund and the Social Climate Fund. While the DNSH criteria laid down in the Taxonomy Delegated Acts represent a useful reference for operationalising the DNSH principle, the way the DNSH principle is implemented in different EU public funding instruments is governed by the specific legislation setting up those instruments and not the EU Taxonomy Regulation. In addition, EU funds finance a broader range of activities pursuing several policy objectives that are not limited to environmental sustainability (e.g. cohesion, digitalisation, modernisation and social justice). The point of the DNSH principle in that context is to ensure that EU funds are not granted to activities with a significant negative environmental impact or that hamper the achievement of the EU's environmental objectives.

This Commission Notice does not relate to the DNSH principle applicable to public funds. EU funds and state aid rules define themselves to what extent the DNSH principle applies.

**3. How should the Taxonomy Climate Delegated Act and the Taxonomy Environmental Delegated Act be interpreted when the TSC refer to specific requirements set out in EU environmental law but do not refer to exemptions from those requirements that are otherwise allowed in EU environmental law?**

References to specific requirements in EU environmental law should be assessed on a case-by-case basis, considering in particular:

- whether the TSC refer to a specific provision containing the exemption; and
- whether exemptions are explicitly allowed or excluded.

When the TSC are worded in a way that allows the use of exemptions, these exemptions are applicable. When the wording does not allow the use of exemptions, those exemptions are not applicable.

**4. The descriptions of services activities (Section 5 of Annex II to the Taxonomy Environmental Delegated Act) state that 'The economic activity relates to products that are manufactured by economic activities classified under the NACE codes (…)'. How should this reference be interpreted?**

Recital 6 of the Taxonomy Climate Delegated Act clarifies that the references to NACE codes should be understood as indicative and that they should not prevail over the specific definition of the activity provided in the description.

In addition, the Commission Notice 2022/C 385/01 clarified in its reply to FAQ 6 that the NACE codes can help identify Taxonomy-eligible activities, but that only the specific activity description in the Taxonomy Climate Delegated Act sets out the exact scope of the activities included in the Act. The NACE codes referred to at the end of the activity description (formulated as follows: 'The economic activities in this category could be associated with...') have an indicative role.

In the case of the activities in the services sector (Sections 5.1 to 5.6 of Annex II to the Taxonomy Environmental Delegated Act), the references to NACE codes are included in the specific description of the activity. In this particular case, those services relate to products manufactured by economic activities classified under specific NACE codes. Those references to NACE codes are not merely indicative because they define the specific categories of products to which the services activities relate[60]. In this specific case, the references to NACE codes define the scope of the Taxonomy-eligible activity.

[60] For example, in Section 5.2. of Annex II to the Taxonomy Environmental Delegated Act, the activity description with respect to the products covered by the activity states that 'the economic activity relates to spare parts that are used in products manufactured by economic activities classified under the NACE codes C26 Manufacture of

**5. Are the DNSH criteria set out in the Taxonomy Delegated Acts more detailed than the requirements of the European Standards for Sustainability Reporting (ESRS)? Can the ESRS disclosures (e.g. according to ESRS E3 or ESRS E4) be used to show compliance with the DNSH criteria?**

Compliance with the DNSH criteria set out in the Taxonomy Delegated Acts is a separate issue from the thematic reporting requirements stemming from the ESRS.

Reporting requirements in accordance with the ESRS thematic standards are intended to ensure transparency regarding the undertaking's impacts on sustainability matters, and regarding how sustainability matters affect the undertaking's development, performance and position. The ESRS set out reporting methodologies, but do not set any specific performance thresholds.

By contrast, the EU Taxonomy establishes a classification of environmentally sustainable activities. These must, under the Taxonomy Regulation, 'substantially contribute' to one of the six environmental objectives while 'doing no significant harm' to any of the other environmental objectives. The DNSH criteria for each activity are laid down in the Taxonomy Delegated Acts, which set out specific quantitative or qualitative thresholds with which undertakings need to comply in order to demonstrate the Taxonomy-alignment of that activity. The rationale behind this approach is to provide information and transparency about the environmental performance of Taxonomy-aligned economic activities.

A mere reference to ESRS disclosures is therefore not sufficient to demonstrate compliance with the DNSH criteria. However, the data used in ESRS reporting will in many cases be useful for the assessment of compliance with the DNSH criteria (and also with the substantial contribution criteria).

**6. How can operators conduct a comparative life-cycle GHG emission assessment in the context of the EU Taxonomy?**

The substantial contribution criteria for several manufacturing and energy activities included in the EU Taxonomy Climate Delegated Act[61] require operators to conduct a comparative life-cycle GHG emission assessment.

The system boundary and reference scenario(s) for conducting the analysis and comparison should be defined (and sufficiently justified). Reference scenario(s) should refer to representative situation(s), product(s), process(es) and/or location(s) where the studied technology (and the best performing alternative available in the market) are supposed to be operating. Reference scenario(s) may also be based on averaging results from possible alternative scenarios. Potential variability of results for certain key assumptions should be investigated and assessed through sensitivity analysis.

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computer, electronic and optical products, C27 Manufacture of electrical equipment, C28.22 Manufacture of lifting and handling equipment, C28.23 Manufacture of office machinery and equipment (except computers and peripheral equipment), C28.24 Manufacture of power-driven hand tools and C31 Manufacture of furniture.' Those NACE codes refer to the products covered by the activity and not to the activity itself. By contrast, the last sentence of the same activity description provides that 'the economic activities in this category could be associated with several NACE codes, in particular G46 and G47'. Those NACE codes relate to the economic activity (in this case sale).

[61] For example, Section 3.6. 'Manufacture of other low carbon technologies', Section 3.13. 'Manufacture of chlorine', Section 3.14. 'Manufacture of organic basic chemicals', Section 4.5. 'Electricity generation for hydropower', Section 4.6. 'Electricity generation from geothermal energy' or Section 4.7. 'Electricity generation from renewable non-fossil gaseous and liquid fuels'.

**7. What should be the frequency of third-party verification? Should third-party verification be carried out every year, particularly in case where the technical screening criteria require third-party verification of life cycle GHG emissions?**

A distinction should be drawnbetween the third-party assurance of Taxonomy disclosures (in the context of CSRD requirements on assurance) and the verification of compliance with specific requirements set out in the technical screening criteria for certain activities. The Taxonomy disclosures are subject to an annual assurance exercise in accordance with the rules on assurance of sustainability reporting under the Corporate Sustainability Reporting Directive.

For the third-party verification of compliance with specific criteria prescribed in the Taxonomy delegated acts the TSC prescribe a specific frequency of verification for certain activities.

For example, for forestry activities or for 'Restoration of Wetlands' (set out in Sections 1.1-1.4 and 2.1 of Annex I to the Taxonomy Climate Delegated Act), the TSC require a verification within two years after the beginning of the activity and every 10 years thereafter. For 'Data processing, hosting and related activitiy' (Section 8.1 of Annex I to the Taxonomy Climate Delegated Act), verification is required at least every three years. For 'Hotels, holiday, camping grounds and similar accommodation' (Section 2.1. of Annex IV to the Taxonomy Environmental Delegated Act), verification is required every five years thereafter. For energy activities relating to the use of fossil gaseous fuel in Sections 4.29., 4,30. and 4.31. of Annex I to the Taxonomy Climate Delegated Act, the TSC of point 1(b) of the section on 'substantial contribution to climate change mitigation' require annual verification.

For activities where third-party verification is prescribed without setting out a specific frequency, that verification should take place on a regular basis, but not necessarily every year. A new third-party verification should in any case take place whenever there are material changes to the information that is subject to verification. In particular, as regards the quantification of life-cycle GHG emissions, the reporting undertaking should update a life-cycle assessment when material changes occur in the GHG emissions inventory (including, but not limited to changes in the product's boundary, material and energy flows, quality of data and allocation or recycling methods) and accompany such updated life-cycle assessments with independent third-party verification.

**8. Would an accredited in-house laboratory qualify as an independent third party for the purpose of third-party verification?**

An in-house laboratory cannot be regarded as an independent third party for the purpose of third-party verification, because it is part of the undertaking's own entity and is therefore neither independent nor a third party with respect to the required verification. An entity performing third-party verification should not be the same as the entity that provided the service of quantifying the life-cycle GHG emissions to a reporting entity.

**9. Should a company perform an assessment of compliance with the TSC each year for the purposes of reporting? For instance, can a company rely on prior year audited assessment of Taxonomy-alignment for the same economic activity?**

The assessment of Taxonomy-alignment of economic activities should be performed annually for the purposes of reporting.
As stated in FAQ 36 of the third Commission Notice C/2024/7494 undertakings can re-use valid documentary evidence (including from previous reporting years) in their assessment of their economic activities' Taxonomy-alignment.

In that spirit, if internal monitoring and compliance systems indicate that there has been no material change in the environmental impacts from the economic activities (e.g. stemming from changes in the production process, sourcing of materials and energy, or the geographic location of the activity) and if there is no change in the legal requirements applicable to that activity that would affect the outcome of the assessment of Taxonomy-alignment of that activity, the reporting undertaking could rely on the assessment of Taxonomy-alignment of that activity from the previous year(s).

## SECTION II - QUESTIONS RELATED TO THE OBJECTIVE OF CLIMATE CHANGE MITIGATION (ANNEX I TO THE TAXONOMY CLIMATE DELEGATED ACT)

### *Manufacturing*

### Section 3.5. 'Manufacture of energy efficiency equipment for buildings' in Annex I to the Taxonomy Climate Delegated Act

**10. Do components (e.g., compressors or heat exchangers) fall within the scope of Section 3.5. 'Manufacture of energy efficiency equipment' if they are indispensable to and make a substantial contribution to the operation of energy efficiency equipment?**

The substantial contribution criterion in Section 3.5. of Annex I to the Taxonomy Climate Delegated Act lists the products and their key components that can contribute substantially under this activity. "Key components" are to be understood as components of the listed products whose properties are critical to ensuring the overall performance of these products with respect to their contribution to climate change mitigation. Heat pumps and district heating exchangers are specifically mentioned. Compressors that qualify as key components are also covered under this activity if they meet the TSC.

### Section 3.9. 'Manufacture of iron and steel' in Annex I to the Taxonomy Climate Delegated Act

**11. What is the scope of Section 3.9. 'Manufacture of iron and steel'? For example, is manufacturing of seamless steel tubes covered under this activity given that there are no specific criteria for that process step? Is manufacturing of speciality alloys covered under this activity?**

The substantial contribution criterion in point (b) refers to 'electric arc furnaces (EAF) carbon steel or EAF high alloy steel, as defined in Commission Delegated Regulation (EU) 2019/331'. In addition, point (a) sets out numerical thresholds for various process steps by reference to product benchmarks in the Annex to the Implementing Regulation (EU) 2021/447. That latterAnnex states that 'For the purposes of this Annex, the definitions of products covered and of processes and emissions covered (system boundaries) set out in Annex I to Delegated Regulation (EU) 2019/331 shall apply.'

The economic activities under Section 3.9. of Annex I to the Taxonomy Climate Delegated Act therefore cover the manufacturing of corresponding products and of processes (system boundaries) set out in Annex I to Delegated Regulation (EU) 2019/331. Given that manufacturing of seamless steel tubes or specialty alloys is not covered by Annex I to Delegated Regulation (EU) 2019/331, those activities are not covered under Section 3.9.

Nevertheless if (i) the reporting undertaking produces (EAF) carbon steel or EAF high alloy steel (as defined in Commission Delegated Regulation (EU) 2019/331) as intermediate products and (ii) those are used in the production of final product (e.g. seamless steel tubes) , then the intermediate activity could be reported under point (b) of section 1.2.3.1. of Annex I to the Taxonomy Disclosures Delegated Act related to the activities 'pursued for non-financial undertakings' own internal consumption'.

FAQs 21 and 29 of the Commission notice of 20 October 2023 are also relevant for Taxonomy disclosure of undertakings that derive turnover from products that are not Taxonomy-eligible while using the output of their upstream production processes resulting from economic activities that are Taxonomy-eligible.

## Section 3.10. 'Manufacture of hydrogen' in Annex I to the Taxonomy Climate Delegated Act

**12. Does the life cycle GHG emission requirement to which reference is made in the substantial contribution criteria in Section 3.10. 'Manufacture of hydrogen' cover only hydrogen as a fuel value chain or also other end-uses? If other end-uses are covered but are not subject to the Renewable Energy Directive that the substantial contribution criteria of this activity currently refer to, how should the life-cycle GHG emissions for other end-uses be assessed?**

The provisions of the Renewable Energy Directive, of Commission Delegated Regulation (EU) 2023/1185 and of the upcoming delegated act on low-carbon fuels target the use of hydrogen as fuel. However, the criteria set out in Section 3.10. can also be applied when hydrogen is used as a chemical feedstock. Section 3.10. clearly references a threshold[62], which can be used as a reference independently from the end-use of the molecule.

Section 3.10. refers to the methodology specified in the delegated acts adopted under the Renewable Energy Directive and the ISO methodology as equally valid options. To ensure consistency and coherence in reporting, preference should be given to the methodology specified in the delegated acts under the Renewable Energy Directive.

## Section 3.12. 'Manufacture of soda ash' in Annex I to the Taxonomy Climate Delegated Act

**13. For Section 3.12. 'Manufacture of soda ash', should a manufacturer of soda ash which also manufactures sodium bicarbonate (which is processed soda ash) assign some part of itsturnover, CapEx or OpEx to sodium bicarbonate and include it in the KPIs reported for Section 3.12.?**

Section 3.12. covers the manufacture of disodium carbonate (soda ash, sodium carbonate, carbonic acid and disodium salt). Manufacture of sodium bicarbonate is not included in the activity description and should be therefore counted as Taxonomy non-eligible. Nevertheless, the production of soda ash could be reported under point (b) of Section 1.2.3.1. of Annex I to the Taxonomy Disclosures Delegated Act related to the activities 'pursued for non-financial undertakings' own internal consumption'. FAQ 21 and 29 of the Commission notice of 20 October 2023 are also relevant for Taxonomy disclosure of

[62] Life-cycle GHG emissions savings requirement of 73,4 % for hydrogen [resulting in life-cycle GHG emissions lower than 3tCO2e/tH2] and 70 % for hydrogen-based synthetic fuels relative to a fossil fuel comparator of 94 g CO2e/MJ in analogy to the approach set out in Article 25(2) of and Annex V to Directive (EU) 2018/2001.

undertakings that derive turnover from products that are not Taxonomy-eligible while using the output of their upstream production processes resulting from economic activities that are Taxonomy-eligible.

**14. For Section 3.12. 'Manufacture of soda ash', in cases where soda ash and other products (e.g. sodium bicarbonate and calcium chloride) are manufactured in the same plant, how should the operator assign the CapEx and OpEx to each of these products?**

Reporting undertakings should implement a system to objectively assign the expenditures allocated to the production of each individual commodity. Reporting undertakings should use a non-financial metric that provides for an accurate allocation of the CapEx to a Taxonomy-aligned activity (see reply to FAQ 30 of Commission Notice C/2023/305). If a single machine/asset is used to produce two or more Taxonomy-eligible products, then the company cannot count the expenditure on that machine/asset more than once.

**15. Should capital expenditure on projects increasing the energy efficiency of the soda production process be allocated to Section 3.12. 'Manufacture of soda ash' or should it be separated and allocated to Section 7.3. 'Installation, maintenance and repair of energy efficiency equipment'?**

CapEx aimed at increasing the energy efficiency of the manufacturing process itself (i.e. where it is intended to make the manufacturing process such as the process for soda ash, comply with the TSC), should be reported under the corresponding manufacturing activity: Section 3.12. 'Manufacture of soda ash'. However, CapEx aimed at increasing the energy efficiency of buildings should be reported under Section 7.3. 'Installation, Maintenance and Repair of Energy Efficiency Equipment'. No double-counting is allowed.

## Section 3.17. 'Manufacture of plastics in primary form' in Annex I to the Taxonomy Climate Delegated Act

**16. The substantial contribution criteria in Section 3.17. 'Manufacture of plastics in primary form' refer in point (a) to 'the plastic in primary form is fully manufactured by mechanical recycling of plastic waste'. What does 'fully manufactured' plastic mean here?**

The term 'fully manufactured' here means that the plastic is manufactured 100% from mechanically recycled plastic waste.

## Section 3.18. 'Manufacture of automotive and mobility components' in Annex I to the Taxonomy Climate Delegated Act

**17. In order to be Taxonomy-eligible under Section 3.18. 'Manufacture of automotive and mobility components', does an automotive component need to be an essential part in delivering and improving the environmental performance of a zero-emission vehicle – or does it just need to be part of a zero-emission vehicle without playing an essential role in the improvement of the environmental performance?**

Not all components of a zero-emission vehicle are automatically included in Section 3.18. only those that are essential parts necessary for the environmental performance of the zero-emission vehicle.

Recital 9 to the Amendments to the EU Taxonomy Climate Delegated Act provides further guidance in relation to this question. It lists for indicative purposes, components that may be considered as enabling.

Recital 9 states that 'Technical screening criteria for components which are decisive for environmental performance should be included. For vehicles, that includes, in particular, controllers, transformers, electric motors, charge ports and chargers, DC/DC converters, power inverters, alternators, controller units, regenerative braking systems, brakes with drag reduction technologies, thermal management systems, transmission system, hydrogen storing and fuelling systems, electronics when necessary for the operations of the powertrains, drivetrains, 'best-in-class' suspension systems leading to energy efficiency improvements, any auxiliaries when these are necessary for low-carbon vehicles and when these are substantially more energy efficient than alternatives, active aero features on low-carbon vehicles reducing air drag, and trailers that incorporate energy savings technologies such as a combination of regenerative braking or aerodynamic improvements. For rail, that includes, in particular, rail constituents as set out in Annex I to Directive (EU) 2016/797 of the European Parliament and of the Council (5).'

## Section 3.20. 'Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that results in or enables a substantial contribution to climate change mitigation' in Annex I to the Taxonomy Climate Delegated Act

**18. How can operators show compliance with substantial criterion in point 2 (a) of Section 3.20. 'Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation' , whichrefers to 'infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 g CO2e/kWh measured on a life cycle basis.'?**

This criterion mirrorsg the criterion in Section 4.9. of Annex I to the Taxonomy Climate Delegated Act of 'Transmission and distribution of electricity'. The output (products and services) of activity in Section 3.20. is purchased by undertakings engaged inconstructing and operating electricity grids (i.e. activity in Section 4.9.) and included in the Taxonomy assessment of expenditures (CapEx or OpEx) of those undertakings. The activity in Section 3.20. enables the activity in Section 4.9. 'Transmission and distribution of electricity' and cannot therefore cover an activity that is explicitly excluded by the TSC under activity in Section 4.9.

A reporting undertaking engaged in the activity under Section 3.20. should carry out its due diligence assessment with those of its clients that engage in the activity under Section 4.9. in order to ascertain whether or not its clients are using the output of activity under Section 3.20 to create a direct connection or expand an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO2e/kWh (measured on a life cycle basis).

**19. The substantial contribution criterion in point (b) of Section 3.20. 'Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation' refers to 'transmission and distribution current-carrying wiring devices and non-current-carrying wiring devices for wiring electrical circuits'. Does this include low-voltage wiring devices, busbars, switches and sockets?**

Low-voltage electrical products (including busbars, switches and sockets) are covered under point (c) of the substantial contribution criteria and not under point (b).

**20. The substantial contribution criteria of Section 3.20. 'Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation' refer to 'connectable' devices? Does this cover devices that can be connected for information routed to a higher control/monitoring/management system?**

The term 'connectable' has to be understood as covering devices that can be remotely controllable and/or transfer information to a control system.

**21. The substantial contribution criterion in point 1 (c) (i) of Section 3.20. 'Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation' mentions circuit breakers but does not mention other low voltage protection devices explicitly (e.g. fuses, which have a similar function than circuit breakers). Are these products also considered in Section 3.20.?**

Fuses are not listed and are therefore not eligible under this activity.

**22. What is meant by 'control centres', asmentioned in the substantial contribution criterion in point 1 (c) (i) of Section 3.20. 'Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation'? Is it restricted to automated control centres for electrical load management and their core components?**

It concerns 'control centres' that increase the controllability of the electricity system and contribute to increasing the proportion of renewable energy or improve energy efficiency.

## *Energy*

### Section 4.1. 'Electricity generation using solar photovoltaic technology' in Annex I to the Taxonomy Climate Delegated Act

**23. Are economic activities involving only early stages of renewable energy projects before actual 'construction' eligible under Section 4.1. 'Electricity generation using solar photovoltaic technology'?**

Section 4.1. of Annex I to the Taxonomy Climate Delegated Act covers 'Construction or operation of electricity generation facilities that produce electricity using solar photovoltaic (PV) technology'. Therefore, only the activities of constructing or operating electricity generation facilities using PV technology should be considered Taxonomy-eligible. Undertakings that bear substantially all of the economic risks and rewards from the construction, ownership or operation of electricity generation facilities using PV technology should be considered as engaging in activity 4.1. This activity does not cover market research or consultancy services (e.g. site location and analysis before the actual construction phase) or project management services for a fee. However, certain activities in the early

project stages might be eligible under other activities (for example under Section 9.1. 'Close to market research, development and innovation').

## Section 4.5. 'Electricity generation from hydropower' in Annex I to the Taxonomy Climate Delegated Act

**24. The substantial contribution criteria of Section 4.5. 'Electricity generation from hydropower' state that 'The activity complies with either of the following criteria (…) (b) the power density of the electricity generation facility is above 5 W/m$^2$.' What is considered as an artificial reservoir for the calculation? Should only the water area adjacent to the dam of the water artificial reservoir where the hydroelectric power plant is located and the installed capacity of the supported power plant be used in the calculation? Or should all the water areas of artificial reservoirs above a specific power plant along the entire course of the river and the installed capacities of all hydroelectric power plants below the water areas of artificial reservoirs in the entire course of the river be added up?**

The power density is calculated as the ratio of the installed power (which is a design parameter) to the area of the reservoir that provides water to the hydropower plant. The area of the reservoir is variable (it depends on the water level), so the area that has to be used to calculate the power density is the area that corresponds to the installed power (the numerator of the ratio). This is generally the area when the reservoir is filled at its design operating point (the value at which it generates power equal to the installed power).

The reservoirs (i.e., the area of such reservoirs) used for the calculation must be only those reservoirs that really contribute (i.e. providing water) to the hydropower plant to which the installed power relates. This means that not all the upstream reservoirs should be included in the calculation, unless they all contribute to that hydropower plant. For example, if a hydropower plant uses more reservoirs, all the contributing reservoirs should be used, even if they are distant from the power house (not all hydropower plants are directly built just downstream of the dam). Each project must define which reservoirs are contributing to the hydropower plant. In general, only one reservoir provides water to a hydropower plant, but some more complex projects are fed by more than one reservoir.

Another complex case is that of cascade reservoirs/hydropower plants. In this case, if each reservoir has its own hydropower plant just downstream of it, each hydropower plant should only take into consideration the reservoir that is immediately upstream, and not all the reservoirs. If only the most downstream reservoir has a hydropower plant, but all the upstream ones are used to collect water to feed that hydropower plant, then all the reservoirs count. This is site specific.

Another case is that of a reservoir that serves more than one hydropower plant. In this case, when calculating the power density for a specific hydropower plant, only the area of the reservoir that is allocated to that hydropower plant should be used. Alternatively, an overall power density figure could be calculated that takes into consideration all the reservoir's area and all the served hydropower plants, depending on the specific layout.

## Section 4.9. 'Transmission and distribution of electricity' in Annex I to the Taxonomy Climate Delegated Act

**25. Do cable layer vessels fall within the scope of Section 4.9. 'Transmission and distribution of electricity', which means that the criteria for their qualification as green would depend not on how green they are, but on whether the electricity system they are building is?**

Such vessels are typically usedto lay cables under water. If they are bulk carriers and provide services to third parties (meaning they are not company vessels), they may fall within the scope of Section 6.10. 'Sea and coastal freight water transport, vessels for port operations and auxiliary activities'.

## Section 4.13. 'Manufacture of biogas and biofuels for use in transport and of bioliquids' in Annex I to the Taxonomy Climate Delegated Act

**26. Are investments in the supply chain for sustainable feedstocks Taxonomy-eligible under Section 4.13. 'Manufacture of biogas and biofuels for use in transport and of bioliquids'?**

The activity in Section 4.13. in Annex I to the Taxonomy Climate Delegated Act covers 'manufacture of biogas or biofuels for use in transport and of bioliquids'. Production of feedstock (e.g. agricultural or forest biomass) used in the manufacture of biogas or biofuels for use in transport of bioliquids is not covered by this economic activity.

## Section 4.14. 'Transmission and distribution networks for renewable and low-carbon gases' in Annex I to the Taxonomy Climate Delegated Act

**27. Is a 'hydrogen ready infrastructure' covered under Section 4.14. 'Transmission and distribution networks for renewable and low-carbon gases' even if the actual transport of a blend of hydrogen and fossil gas is still some years away (i.e. there is currently no threshold for the share of hydrogen (as a percentage) in the blend of hydrogen and natural gas)?**

The term 'hydrogen-ready' infrastructure is not a term used in either the EU Taxonomy legislative framework or trans-European energy network policy.

The TSC referred to in paragraph 1 of the sub-section on 'Substantial contribution to climate change mitigation' in Section 4.14. in Annex I to the Taxonomy Climate Delegated Act set out three categories of activities:

'(a) construction or operation of new transmission and distribution networks dedicated to hydrogen or other low-carbon gases;

(b) conversion/repurposing of existing natural gas networks to 100 % hydrogen;

(c) retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas transmission or distribution network activity that enables the increase of the blend of hydrogen or other low-carbon gases in the gas system.'Blending of hydrogen and fossil gas is not covered under points (a) or (b). Only point (c) covers the activity of retrofitting of fossil gas infrastructure to enable 'the integration of hydrogen and other low-carbon gases' or 'the increase of the blend of hydrogen or other low carbon gasses in the gas system'. Point (c) does not cover the operation of transmission and/or distribution network for blend of hydrogen and fossil gas. Undertakings engaged in the transmission and/or distribution, including storage, of fossil gas may therefore report only their investments (referred to in point (c)) to retrofit their existing infrastructure to enable transmission and/or distribution of a blend of hydrogen and fossil gas as CapEx. Undertakings should have adequate documentary evidence that their investments in the retrofit are

instrumental in the integration of hydrogen and other low-carbon gases or the increase of the blend of hydrogen or other low carbon gases in the gas system.

### Section 4.28. 'Electricity generation from nuclear energy in existing installations' in Annex I to the Taxonomy Climate Delegated Act

**28. The substantial contribution criteria in Section 4.28. 'Electricity generation from nuclear energy in existing installations' refers to the term 'project'. How is this term defined? Nuclear safety requirements operate solely with the term 'design', which has been defined and used in IAEA documents (e.g. the IAEA Specific Safety Requirement No. SSR-2/1)?**

Section 4.28. 'Electricity generation from nuclear energy in existing installations' involves 'modification of existing nuclear installations for the purposes of extension, authorised by Member States' competent authorities by 2040 in accordance with applicable national law, of the service time of safe operation of nuclear installations that produce electricity or heat from nuclear energy ('nuclear power plants')', i.e. the long-term operation (LTO) of an existing nuclear power plant.

'SSR-2/2 (Rev. 1) Safety of Nuclear Power Plants: Commissioning and Operation', and in particular Requirement 16: 'Programme for long term operation' therein address this topic. The Safety Reports No. 106'Ageing Management and Long Term Operation of Nuclear Power Plants: Data Management, Scope Setting, Plant Programmes and Documentation (2022)' and No 82 (Rev. 2) 'Ageing Management for Nuclear Power Plants: International Generic Ageing Lessons Learned' (IGALL) (2024), may also be relevant in the context of the LTO of nuclear power plants. The quoted sources use several terms besides 'design' particularly 'plant' and 'programme'.

Against this background, the term 'project' in the technical screening criteria may be understood as the execution of a LTO programme of a given existing nuclear installation.

## *Transport*

### General shipping related criteria in Annex I to the Taxonomy Climate Delegated Act

**29. Shipping activities are not included in the Taxonomy Environment Delegated Act. Can shipping activities still be Taxonomy-aligned if operators comply with the TSC of the shipping activities set out in the Taxonomy Climate Delegated Act?**

Maritime activities compliant with the substantial contribution criteria and the DNSH criteria in Sections 6.7. to 6.12. in Annex I and II to the Taxonomy Climate Delegated Act, can demonstrate Taxonomy alignment

**30. How much is 20 percentage points below Energy Efficiency Design Index (EEDI) Phase 3, as indicated in the EEDI Technical Screening Criteria (TSC) in Sections 6.10. 'Sea and coastal freight water transport, vessels for port operations and auxiliary activities' and 6.11. 'Sea and coastal passenger water transport'? How should this be calculated for a ship to which EEDI Phase-3 applies?**

The 20- percentage points should be added to the EEDI percentage reduction factors that entered into force on 1 April 2022, as agreed by the Marine Environment Protection Committee of the International Maritime Organization on its seventy-fifth session[63]. The applicable EEDI percentage reduction factor is to be selected based on the ship type, size and the date of the ship building contract (or in the absence of a building contract, the keel laying date[64]).

For a ship to which EEDI phase-3 applies, the following situations should be considered:

- until 31 December 2025, the shipmust achieve an attained EEDI value of at least 10 percentage points below the applicable EEDI phase-3 reduction factor.
  For instance, a bulk carrier of 25.000 deadweight tonnage (DWT) would have to achieve an attained EEDI value of at least 40-percentage points below the EEDI reference line, while a containership of 40.000 and above but less than 80.000 DWT would have to achieve an attained EEDI value of at least 45-percentage points before the EEDI reference line.

- from 1 January 2026, the ship must achieve an attained EEDI value at least 20 percentage points below the applicable EEDI phase-3 reduction factor.
  For instance, a bulk carrier of 25.000 DWT would have to achieve an attained EEDI value at least 50-percentage points below the EEDI reference line, while a containership of 40.000 and above but less than 80.000 DWT would have to achieve an attained EEDI value at least 55-percentage points before the EEDI reference line.

**31. In the context of demonstrating Taxonomy alignment with the TSC in Sections 6.10. 'Sea and coastal freight water transport, vessels for port operations and auxiliary activities' and 6.11. 'Sea and coastal passenger water transport' for maritime transport activities, to which event does the date 1 January 2026 refer? Does it refer to (a) the signing of the building contract; (b) the keel laying of the ship; (c) the delivery of the ship; or (d) the date of the financial decision?**

When applying the TSC set out in Section 6.10 point (f) and Section 6.11 point (e) that refer to the GHG performance of the vessels in operation applicable from 1 January 2026, the operator of the vessel should assess whether the vessel meets the limit (which is applicable during the reporting period in question) pertaining to the yearly average GHG intensity of the energy used on-board by the ship during that reporting period. For example, when assessing Taxonomy-alignment during the reporting period from 1 January 2026 to 31 December 2026, the operator should assess whether the yearly average GHG intensity of the energy used on-board by the ship during that reporting period does not exceed 76,4 g $CO_2$e/MJ and have this performance verified by an independent third party. Similarly, when assessing Taxonomy-alignment during the reporting period from 1 January 2030 to 31 December 2030, the operator should assess whether the verified yearly average greenhouse gas intensity of the energy used on-board by the ship during that reporting period does not exceed 61,1 g $CO_2$e/MJ.

When applying TSC set out in Section 6.10 point (e) and Section 6.11 point (d) that refer to the GHG performance of the design of the vessels, in the context of assessing Taxonomy alignment of loans/bonds issued to raise money to pay/downpay a new ship or loans taken by the yard to finance the construction and retrofitting of ships, the applicability of the criteria shall be established at the time of signing of the building contract. As set out in Article 7(5) of the Taxonomy Disclosures Delegated Act, these criteria remain valid for the period of five years after the date of application of the delegated acts that amend those technical screening criteria, under the condition that the initially projected performance is achieved at the moment when the ship is put into service.

[63] Please see Resolution MEPC 324 75 (imo.org).
[64] Please see Resolution MEPC 332 76 (imo.org).

**32. As regards Section 6.10. 'Sea and coastal freight water transport, vessels for port operations and auxiliary activities' and Section 6.11. 'Sea and coastal passenger water transport', the combination of stricter Energy Efficiency Design Index (EEDI)/ Energy Efficiency Existing Ship Index (EEXI) efficiency criteria and the fuel criteria excludes a large variety of (smaller) vessel types, to which EEDI or EEXI are not applicable. How can these vessels be compliant with the Taxonomy if no zero-emission tailpipe solutions are currently technologically or economically feasible (e.g. offshore service vessels forgoing long distances)?**

***This question and answer repeal and replace FAQ 97 of Commission Notice C/2023/267.***

The TSC provide several options ships to be Taxonomy-aligned. Even though the EEDI (for new ships) and EEXI (for existing ships) indices were in principle not intended to be applied to all categories of vessels (type and size), both energy-efficiency certifying methodologies are the only internationally agreed indices adopted to ships.

A ship can be considered outside the scope of EEDI if:

- it is not part of the ship type and size provisions of the International Convention for the Prevention of Pollution from Ships (MARPOL) Annex VI, Chapter 4, Regulations 19 and 22;
- it is not within the relevant size thresholds (DWT or GT) of MARPOL Annex VI, Chapter 4, Regulation 24.

A ship can be considered outside the scope of EEXI if:

- it is not part of the ship type and size provisions of MARPOL Annex VI, Chapter 4, Regulations 19 and 23;it is not within the relevant size thresholds (DWT or GT) of MARPOL Annex VI, Chapter 4, Regulation 25.

Ships that fall under the above regulatory provisions i.e. outside the scope of the EEDI or EEXI, may still determine their attained EEDI or EEXI values (as applicable for new and existing ships, respectively) on a voluntary basis, by applying the same methodology and have it verified by third-party recognised organisation in line with MARPOL Annex VI Chapter 4 and respective guidance. However, it should be noted that ships, irrespective of their size, with non-conventional propulsion (as defined in Regulation 2 of MARPOL Annex VI) and which are not cruise passenger ships and liquified natural gas (LNG) carriers, are not able to determine their attained EEDI or EEXI values in absence of an agreed calculation methodology; for such cases, only the applicable criteria of (1.a) and (1.b) of Section 6.10 and 6.11 of Annex I would apply.

Finally, and, in particular, for vessels of smaller size and deadweight, it is more likely that the adoption of all electrical solutions or hydrogen fuel cell systems are adopted. The applicable criteria for such vessels are therefore included in points (1.a) and (1.b) of Section 6.10. and Section 6.11. of Annex I to the Taxonomy Climate Delegated Act.

## Section 6.15. 'Infrastructure enabling low-carbon road transport and public transport' in Annex I to the Taxonomy Climate Delegated Act

**33. Does the construction, modernisation, maintenance or operation of motorways fall within the scope of the activity in Section 6.15.'Infrastructure enabling low-carbon road transport and public transport'?**

The description of the activity covers three different categories of infrastructure: (i) infrastructure that is required for zero tailpipe $CO_2$ operation of zero-emissions road transport, (ii) infrastructure dedicated to transshipment, and (iii) infrastructure required for operating urban transport.

Given the title of the activity, its description and nature of the TSC, the construction, modernisation, maintenance or operation of motorways does not fall within the scope of the activity in Section 6.15. of Annex I to the Taxonomy Climate Delegated Act. With respect to the first category of infrastructure, only activities that are instrumental for and dedicated to the operation of vehicles with zero tailpipe $CO_2$ emissions, i.e. electric charging points, electricity grid connection upgrades, hydrogen fuelling stations and electric road systems (ERS), should be considered Taxonomy-eligible for the objective of climate change mitigation (CCM). Turnover from (and/or expenditures pertaining to) a motorway itself should therefore not be considered as Taxonomy-eligible for the activity in Section 6.15 under the CCM objective.

This is in contrast to the activity in Section 6.15. 'Infrastructure enabling road transport and public transport' in Annex II to the Taxonomy Climate Delegated Act, which has a different title and description from the activity in Section 6.15. in Annex I to the Taxonomy Climate Delegated Act 'Infrastructure enabling low-carbon road transport and public transport'. In particular, the description of activity in Section 6.15. in Annex II covers, among other points, the "construction, modernisation, maintenance and operation of motorways,…" Expenditures to adapt motorways to climate change is therefore Taxonomy-eligible under the objective of climate change adaptation.

**34. The DNSH criterion to the transition to a circular economy in Section 6.15. 'Infrastructure enabling low-carbon road transport and public transport' states that 'at least 70 % (by weight) of the non-hazardous construction and demolition waste (….) generated on the construction site is prepared for reuse, recycling and other material recovery…'. How should a company providing parts of the equipment used in the infrastructure comply with this provision if it does not control the construction site?**

The description of the activity in Section 6.15. states that the activity includes the 'construction, modernisation, maintenance and operation of infrastructure that is required for zero tailpipe CO2 operation of zero-emissions road transport, as well as infrastructure dedicated to transshipment, and infrastructure required for operating urban transport.'
A 'company providing parts of the equipment used in the infrastructure' might therefore not be covered by this section unless its activities correspond to the construction, modernisation, maintenance and operation of the infrastructure that is compliant with the criteria set out under this activity.
Manufacturing of the equipment used in the infrastructure should be assessed against the criteria applicable to that manufacturing activity. For example, manufacturing of electric charging points or equipment for electricity grid connection upgrades is covered by the activity in Section 3.20. 'Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation'.
Compliance with the DNSH referred to above has to be demonstrated by the company owning and/or operating the infrastructure (when assessing its CapEx) and/or performing the installation work (when assessing its turnover).

**35. Electric vehicle charging is referenced by several economic activities in the Taxonomy, including in Sections 3.20. 'Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation', 6.15. 'Infrastructure enabling low-carbon road transport and public transport'; 7.4. 'Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)'; and 4.9. 'Transmission and distribution of electricity'. Given that there are different business models for EV charging (home charging, on-street, destination, fleet solutions and fast charging forecourts), under which sections should undertakings assess their compliance with the Taxonomy?**

The activity in Section 3.20. covers the manufacturing, installation, or maintenance, or repair of electric vehicle charging stations and supporting electric infrastructure for the electrification of transport that is installed primarily to enable electric vehicle charging. Any activity included in Section 7.4. is excluded from this activity.
The installation of electric charging points in buildings and parking areas, which will include most private EV charging points, is covered under Section 7.4. The criteria set in that section are appropriate for that kind of installation.
The installation of other recharging points (e.g. publicly accessible ones along a road) is covered under Section 6.15. The criteria in that section are meant to cover both smaller and larger installations, and several contain the indication 'where relevant'. There will be cases – especially for smaller installation, e.g. a single recharging point in an already built area – where those criteria are not relevant.
Recharging points can also be part of energy activities under Section 4.9. That section explicitly requires compliance with the TSC under Section 6.15. ('subject to compliance with the technical screening criteria under the transport Section of this Annex'), so as to ensure that this kind of investment is consistently treated as part of a transport or energy project.

## General questions on aviation criteria in Annex I to the Taxonomy Climate Delegated Act

**36. What is the data source and methodology for calculating the global replacement ratio (GRR) to be applied in the substantial contribution criteria to climate change mitigation in Section 3.21. 'Manufacturing of aircraft', points (b) and (c), Section 6.18. 'Leasing of aircraft' points (b) and (c), and Section 6.19. 'Passenger and freight air transport' points (b), (c) and (d)?**

The global replacement ratio is calculated based on the proportion of aircraft permanently withdrawn from use to aircraft delivered at the global level averaged over the preceding 10 years as evidenced by verified data available from independent data providers. The ratio is recalculated for each reporting year, as the GRR is dynamic and the underlying data will change each year.

The GRR sets the limit on the number of aircraft that could be replaced in a given year. The 10-year average will be calculated by dividing the total number of retirements by the total number of deliveries, at the global level, over the 10-year period. The GRR must be based on aircraft delivered from an Original Equipment Manufacturer (OEM) to its initial operator, and aircraft permanently withdrawn from use (referred to as 'retired').

The calculation of GRR is based on conventional aircraft classified for commercial use. This is to mirror the aircraft types identified in Sections 3.21., 6.18. and 6.19. in Annex I to the Taxonomy Climate Delegated Act.

Aircraft initially delivered to commercial operators and subsequently leaving the commercial fleet via transactions to non-commercial operators are treated as retired only when such aircraft are permanently withdrawn from use, and not when they are merely transferred to non-commercial operations. This is because the GRR has to reflect the share of aircraft that truly ceased operations.
With an aim to promote consistency and comparability, the Commission aims to publish the global replacement ratio (GRR) with the support of EASA, in line with recital 11 of the Taxonomy Climate Delegated Act.

The GRR for the reporting year ending in 2024 is 48%[65]. It was calculated based on the aircraft delivered and withdrawn in the 10-year period from 1 January 2014 to December 2023.
For the purposes of calculating the above GRR, the Commission and EASA relied on Cirium data base, which is an independent aviation specialist data provider within a FTSE100 corporate RELX. Its Fleets Analyzer product is widely recognised and used by industry to obtain accurate and independent aircraft fleet and aircraft events data.

**37. How should the Global Replacement Ratio (GRR) be applied in the substantial contribution criteria in Section3.21. 'Manufacturing of aircraft' points (b) and (c), Section 6.18. 'Leasing of aircraft' points (b) and (c), and Section 6.19. 'Passenger and freight air transport' points (b), (c) and (d)?**

***Application of GRR based on eligible activity***

EU Taxonomy alignment requires that a manufacturer, lessor, and operator of an aircraft each fulfil their respective substantial contribution criteria and DNSH criteria of their respective activities that are Taxonomy-eligible. Consequently, an aircraft claimed by a lessor to be EU Taxonomy-compliant under Section 6.18. 'Leasing of Aircrafts', which is then leased to an airline, cannot be automatically claimed by that airline to be EU Taxonomy-compliant. The airline will have to demonstrate the compliance with the technical screening criteria of Section 6.19. 'Passenger and freight air transport'.

***Application of GRR based on eligible aircraft***

The annually calculated GRR will be applied, where relevant, to aircraft that meet all the respective conditions set out in the technical screening criteria, including the margins listed in the Section 3.21. point (b) of the substantial contribution criteria, and the DNSH criteria.

***Application of GRR to the aircraft deliveries in the Section 6.18. point (c) and Section 6.19 points (c) and (d)[66]***

One of the conditions for an aircraft to be EU Taxonomy-compliant under Section 6.18. point (c), and Section 6.19 points (c) and (d), is that a non-compliant aircraft is permanently withdrawn from the use (retired) or withdrawn from the fleet. The action of withdrawing an aircraft from a fleet includes the sale of an aircraft or the handing back of an aircraft on operating lease from the airline to a lessor.

The sale of an aircraft from an operator to a leasing company may be considered a permanent withdrawal from the fleet provided that the aircraft is not operated by the vendor after the sale . Should the aircraft be acquired again by the initial seller, the operator will have to demonstrate the fulfilment of the Taxonomy criteria upon the delivery to claim Taxonomy-alignment.

Permanent withdrawals from use (retirements) or from the fleet must occur within 6 months of a delivery of the compliant aircraft.

A commitment to withdraw permanently from use one aircraft enables another aircraft to be EU Taxonomy-compliant provided that all other conditions are met. A commitment to withdraw permanently from the fleet one aircraft enables only a share of another aircraft equivalent to the GRR to be EU Taxonomy-compliant provided that all other conditions are met.

***Application of GRR to aircraft deliveries prior to the application of the Delegated Regulation in Section 6.18. point (b) and Section 6.19. points (b) and (d)***

[65] The details of the GRR calcululation are available at the EASA website at: https://www.easa.europa.eu/en/eu-taxonomy-sustainable-activities

[66] Under Activity 6.18, the lessor ensures that aircraft in point (b) or (c) is operated on sustainable aviation fuels (SAF) consistently with the criteria specified in point (d) and paragraph 2 of Section 6.19 of this Annex.

To claim Taxonomy-alignment for Sections 6.18. point (b) and Section 6.19. point (b), lessors or aircraft operators who received eligible aircraft before 11 December 2023 (i.e. the application date of the Delegated Regulation) will be obliged to apply the GRR to that respective eligible aircraft in their fleet (whereas a non-eligible aircraft are excluded from the application of the GRR).

***Application of GRR to aircraft parts and equipment and provision of related services.***

The share of Taxonomy-compliance of eligible aircraft parts and equipment, as well as the provision of related services shall be limited by the replacement ratio.

**38. What is meant by 'aircraft withdrawal from use' in the context of Section 6.18. 'Leasing of aircraft' point (c) and Section 6.19. 'Passenger and freight air transport' point (c)?**

An aircraft can be considered as 'withdrawn from use' when it has been removed from active service with the commitment of ultimate scrapping subsequently to the removal, without performing any further operations by the original or any another operator.

The removal should be certified by the acceptance certificate or contract with the relevant specialized tear down facility, which confirms the commitment of the aircraft operator with respect to the aircraft retirement. The date of withdrawal from use should be the date of the aircraft acceptance certificate or contract with the teardown facility.

Aircraft considered as withdrawn from use (retired) should be removed from the relevant Civil Aviation Authority (CAA) aircraft registry and not added to any other registry subsequently. During deregistration, the aircraft owner will specify the reason for deregistering the aircraft, which is recorded in the CAA aircraft registry, and could serve as a proof for verification purposes. It is the responsibility of the aircraft operator or aircraft lessor to ensure that the aircraft is de-registered in order to demonstrate compliance with the TSCs. This proof could be used in combination with the acceptance certificate from the tear down facility.

Some aircraft are moved to non-commercial operations before they are eventually retired. This often happens when aircraft leave commercial service and undergo refurbishment to serve non-commercial purposes, like aerial firefighting or humanitarian missions. In this case, aircraft should not be treated as withdrawn from use when they leave the commercial fleet.

**39. What is meant by 'aircraft withdrawal from the fleet' in the context of Section 6.18. 'Leasing of aircraft' point (c) and Section 6.19. 'Passenger and freight air transport' point (c)?**

'Aircraft withdrawal from the fleet' takes place when the aircraft has been permanently removed from the operator's or lessor's in-service fleet without it being returned to active service in that existing fleet. This does not mean that the aircraft cannot be returned to active service in a similar or different commercial role provided it is no longer owned and operated by the same aircraft operator or lessor that claims EU Taxonomy-alignment by removing this particular aircraft from the fleet.

If an aircraft is converted to a non-commercial role within the same operator, it is still considered as remaining in its fleet. It is considered withdrawn from the fleet only once it permanently changes the operator and owner.

If an operator removes an aircraft from its fleet by sub-leasing it to another operator but the aircraft remains on its financial statements (balance sheets), such aircraft should not be considered as withdrawn from the fleet.

If an aircraft were to be sold to another airline but within the same airline group[67], such aircraft should not be considered as withdrawn from the fleet.

**40. What is meant by 'airworthiness of aircraft' in the context of Section 6.18. 'Leasing of aircraft' point (c) and Section 6.19. 'Passenger and freight air transport' point (c)?**

Section 6.18. point (c) and Section 6.19. point (c) require that a non-compliant aircraft that is withdrawn from the fleet or from use has a proof of airworthiness dating back less than 6 months prior to the delivery of the compliant aircraft. To demonstrate airworthiness of the withdrawn aircraft, the lessor or aircraft operator should provide a valid Certificate of Airworthiness (CofA), issued by EASA or equivalent regulatory body, together with a valid Airworthiness Review Certificate (ARC) or equivalent. In order to maintain a valid CofA, the aircraft must have a valid ARC , which must be reviewed or extended on a 12 monthly basis. If there is any lapse in a valid ARC, the CofA ceases to be valid.

The validity of CofA should date back less than 6 months prior to the delivery of the compliant aircraft. This requirement is introduced in order to exclude aircraft already withdrawn from active service but whose withdrawal was not triggered by EU Taxonomy compliance.
For example, if a compliant aircraft was delivered on 31 May 2024 and a non-compliant aircraft was withdrawn from service on 30 June 2024, the ARC of a non-compliant aircraft must be valid at least until 1 December 2023 (i.e. less than 6 months before 31 May 2024). This means in practice that any non-compliant aircraft with the ARC validity expiring before that date of 1 December 2023 would not qualify.

The adherence to the above-described process confirms that the non-compliant aircraft meets the airworthiness requirements as specified by the certification body and proves that the aircraft has undergone a thorough airworthiness review and meets all the applicable safety standards and regulations within the last 12 months.

**41. What are the conditions for manufacturers' issuance of self-declaration of the aircraft's compliance with the margins to the New Type limit of the ICAO $CO_2$ emissions standard referred to in Section 3.21. 'Manufacturing of aircraft' point (b)?**

Aircraft manufacturers should demonstrate that the metric values of $CO_2$ emissions of compliant aircraft conform with the required margins to the New Type limit of the ICAO standard referred to in Section 3.21. point (b), based on the results of the $CO_2$ emissions certification of the aircraft. In a transition period until 11 December 2026, in the absence of a certificate on the metric values of CO2 emissions confirming the required margin to the New Type limit of the ICAO standard, aircraft manufacturers may rely on issuing a self-declaration when demonstrating compliance. Such self-declaration should be based on aircraft manufacturers' reasonable expectations as to the aircraft CO2 performance which could be based on their tests and procedures performed during the design and development of the aircraft. The validity of the self-declaration by an Original Equipment Manufacturer (OEM) is conditional on the aircraft being certified by 11 December 2026.

To that end, as part of the self-declaration, it is recommended that OEMs initiate the $CO_2$ certification process or – for aircraft types for which EASA is not the responsible certificating authority – the EASA validation process, without undue delays. It is recommended to plan for completion of $CO_2$ certification activities within the timeframe foreseen in the Taxonomy Climate Delegated Act. Aircraft manufacturers can ask EASA for assistance when initiating the $CO_2$ certification process.

[67] An airline group is to be considered as two or more undertakings which form part of a single economic entity.

**42. What is the relationship between the Taxonomy Sustainable Aviation Fuels (SAF) reporting required for Sections 6.18. 'Leasing of aircraft' and Section 6.19. 'Passenger and freight air transport' and the existing reporting and verification mechanisms, notably CORSIA, the EU ETS and the ReFuelEU Aviation Regulation?**

Section 6.18. points (b) and (c), and Section 6.19. points (d) and (e) require that aircraft are operated with a minimum use of sustainable aviation fuels (SAF), as from a certain date, in order to be Taxonomy-compliant.

SAF is defined in Article 3(7) ReFuelEU Aviation Regulation (EU) 2024/2305.

Section 6.18. points (b) and (c), and Section 6.19. points (d) and (e) set the calculation formula for the SAF use requirement, which is calculated as a ratio of the quantity (expressed in tonnes) of SAF purchased at the fleet level divided by the total aviation fuel used by the compliant aircraft, multiplied by 100.

The calculation formula refers to purchase as a proxy for use, to facilitate compliance and to allow economic operators to demonstrate compliance with supporting invoices. Only SAF purchased for use within the own fleet of the operator should be counted. SAF that has been re-sold to another operator should not be included in the calculations, as it would not be used in the fleet operations of the operator claiming compliance. Moreover, in the case of an airline group, the calculation of the SAF quantity should be limited to the fleet owned by the single operator (e.g. at subsidiary, and not at the group level).

As regards reporting on Taxonomy-aligned turnover KPIs, operators should not double count the use of SAF at fleet level. Where a sub-set of compliant aircraft meets criteria on SAF use, only the turnover derived from the operation of that sub-set of compliant aircraft should be considered Taxonomy-aligned.

When demonstrating compliance with the minimum share of SAF attributed to the compliant aircraft, , aircraft lessors and operators may rely on the amount of Taxonomy-eligible SAF purchased and used as reported in the monitoring, reporting and verification (MRV) systems established under the EU ETS and ReFuelEU Aviation.

The Commission is also currently assessing the feasibility of extending the Union Database for Biofuels[68] to cover consumption of SAF by aircraft operators which could facilitate the traceability, purchase, supply and consumption of SAF.

**43. How will the margins of the New Type limit of the ICAO $CO_2$ emissions standard that is referenced in the substantial contribution criteria of Section 3.21. 'Manufacturing of aircraft' evolve over time if the ICAO standard evolves?**

The margins applied in the technical screening criteria refer to the New Type limit defined in Volume 3 ($CO_2$ emissions) of the environmental protection standard of the International Civil Aviation Organization (ICAO) contained in Annex 16 to the Chicago Convention, first edition. This means that the reference is static and any future changes in the ICAO standards have to be reflected in the amendments to the Delegated Act.

In line with the transitional nature of the activities and in order to take account of the market evolution of aircraft technologies, the TSC for aircraft manufacturing should be applicable until 2032, and well before that date those TSC should be reviewed to ensure compliance with Article 10(2) of the Taxonomy Regulation in line with technological developments. The review should also take into account the evolution of international regulation (e.g. those set by ICAO relating to aircraft environmental standards).

[68] Union Database for Biofuels - Public wiki - Union Database for Biofuels Info-site - EC Public Wiki.

**44. The sunstantial contribution criteria in Section 3.21. 'Manufacturing of aircraft' points (b) and (c), other than the criterion on zero direct $CO_2$ emissions, refer to the end of 2032. It is unclear which criteria will apply after that date. Could you clarify the timeline after 2032? Will there be any review or will the zero-emission tailpipe criterion apply automatically?**

In line with the transitional nature of the activities and in order to take account of the market evolution of aircraft technologies, the TSC for Section 3.21. 'Manufacturing of aircraft' should be applicable until 2032. By that date those TSC should be reviewed to ensure compliance with Article 10(2) of the Taxonomy Regulation in line with technological developments. Furthermore, the level of the use or blending of SAF set out in the TSC should be regularly reviewed to take account of the emerging SAF technologies and the current and expected future availability of SAF in the market.

**45. The substantial contribution criteria of Section 3.21. 'Manufacturing of aircraft'require that, from 2028 to the end of 2032, aircraft must be certified as operating on 100% blend of sustainable aviation fuels (SAF). How will this criterion apply in case there is no official certification for 100% SAF yet (currently only for blends up to 50%)?**

As of 2024 there is no jet fuel quality standard that allows 100% SAF. The use of 100% SAF on a commercial flight is therefore currently not allowed for safety reasons. The sustainable fuel component can be blended with conventional jet fuel to a maximum of 50% for most pathways as per jet fuel quality standards (ASTM D7566)[69].

Given the increased importance of SAF and the need to use SAF in the future at higher than 50% blending ratios, international industry started working in April 2021 on a standardised specification for 100% SAF at ASTM International. The definition of the fuel standard requires airframe and engine original equipment manufacturers (OEMs) to ensure that the fuel can be safely used and operated worldwide.

There is no agreement either on the timeline for finalising this work or on which SAF development pathway will be selected. Several OEMs have pledged to make their aircraft 100% SAF compatible by 2030. To encourage progress in this area, the aviation TSC included in the EU Taxonomy brought forward the industry baseline from 2030 to 2028. OEMs are currently carrying out the necessary research and testing to evaluate the effects of 100% SAF on aircraft operations and emissions. Ensuring safety in any technological advancement is of paramount importance in the aviation sector. OEMs must therefore ensure that airframes and jet engines are fully compatible with the future 100% SAF technical fuel specifications so that 100% SAF flights cansafely operate worldwide. This work depends on the progress made inthe ongoing work on the 100% SAF technical specification under ASTM International. To this end, two ASTM task forces are active: the first is working to extend the existing jet fuel quality standard ASTM D7566 'Standard Specification for Aviation Turbine Fuel Containing Synthesized Hydrocarbons' to allow 100% Drop-In SAF; and the second is examining the possibility of a completely new jet fuel standard for zero or low aromatic 100% Non-Drop-In SAF. The industry still needs to decide which pathway it will select.

With these considerations in mind, the level of the use or blending of SAF represented in the TSC shuld be reviewed regularly in order to take account of the emerging SAF technologies and the current and expected future availability of SAF in the market.

[69] Please see the ICAO website for allowed levels of the SAF blend for each SAF production pathway: Conversion processes (icao.int).

*Construction and real estate*

## Section 7.1. 'Construction of new buildings' in Annex I to the Taxonomy Climate Delegated Act

**46. The application of technical screening criteria (TSC) for activities in Section 7.1. 'Construction of new buildings' and Section 7.2. 'Renovation of existing buildings' raises a question regarding how updates to TSC should be managed for activities spanning multiple years. The reply to FAQ 106 in the Commission Notice C/2023/267[70] clarifies that the building application is the determining factor for the applicable TSC at a given point in time. Does this principle also apply when reporting turnover?**

The building application is the starting point of application in time of the TSC laid down in Sections 7.1. and 7.2. However, if the TSC are amended during construction or renovation, the amended TSC should apply to such buildings and renovation at the point in time when the amended TSC become applicable. When reporting the turnover KPI, reporting undertakings should assess the activity based on the TSC that were applicable to the activities at the time when the turnover is generated (see the replies to FAQs 106 and 152 in Commission notice C/2023/267).

**47. How should one define 'operational primary energy demand' , to which reference is made in the substantial contribution criteria of Section 7.1. 'Construction of new buildings'? The definition provided in the reply to FAQ 153 in Commission Notice C/2023/267 is confusing because it cites the legal definition of primary energy demand without explaining what 'operational' means in that context.**

'Operational' means that it refers to the 'in use' phase of the building (i.e. the construction phase of the building) and that the resultant embedded energy is not considered.

The 2018 Energy Performance in Buildings Directive (EPBD) required an indicator for primary energy use, but this could be interpreted as energy from renewable and non-renewable sources. For now, therefore, it could be whichever indicator the Member State uses in its national calculation methodology for energy performance certificates (EPCs) and for minimum energy performance requirements. The 2024 EPBD makes it clear that it is total primary energy use (residential and non-residential). This will be obligatory from the 2024 EPBD's transposition date (for EPCs and for minimum energy performance requirements).

**48. For Section 7.1. 'Construction of new buildings', how should the substantial contribution criterion regarding primary energy demand (PED) be interpreted? Should the PED be at least 10% lower than the established benchmark? For instance, if the Nearly Zero-Energy Building (NZEB) threshold is set at 100 kWh/m2, would compliance with technical screening criteria mean that the building's primary energy usage should range from 0 to 90 kWh/m2?**

[70] Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act establishing technical screening criteria for economic activities that contribute substantially to climate change mitigation or climate change adaptation and do no significant harm to other environmental objective (OJ C 267, 20.10.2023, p. 1).

If the NZEB threshold is set at 100 kWh/m2, compliance with technical screening criteria mean that the building's primary energy demand should be less than 90 kWh/m2.

**49. The substantial contribution criterion in point 2 of Section 7.1. 'Construction of new builings' states: 'For buildings larger than 5000 $m^2$, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients.' What type of surface area should the operator refer to in this criterion (usable area, heated/cooled area (temperature-controlled surface area) or other)?**

The threshold of 5000$m^2$ set in the substantial contribution criteria for construction of new buildings refers to the useful area as defined in the EPBD. The EPBD is a directive, so its transposition is left to the Member States, whose national legislation may differ.

The definition of the useful area in national legislation transposing EPBD is relevant to the specific operator. The EPC, which is obligatory for all new buildings, also indicates the national definition of useful area.

**50. The substantial contribution criteria in Section 7.1. 'Construction of new buildings' requirethe building resulting from the construction to undergoe testing for air-tightness and thermal integrity. What is the scope of the air-tightness and thermal integrity verification? Does the air-tightness of the entire building need to be verified? Does a blower door test need to be carried out for the entire building, or is it sufficient to test only critical areas of the building's envelope?**

The aim of this criterion is to ensure the quality of the whole building. An air-tightness test certifies that the building as a whole complies with the criteria following completion of the works. This test may be carried out in sections if needed, but these sections would need to cover the whole building.

Alternatively, the criterion also allows for the use of quality control processes during construction. Air-tightness tests for specific areas could be part of the toolset used to ensure the overall building. However, the quality control should cover the whole building. For example, an air-tightness test could be used to certify certain areas or parts of the building (e.g. the ventilation system), while other aspects (e.g. windows and doors) could be checked through quality control processes. The building as a whole would require an overall quality certificate.

**51. For the DNSH criteria for the protection and sustainable use of water and marine resources in Section 7.1. 'Construction of new buildings', is a building permit sufficient to document compliance with Appendix B ifthe relevant country has implemented Directive 2000/60/EC?**

The criteria in Appendix B aim at ensuring that the river basin district in which the construction activity takes place, is covered by a river basin management plan that has identified pressures and impacts on water bodies and that sets out all measures necessary in order to avoid deterioration of water status and to ensure that good water status or potential is achieved in accordance with Directive 2000/60/EC.

In concrete terms, stating that a construction site is compliant with the DNSH for the protection and sustainable use of water and marine resources, implies that there has been an appropriate assessment of all possibly impacted water bodies and that it has been ensured that it will not cause any significant deterioration of these water bodies nor prevent these water bodies from achieving good status/potential. If the building permit demonstrates that risks of significant deterioration have been assessed and

addressed, then that should be sufficient to demonstrate compliance with the DNSH for the protection and sustainable use of water and marine resources.

**52. The DNSH criteria for pollution prevention and control in Section 7.1. 'Construction of new buildings' state that 'Building components and materials used in the construction comply with the criteria set out in Appendix C to this Annex.' How are 'building components and materials' defined? Is the machinery used to install building components and materials (e.g. roofing felt) covered? Should the upholstery of furniture or white goods be taken into account? Or does this only apply to the shell and core of the building?**

The term 'building components and materials' should be interpreted as 'construction products', as defined in Article 3 of the Construction Products Regulation: 'For the purposes of this Regulation, the following definitions shall apply: (1) 'construction product' means any formed or formless physical item, including 3Dprinted products, or a kit that is placed on the market, including by means of supply to the construction site, for incorporation in a permanent manner into construction works or parts thereof with the exception of items that need first to be integrated into a kit or another construction product prior to being incorporated in a permanent manner into construction works.'

The key element in this definition is 'in a permanent manner', which means that it is '(…) intended to remain in the construction work, or in parts thereof, after the completion of the construction or renovation process'. Furniture, upholstery and 'white goods' (i.e. appliances like fridges and washing machines) are not included. There is no distinction between the shell and core of a building, because construction products may be (permanently) installed during either shell or core works. Any machinery used to install construction products is excluded.

**53. For the DNSH criteria for pollution prevention and control in Section 7.1. 'Construction of new buildings', what does 'come into contact with occupiers' mean? Which building components and elements should be considered?**

The footnote refers to paints and varnishes, ceiling tiles, floor coverings (including associated adhesives and sealants) internal insulation and interior surface treatments, such as those to treat damp and mould. In practice it means any material which is in contact with indoor air and which may emit any of the substances mentioned.

**54. The DNSH criteria for pollution prevention and control for Section 7.1. 'Construction of new buildings' include a requirement that 'building components and materials used in construction that may come into contact with occupiers emit less than 0.06 mg of formaldehyde per $m^3$ of test chamber air upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006'.**
**Does Regulation (EU) 2023/1464 amending Annex XVII the REACH Regulation and introducing a deferral of requirements relating to formaldehyde affect the Taxonomy requirement on materials which emit less than 0.06 mg of formaldehyde per $m^3$ of material or component? Is this requirement still needed in order to demonstrate alignment or does the deferral in Regulation (EU) 2023/1464 apply?**

The Taxonomy requirement setting out formaldehyde emission levels for building components and material is set out as an independent criterion that is not conditional upon the date of application of restrictions for use of formaldehyde releasing substances in the REACH Regulation. The only requirement is that the testing should be carried out in accordance with the methodology specified in Annex XVII to the REACH Regulation.

The deferral introduced in Regulation (EU) 2023/1464 only concerns the application of the restrictions specified in the REACH Regulation. This deferral does not affect the specific independent Taxonomy requirements and does not prevent the application of the test chamber air measurement outlined in Appendix 14 in Annex XVII to the REACH Regulation.

**55. Do the DNSH criteria for the protection and restoration of biodiversity and ecosystems under Section 7.1. 'Construction of new buildings' also apply to the temporary building or trailer that construction companies put in place for the construction of a new building or are they considered as insignificant or negligible because they usually account for around 5% of the total land?**

Criteria a, b, and c in the DNSH criteria for the protection and restoration of biodiversity and ecosystems are only related to the new construction. They do not apply to temporary buildings or trailers. However, compliance with Appendix D in the DNSH criteria includes both sites and operations, (i.e. also temporary buildings, and construction). This means that an operator that wants to place a temporary building/trailer near or on a biodiversity sensitive area, must also make an assessment in accordance with Appendix D of what environmental impacts that may have and must take the appropriate mitigation measures.

**56. The DNSH criteria for the protection and restoration of biodiversity and ecosystems in point (b) of Section 7.1. 'Construction of new buildings' state that ' the new construction is not built on one of the following: greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List or the IUCN Red List.' How should the term 'greenfield' be interpreted?**

'Greenfield land of recognized high biodiversity value' should be understood as meaning all greenfield land (land on which no urban development has previously taken place) with a high value in terms of ecosystems, habitats and species. It comprises not only land that has been designated for the protection of rare, threatened or endangered species, but also, for instance, nationally and internationally protected areas and other highly biodiverse areas (e.g. UNESCO World Heritage sites and Key Biodiversity Areas). The DNSH criteria for the protection and restoration of biodiversity and ecosystems listed in Section 7.1. therefore refer seperately to 'greenfield land of recognized high biodiversity value', on the one hand, and to the European RED List or the IUCN Red list on the other hand.

## Section 7.2. 'Renovation of existing buildings' in Annex I to the Taxonomy Climate Delegated Act

**57. Can the renovation of a building for own use count towards Section 7.2. 'Renovation of existing buildings'?**

The EU Taxonomy does not differentiate between the different uses (own use or otherwise) of a building that is to be renovated. The activity of renovating a building for own use should therefore be counted under Section 7.2. 'Renovation of existing buildings' (see also the reply to FAQ 147 in the Commission Notice C/2023/267).

**58. Does the expansion of an existing building fall under Section 7.1. 'Construction of new buildings' or 7.2. 'Renovation of existing buildings'? Are there certain conditions that influence the scope/definition of the activity (new construction vs. renovation)?**

The classification of an expansion of an existing building will be influenced by the size (e.g. in $m^2$ of useful area) of the expansion. For expansions that require a building permit, national building requirements should be used to classify the expansion as an activity under Section 7.1. or 7.2.

**59. The footnote to the substantial contribution criteria in Section 7.2. 'Renovation of existing buildings' state that '(…) The 30 % improvement results from an actual reduction in primary energy demand (where the reductions in net primary energy demand through renewable energy sources are not taken into account), and can be achieved through a succession of measures within a maximum of three years.' What should be considered as the starting point of this period – the first renovation action, the start date of the financing for the renovation action or another date?**

The criterion allows for adaptation to different situations, but the application should be consistent. For example, the comparison should be made between (i) the end of the first step and (ii) the second (or last) step in the renovation that leads to 30% energy savings. It should not be made between (i) the end of the fist step and (ii) the initial phases of the second step.

**60. For Section 7.2. 'Renovation of existing buildings', if the category of the building is changed during the renovation (e.g. if a hotel is transformed into an office), how can a project be evaluated in terms of energy reduction through the specified method of comparing the energy performance certificate primary energy demand value before and after the renovation?**

In this case, a fictional 'before' EPC could be used for comparison purposes. This fictional 'before' EPC would represent the building as if it were an office before the renovation.

In the example provided, a hotel is transformed into an office. Following the renovation there is an 'after' EPC. For the 'before' status, an expert could create a fictional 'before EPC' based on the technical elements of the building when it was a hotel, but adapting its use. For example, this may require the adaptation of certain parameters (e.g. occupation, use of domestic hot water and opening hours).

## Section 7.6. 'Installation, maintenance and repair of renewable energy technologies' in Annex I to the Taxonomy Climate Delegated Act

**61. FAQ 139 of Commission Notice C/2023/267 states that Section 7.6. 'Installation, maintenance and repair of renewable energy technologies' covers installation, maintenance and repair activities conducted on wind turbines installed on-site as technical building systems, but it also states that Section 4.3. 'Electricity generation from wind power' covers construction or operation of electricity generation facilities that produce electricity from wind power in all other situations. Is 'construction' the equivalent of 'installation' and is 'operation' the equivalent of 'maintenance' and 'repair'?**

The difference in terminology used in Section 7.6. and Section 4.3. stems from the different scale of projects covered by these two sections. The term 'installation' is a relevant term for smaller renewable energy sources attached to a building that are intended to provide electricity that is primarily used by that building (as is the case in Section 7.6. 'Installation, maintenance and repair of renewable energy technologies'). The activity in Section 7.6. does not cover the manufacturing or operation of the renewable energy source.

The term ‘construction’ covers large scale, commercial type, self-standing renewable energy sources (RES) plants as is the casein Section 4.3. ‘Electricity generation from wind power’, where the electricity is intented for commercial use or sale.

Similarly, the term ‘operation’ is used for a larger RES plant where management can more typically be a commercial activity than in an individual building context. The term ‘operation’ includes ‘maintenance and repair’ but could also include further activities related to the management of wind turbine(s).

**62. Does the acquisition of the specific ‘measure’ referred to in Sections 7.3. ‘Installation, maintenance and repair of energy efficiency equipment’ to 7.6. ‘Installation, maintenance and repair of renewable energy technologies’ fall within the scope of the activities?**

Operators should follow accounting rules to determine whether to report expenditures on the services of installation, maintenance, and repair referred to in Sections 7.3. to 7.6. as CapEx or OpEx.

The expenditure on the acquision of respective products and equipment, to which the installation, maintenance and repair services activities in Sections 7.3. to 7.6. refer, should be assessed against the respective criteria for the manufacturing of those products and equipment:

- expenditures on the acquisition of energy efficient equipment for buildings or instruments and devices for measuring, regulating and controlling energy performance of buildings, should be assessed against the respective criteria in Section 3.5. ‘Manufacture of energy efficiency equipment for buildings’;
- expenditures on renewable energy technologies should be assessed against the respective criteria in Section 3.1. ‘Manufacture of renewable energy technologies’;
- expenditures on the acquisition of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) should be assessed against the respective criteria in Section 3.20. ‘Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation’.

## Section 7.7. ‘Acquisition and ownership of buildings’ in Annex I to the Taxonomy Climate Delegated Act

**63. The substantial contribution criterion in point 3 of Section 7.7. ‘Acquisition and ownership of buildings’ states that ‘Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment’.**

- **What kind of power is meant here: heating/cooling power or electrical power of appliances?**
- **Regarding the heating/cooling capacity, certain HVAC equipment (e.g. heat pumps) have both heating and cooling capacity depending on their mode of operation. When verifying whether the capacity exceeds 290 kW, should one include: (i) only the heating capacity; (ii) only the cooling capacity; or (iii) the sum of both the heating and cooling capacities?**

The effective rated output refers to the output of the heat generator (e.g. a boiler or a heat pump) in a heating system. If the ventilation system has its own separate heat generator, its output is added to that of the heating system. If the total sum is above 290 kW, then the criterion will apply.

The same applies to cooling systems, where the output of the cooling generator (e.g. a chiller or a heat pump) is considered instead. If there is a separate cooling generator connected to the ventilation system, this will also need to be considered. If the total sum is above 290 kW, then the criteria will apply.

Heating and cooling are considered separately. In the case of a heat pump, its heating output will count towards the heating limit, while its cooling output will count towards the cooling 290 kW limit.

In all cases, it is always the heat or cooling output that is considered. For example, in the case of a heat pump or a chiller, it will be necessary to consider the calorific output (i.e. not the electric input).

### *Information and communication*

### Section 8.1. 'Data processing, hosting and related activities' in Annex I to the Taxonomy Climate Delegated Act

**64. Under Section 8.1. 'Data processing, hosting and related activities', are only in-house data centres covered or are colocation activities hosted with third parties (including hyperscalers) also covered?**

All types of data centres are covered, including colocation data centres.

**65. Which relevant practices or expected practices in the European Code of Conduct on Data Centre Energy Efficiency, or in CEN-CENELEC document CLC TR50600-99-1 should be implemented in order to be aligned with the substantial contribution criteria of Section 8.1. 'Data processing, hosting and related activities'?**

The relevant practices that need to be implemented in the context of Section 8.1. in the Taxonomy Climate Delegated Act can be found in the assessment framework for data centres: Assessment Framework for Data Centres in the Context of Activity 8.1 in the Taxonomy Climate Delegated Act | E3P (europa.eu).

### Section 8.2. 'Data-driven solutions for GHG emissions reductions' in Annex I to the Taxonomy Climate Delegated Act

**66. Are digital solutions using space data and/ or space services covered under Section 8.2. 'Data-driven solutions for GHG emissions reductions'?**

Digital and ICT solutions using space-based data and services are covered under this activity.

**67. The substantial contribution criteria in Section 8.2. 'Data-driven solutions for GHG emissions reductions' state that 'where an alternative solution/technology is already available on the market, the ICT/ Digital solution demonstrates substantial life-cycle GHG emission savings compared to the best performing alternative solution/technology.' How do you quantify substantial and how do you to compare it against the best performing alternative available in the market?**

As indicated in FAQ 42 of Commission Notice C/2023/267 for a similar question regarding Section 3.6., the application of the requirement leaves some flexibility. There is no common performance level implied by the criterion of 'substantial life-cycle GHG emission savings compared to the best performing alternative solution/technology'.

Operators of the activity should justify whether and how their technology enables the achievement of substantial GHG reductions compared with other competing technologies. When doing this, they should ensure that their assessment is consistent with any credible, available external sources of information on the potential of the technology to help achieve decarbonisation. Undertakings should also demonstrate this element for the purpose of the third-party verification required by the TSC and (particularly undertakings subject to Article 8 of the Taxonomy Regulation), should disclose all relevant information as part of their non-financial statement. Operators can assess the performance level of a digital solution using the Net-Carbon Impact Assessment Methodology.

**68. Which companies have to report under Section 8.2. 'Data-driven solutions for GHG emissions reduction'?**

Any financial or non-financial undertaking investing in digitalisation should report under Section 8.2. when the ICT solutions they have invested in and implemented enable GHG reduction.

Section 8.2. targets specific digital solutions that are developed or implemented in order to reduce GHG emissions. Such solutions can be an innovative combination of digital networks and technologies and applications such as 5G, the Internet of Things, artificial intelligence (AI), and blockchain.

Reporting under this activity is carried out mainly by the developers of these partial or total solutions (e.g. operators and providers of ICT solutions), but reporting should also be reflected on the users' side as green investments. For example, as the energy industry has mentioned, digitalisation is the key to integrating energy efficiency in the energy sector.This means that any digitalisation solution that is implemented to promote energy efficiency and is based on one or a combination of the technologies mentioned in Section 8.2. and other technologies that are not specifically listed, should be reported under Section 8.2. The same applies to any sector, where digitalisation is helping to promote a better environmental performance.

## SECTION III - QUESTIONS RELATED TO THE OBJECTIVE OF CLIMATE CHANGE ADAPTATION (ANNEX II TO THE TAXONOMY CLIMATE DELEGATED ACT)

### *Energy*

### Section 4.9. 'Transmission and distribution of electricity' in Annex II to the Taxonomy Climate Delegated Act

**69. The DNSH criteria for climate change mitigation in Section 4.9. 'Transmission and distribution of electricity' in Annex II to the Taxonomy Climate Delegated Act state that 'The infrastructure is not dedicated to creating a direct connection, or expanding an existing direct connection to a power production plant where the direct greenhouse gas emissions exceed 270 g**

**CO2e/kWh'. However, the substantial contribution criteria to climate change mitigation of the same activity in Annex I to the Taxonomy Climate Delegated Act include 'Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 g CO2e/kWh measured on a life cycle basis is not compliant'. Why was the reference to the 'direct connection between a substation or network and a power production plant' not included in the DNSH criteria?**

The reference to 'direct connection between a substation or network and a power production plant' was included in the substantial contribution criteria to climate change mitigation in Annex I to the Taxonomy Climate Delegated Act. Conversely, the DNSH criteria for climate change mitigation of the same activity in Annex II to the Taxonomy Climate Delegated Act does not mention connection to a substation.

When defining the DNSH criteria, the Commission took into consideration the ongoing transition of transmission and distribution systems which count with indirect connections to power production plants where the direct greenhouse gas emissions exceed the threshold. It is possible to comply with the DNSH criteria without excluding connections to certain powerplants, because the focus should be on the overall emission level of the system. The ambition level for a substantial contribution is higher than that set in the DNSH criteria.

The DNSH criteria for the operation of an existing energy infrastructure are not as strict as those for new installations, because system operators rely on existing infrastructure and cannot be expected to disconnect existing assets. When assessing compliance of the distribution and transmission network it is necessary to look at the overall energy mix.

### *Water supply, sewerage, waste management and remediation*

## Section 5.13. 'Desalination' in Annex II to the Taxonomy Climate Delegated Act

**70. How should the value of greenhouse gas emissions from the desalination plant per $m^3$ of freshwater produced be calculated for the purpose of compliance with the criteria for DNSH to climate change mitigation in Section 5.13. 'Desalination'? Should the energy intensity of the entire desalination process and the direct GHG emissions of the feeding energy component be considered? Does the greenhouse gas (GHG) intensity of generated electricity cover energy produced or energy supplied?**

The ratio of GHG emissions from the desalination plant per $m^3$ of freshwater produced is calculated as the ratio of:

- in the numerator: the total direct GHG emissions of the energy used, irrespective of whether they are produced or supplied, during the reporting period, in the entire desalination process (as referred to in the description of the activity); and
- in the denominator: the total $m^3$ volume of fresh water produced during the reporting period.

The numerator should be calculated by multiplying the amount of the energy used in the entire desalination process by the corresponding direct GHG emissions of the energy used. If the energy used in the desalination processes comes from sources/origins with different direct GHG emissions, the calculation should be done for each source/origin of energy (i.e. the respective amounts of energy used

from each energy source/origin should be multiplied by the corresponding direct GHG emissions of the energy from that source/origin).

**71. In Section 5.13. 'Desalination', does the GHG intensity of electricity comprise only the electricity used in the energy grid, or does it also include the electricity used by households?**

The GHG emission intensity value at plant level is calculated covering the energy use of the whole desalination process, including side treatments, pumping and the discharge of the brine. However, it covers neither the energy used for the distribution of the produced freshwater, nor the energy used by end users (including households).

### *Transport*

### Section 6.15. 'Infrastructure enabling road transport and public transport' in Annex II to the Taxonomy Climate Delegated Act

**72. The DNSH criterion for climate change mitigation in Section 6.15. 'Infrastructure enabling road transport and public transport' is that 'the infrastructure is not dedicated to the transport or storage of fossil fuels.' How can equipment providers meet this criterion given that they do not control which type of transport and/or storage will be used by the infrastructure?**

The activity set out in Section 6.15. covers the construction, modernisation, maintenance and operation of different types of infrastructure that enable road transport and public transport. This means that the manufacturers of equipment used for this activity are not covered under this activity.

### *Disaster risk management*

### Section 14.1. 'Emergency Services' in Annex II to the Taxonomy Climate Delegated Act

**73. Oil spill preparedness and response are eligible under Section 14.1. 'Emergency Services' (point (e) in the activity description). Is the sale of the equipment used for emergency spills and prevention eligible under Section 14.1.?**

As outlined in point 2 (d) of the description, the economic activity in Section 14.1. 'Emergency Services' includes 'the acquisition, storage, upgrading and maintenance of the material means (…) needed to mitigate the immediate consequences of a disaster'.

This means that while the turnover, CapEx or OpEx of an undertaking that uses the equipment to tackle emergency spills and/or prevent them are covered under Section 14.1., the undertaking that manufactures and sells the equipment and generates revenue from it is not covered under this activity.

## SECTION IV - QUESTIONS RELATED TO THE OBJECTIVE OF WATER AND MARINE RESOURCES (ANNEX I TO THE TAXONOMY ENVIRONMENTAL DELEGATED ACT)

### *General*

**74. To what extent do the activities on waste management also concern internal activities (e.g. separation of hazardous and non-hazardous waste at the site for handover)?**

The activities on waste management cover internal activities including the separation of hazardous and non-hazardous waste on site. They do not cover the disposal of waste.

### *Water supply, sewerage, waste management and remediation activities*

### Section 2.1. 'Water supply' in Annex I to the Taxonomy Environmental Delegated Act

**75. What is the difference between Section 2.1. 'Water supply' in Annex I to the Taxonomy Environmental Delegated Act and Sections 5.1. 'Construction, extension and operation of water collection, treatment and supply systems' and 5.2. 'Renewal of water collection, treatment and supply systems' in Annex I and II to the Taxonomy Climate Delegated Act?**

While there are overlaps in the description of the activity, Section 2.1. in Annex I to the Taxonomy Environmental Delegated Act refers to activities that contribute substantially to the sustainable use and protection of water and marine resources, Sections 5.1 and 5.2. in Annexes I and II to the Taxonomy Climate Delegated Act refer to activities that contribute substantially to climate change mitigation or climate change adaptation. Consequently, in particular the TSC for substantial contribution are different.

Section 2.1. in Annex I to the Taxonomy Environmental Delegated Act concerns the 'Construction, extension, operation, and renewal of water collection, treatment and supply systems intended for human consumption based on the abstraction of natural resources of water from surface or ground water sources'. This corresponds to two separate activities regarding drinking water supply systems in the Taxonomy Climate Delegated Act, Section 5.1. is related to the construction, operation and extension of systems and Section 5.2. is related to the renewal of existing drinking water supply systems.

**76. In cases when only water supply equipment is delivered and the company is not involved in the operation of the units, can only the equipment sales without operating be considered eligible under Section 2.1. 'Water supply'?**

The activity under Section 2.1. 'Water supply' of the Taxonomy Environmental Delegated Act covers the construction, extension, operation, and renewal of water collection, treatment and supply systems, including water abstraction, treatment and distribution. It does not cover the manufacturing of equipment for the supply of water. Certain types of equipment are covered under Section 1.1. 'Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems'.

## SECTION V - QUESTIONS RELATED TO THE OBJECTIVE OF TRANSITION TO A CIRCULAR ECONOMY (ANNEX II TO THE TAXONOMY ENVIRONMENTAL DELEGATED ACT)

*Manufacturing*

### Section 1.1. 'Manufacture of plastic packaging goods' in Annex II to the Taxonomy Environmental Delegated Act

**77. Are plastic packaging goods made of mixed material (e.g., plastic and cardboard, such as Tetra Pak) eligible under Section 1.1. 'Manufacture of plastic packaging goods'?**

The requirements of this Section cover NACE C22.22 activities and therefore plastic articles. Under this activity the following illustrative formats of plastic packaging goods are covered: plastic bags, sacks, containers, boxes, cases, carboys and bottles. With regard to packaging goods with multiple materials the predominant material approach applies, meaning that plastic packaging goods of mixed materials, of which majority (by weight) is plastic, are covered under Section 1.1, but those that are not made with a majority of plastic (e.g. including paper beverage cartons or cups), are not in scope.

**78. Are only final products covered under Section 1.1. 'Manufacture of plastic packaging goods', or also plastic components of packaging goods also covered?**

The requirements outlined in Section 1.1. of Annex II to the Taxonomy Environmental Delegated Act refer to the manufacturing activity with the NACE code C22.22. This code covers either final or semi-final products, depending on the operations applied by the companies. For instance, the NACE sub-category C22.22.9 refers to sub-contracted operations as part of the manufacturing of plastic packing goods. In this case, the requirements of Section 1.1. refer to semi-final products.

Plastic components could qualify under Section 3.17. 'Manufacture of plastic in primary form' in Annexes I and II to the Taxonomy Climate Delegated Act.

### Section 1.2. 'Manufacture of electrical and electronic equipment' in Annex II to the Taxonomy Environmental Delegated Act

**79. Which kinds of electrical and electronic equipment (EEE) is considered eligible under Section 1.2. 'Manufacture of electrical and electronic equipment'? Are all kinds of electrical equipment included in the scope? Can components for equipment (e.g. cables) be considered as equipment?**

All EEE falls within the scope of Section 1.2. 'Manufacture of electrical and electronic equipment' in Annex II to the Taxonomy Environmental Delegated Act. This also includes components such as cables or spare parts. Directive 2011/65/EU on the restriction of hazardous substances in EEE considers as electrical and electronic equipment: any equipment which is dependent on electric currents or electromagnetic fields in order to work properly and equipment for the generation, transfer and measurement of such currents and fields and designed for use with a voltage rating not exceeding 1 000 volts for alternating current and 1 500 volts for direct current. The Directive 2012/19/EU on waste electrical and electronic equipment (the WEEE Directive) also covers components that, when assembled, enable a piece of EEE to work properly. As specified in the activity description, this does not include manufacturing of battery categories other than rechargeable and non-rechargeable portable batteries.

**80. How should operators report on the Taxonomy-aligned turnover under Section 1.2. 'Manufacture of electrical and electronic equipment' if the electrical and electronic equipment (EEE) is not valued individually or sold individually, but is sold as part of an overall service (including software, installation and other services)? Can the revenue of the overall project be reported as Taxonomy-aligned?**

When EEE is sold as part of a broader project, the operator needs to assess which elements/components of the project comply with the TSC. Only the revenue derived from elements that comply with these criteria can be reported as Taxonomy-aligned.

**81. The substantial contribution criterion in point 2.4.1. of Section 1.2. 'Manufacture of electrical and electronic equipment' states that 'Information on products' end-of-life management should be made available to the public throughout the entire product life cycle'. What information does this specifically involve? Does this also apply to products that are not consumer products?**

This covers the information required by Directive 2012/19/EU, which includes information on how to dispose of the product, how to prepare the product for re-use and how to waste treat the product (inclunding recycling). The information requirement applies to all products (including. non-consumer products).

**82. The substantial contribution criterion in point 2.6. of Section 1.2. 'Manufacture of electrical and electronic equipment' include requirements on proactive substitution of hazardous substances. What evidence must be provided in order to prove proactive substitution of hazardous substances?**

Concrete evidence to show a proactive substitution of hazardous substances depends on the individual application. This means that an exhaustive list cannot be prescribed. In general, the evidence can be compiled in a technical documentation according to relevant standards. Among others, test reports act as meaningful evidence of having successfully substituted hazardous substances in electrical and electronic equipment. The evidence should contain:

- Information on the substances, which were substituted, and their specific uses. If the substance is restricted but temporary allowed under the Directive 2011/65/EU ('RoHS Directive'), the information should refer to the criteria set out in Article 5(1)(a) and describe why a substitution is justified.
- A substitution plan that was prepared and includesproposed actions to develop, request the development and/or to apply possible alternatives as well as a timetable for such actions.

- An analysis of the alternative substance, material or component based on life-cycle assessment, which includes information on the possible preparation for reuse or recycling of materials from waste electrical and electronic equipment, and on relevant provisions relating to the appropriate waste treatment. Furthermore, the assessment should take into account the safety, availability and reliability of alternatives and, where appropriate, any significant socio-economic impacts of the substitution.

**83. The substantial contribution criterion in point 2.6.6. of Section 1.2. 'Manufacture of electrical and electronic equipment' refers to the term 'fluor gas"'. Does this correspond to the chemical element F or to the $F_2$ molecule?**

Fluor as a gas is only stable as the $F_2$ molecule. Therefore, where the Delegated Act refers to fluor gas, it refers to $F_2$ molecules and not to the single element F.

**84. In line with Article 57 of the Batteries Regulation producers may appoint a producer responsibility organisation (PRO) to fulfil the extended producer responsibility obligations on their behalf. Is this process in line with the substantial contribution criteria in point 2.7.2. of Section 1.2. 'Manufacture of electrical and electronic equipment'?**

For portable batteries, the producer establishes waste portable battery take-back and collection systems, which include collection points, in all Member States in which the product is placed on the market. In line with Article 57 of the Batteries Regulation this obligation can also be fulfilled by appointing a PRO.

**85. The substantial contribution criterion in point 2.2.1. of Section 1.2. 'Manufacture of electrical and electronic equipment' refers to the 'highest populated reparability class'. What do these classes correspond to: just A level, A-B-C level or 8-10 out of 10?**

The aim of this requirement is to incentivise operators to target the two highest energy classes except where these are not significantly populated.

This requirement only applies if a product specific repairs scoring system is established in accordance with EU law, such as that for smartphones and slate tablets under Commission Delegated Regulation (EU) 2023/1669[71].

**86. In line with the Waste Electrical and Electronic Equipment Directive (the WEEE Directive), the public availability of end-of-life management is only required for consumer products, and not for business-to-business (B2B) products. Does the requirement of 'public availability' referred to in the substantial contribution criterion in point 2.4.1. of Section 1.2. 'Manufacture of electrical and electronic equipment' also apply to B2B products?**

The WEEE Directive requires that waste coming from electrical and electronic equipment (EEE) from private households (consumer products) collection facilities must be publicly available so that consumers can return such waste at least free of charge. Member States must ensure the availability and

[71] Commission Delegated Regulation (EU) 2023/1669 of 16 June 2023 supplementing Regulation (EU) 2017/1369 of the European Parliament and of the Council with regard to the energy labelling of smartphones and slate tablets.

accessibility of the necessary collection facilities, taking into account, in particular, the population density.

Waste from EEE likely to be used by both private households and users other than private households must in any event be considered to be WEEE from private households. The requirement to have publicly available collection facilities therefore applies.

However, in the case of WEEE other than WEEE from private households (B2B products), there is no requirement for publicly available collection facilities. For waste from B2B products, their producers or third parties acting on their behalf must provide for the collection of such waste.

**87. In line with the REACH Regulation, companies may continue to use Annex XIV substances upon a positive authorisation decision by the Commission. Are the authorised substances also not allowed in products under Section 1.2. 'Manufacture of electrical and electronic equipment'?**

The provisions on authorisation under the REACH Regulation (Title VIII) concern the placing of a substance on the market or the use of that substance, by a manufacturer, importer or downstream user. Incorporation of substances in articles (products) is covered by those provisions, the presence of substance in articles falls outside that scope. The placing on the market or the use of an article which contains an Annex XIV substance is therefore not subject to the authorisation requirement. In the context of assessment of Taxonomy-alignment of an economic activity under Section 1.2. 'Manufacture of electrical and electronic equipment', the placing on the market or the use of an article which contains an Annex XIV substance is not allowed for economic activities that refer to Appendix C, except if it is assessed and documented by the operators that no other suitable alternative substances or technologies are available on the market, and that they are used under controlled conditions.

### *Water supply, sewerage, waste management and remediation activities*

## Section 2.3. 'Collection and transport of non-hazardous and hazardous waste' in Annex II to the Taxonomy Environmental Delegated Act

**88. For Section 2.3. 'Collection and transport of non-hazardous and hazardous waste', are plastics, metal and packaging waste not among materials that are to be collected separately?**

The first indent of point 2 of the substantial contribution criteria specifies the waste materials that are to be collected separately.

Plastics, metals and packaging waste are among other waste fractions that are referred to in the second indent of point 2. In accordance with the second indent of point 2, waste types not specifically mentioned in the first indent can be comingled, where such comingling is allowed by the Waste Framework Directive.

Under the Waste Framework Directive, subject to certain conditions, Member States can derogate from the obligation to collect seperately certain materials. In line with this possible derogation, plastics and metals are collected together in some Member States. Such collection of plastic and metals in comingled fraction is covered under the activity in Section 2.3. 'Collection and transport of non-hazardous and hazardous waste'.

**89. Are the substantial contribution criteria in Section 2.3. 'Collection and transport of non-hazardous and hazardous waste' cumulative or alternative?**

The substantial contribution criteria are cumulative, because they are not explicitly set out as alternatives. Each point describes a specific aspect of the waste collection system. For municipal waste streams, compliance with point (3) in the substantial contribution criteria is also required.

**90. Does the substantial contribution criterion in point 2(1) of Section 2.3. 'Collection and transport of non-hazardous and hazardous waste' that requires that paper/cardboard to be collected separately and not comingled with other waste streams allow coverage of collection systems in which paper is collected together with metal or plastic?**

Section 2.3. in Annex II to the Taxonomy Environmental Delegated Act sets TSC that are stricter than Article 10 of the Waste Framework Directive. The first indent of point 2 of the substantial contribution criteria specifies that paper and cardboard are to be collected separately. Waste collecting systems, in which paper is comingled with other fractions are therefore not covered.

**91. If waste does not involve separation of materials at the collection stage (the collection is done jointly), is the model of separating waste only at the point of delivery sufficient to meet the substantial contribution criteria in Section 2.3. 'Collection and transport of non-hazardous and hazardous waste'?**

The substantial contribution criteria in Section 2.3. specify that this activity covers:
'1. All separately collected and transported waste that is segregated at source is intended for preparation for reuse or recycling operations.
2. Source segregated waste consisting of (i) paper and cardboard; (ii) textiles; (iii) biowaste; (iv) wood; (v) glass; (vi) waste from electrical and electronic equipment (WEEE); or (vii) any type of hazardous waste is collected separately (i.e. in single fractions) and not commingled with other waste streams.

However, according to the second indent of point 2, or commingled collection of source segregated non-hazardous waste other than the fractions mentioned in the first indent of point 2 above could still meet the substantial contribution criteria in Section 2.3. if any of the conditions laid down in the following indents of Article 10, paragraph 3 of the Waste Framework Directive are met. These conditions are the following:
(a) collecting certain types of waste together does not affect their potential to undergo preparing for re-use, recycling or other recovery operations in accordance with Article 4 and results in output from those operations which is of comparable quality to that achieved through separate collection;
(b) separate collection does not deliver the best environmental outcome when considering the overall environmental impacts of the management of the relevant waste streams;
(c) separate collection is not technically feasible taking into consideration good practices in waste collection;

In conclusion, under certain conditions, derogations are possible from the mandatory separate collection at source of the various waste streams (other than hazardous waste and other than those specifically mentioned in the first indent of point 2 to meet the substantial contribution criteria in Section 2.3.). Compliance with point 1 would still be required (i.e. the waste should be intented for preparation for reuse or for recycling facility).

## Section 2.6. 'Depollution and dismantling of end-of-life products' in Annex II to the Taxonomy Environmental Delegated Act

**92. The description of Section 2.6. 'Depollution and dismantling of end-of-life products' includes 'construction, operation and upgrade of facilities dismantling and depolluting complex end-of-life products, movable assets and their components for materials recovery or preparation for re-use of components.' Does this mean that only the constructors or owners of a shipyard would be eligible for this activity? Or could another actor involved in the dismantling of a ship also be considered eligible under this activity? Alternatively, if they had a team working at the shipyard to enable the dismantling, would this be eligible for the activity or is it linked to ownership of the facility?**

With respect to facilities for dismantling and depolluting end-of-life vessels, the scope of the activity covers construction, operation and upgrade of facilities dismantling and depolluting end-of-life vessels.

Point 3 of the substantial contribution criteria sets out as a requirement that the facility is included in the European List as laid down in Commission Implementing Decision (EU) 2016/2323, which only includes ship recycling facilities. According to Regulation (EU) Nº 1257/2013, 'ship recycling facility' means a defined area that is a yard or facility located in a Member State or in a third country and used for the recycling of ships. The activity therefore covers the construction, operation and upgrade of shipyards or facilities for dismantling and depolluting end-of-life vessels, but it does not cover the activities of contractors that would deliver services, equipment or works in that context.

**93. How should decommissioning of a vessel being dismantled and recycled be reported under Section 2.6. 'Depollution and dismantling of end-of-life products'?**

In the vast majority of cases, a shipowner will not incur any costs for decommissioning the ship, but will make a profit. However, in the case where dismantling and depolluting end-of-life vessels represent a cost for vessels owners/operators, they should consider their expenditures on dismantling and depolluting end-of-life vessels as CapEx or OpEx, as appropriate, when assessing Taxonomy-alignment of their CapEx or OpEx. Vessel owners/operators should follow the relevant accounting rules to account for their obligations to dismantle and recycle their vessels.

For example, for entities applying IFRS, at the time of building the vessel, the estimated cost of decommissioning should be included into the cost of the asset, pursuant IAS16 Property, Plant and Equipment. It should therefore be included in the Taxonomy CapEx KPIs, pursuant to Section 1.1.2 of Annex I of the Taxonomy Disclosure Delegated Act, and a decommissioning provision (i.e. a liability) of equal amount should be recognised pursuant to IAS37 Provisions, Contingent Liabilities and Contingent Assets. Recognition/de-recognition of (or any changes in) the decommissioning provision (liability), or the depreciation of the estimated costs of decommissioning, are not included in the Taxonomy KPIs. At the time of decommissioning of the vessel, the actual decommissioning expenses should be charged against the decommissioning provision (liability). If those expenses exceeed the amount of the decommissioning provision for that vessel, the excess expenses could be considered as OpEx. Double counting should be avoided.

## Section 2.7. 'Sorting and material recovery of non-hazardous waste' in Annex II to the Taxonomy Environmental Delegated Act

**94. Are waste management plants (e.g. the multi-material recovery facility) that only do the preparation for the recovery (the sorting element) and not the recovery itself (which is done in waste facilities abroad) eligible under Section 2.7. 'Sorting and material recovery of non-hazardous waste' ?**

Facilities that only sort waste but do not actually recover are also eligible under Section 2.7.

### *Construction and real estate activities*

## Section 3.1. 'Construction of new buildings' in Annex II to the Taxonomy Environmental Delegated Act

**95. The substantial contribution criterion in point 4 of Section 3.1. 'Construction of new buildings' sets thresholds for the use of secondary raw materials. What is the meaning of 'for the combined total of concrete, natural stone or agglomerated stone' as referred to in the thresholds?**

The substantial contribution criterion in point 4 provides flexibility to economic operators by setting the use of secondary raw materials thresholds for a material category as a maximum percentage of the use of primary raw material per material category. This combines several materials together into one material category (such as 'concrete, natural stone or agglomerated stone') – as opposed to setting those thresholds for each material separately.

The phrase 'for the combined total of' refers to the secondary raw materials that comprise this material category as well as any re-used construction products. For example, if a construction project uses re-used natural stone paving slabs, this counts towards this material threshold alongside any secondary raw materials used in new concrete and agglomerated stone products.

The thresholds are calculated by subtracting the secondary raw material from the total amount of each material category used in the works measured by mass in kilograms. For example, for the category 'concrete, natural stone or agglomerated stone' at least 30% of the combined mass of concrete, natural stone or agglomerated stone used in the works should be secondary raw materials (including re-used products) of that material category.

**96. What are examples of 're-using construction products' as referred to in the substantial contribution criteria inSection 3.1. 'Construction of new buildings'?**

In general, the re-use of construction products (including non-waste materials reprocessed on site) could comprise, for instance, re-use of roof elements, windows, doors, bricks, stones, or concrete elements as long as they correspond to the relevant definitions for used or remanufactured construction products set out in Article 3 points (20) and (25) of the Construction Products Regulation.

**97. To comply with the substantial contribution criterion in point 1 of Section 3.1. 'Construction of new buildings', is it sufficient for waste to be sorted for reuse, recycling and other material recovery at the construction site? Or must it be documented that the waste has been collected and sent for , e.g. reuse or recycling (stating e.g. the receiver and intended treatment form)?**

To comply with the substantial contribution criterion in point 1 of Section 3.1, it is not sufficient to sort the non-hazardous construction and demolition waste at the construction site. Documentation is required proving that at least the share of the non-hazardous construction and demolition waste indicated for the specific activity has been prepared for re-use or has been recycled in accordance with the definition in the Waste Framework Directive. In other words, there is a need to ensure that the non-

hazardous construction and demolition waste generated on the construction site is prepared for re-use or recycled.

According to Article 3(16) of the Waste Framework Directive 'preparing for re-use' means checking, cleaning or repairing recovery operations, by which products or components of products that have become waste are prepared so that they can be re-used without any other pre-processing. A pre-requisite for the preparation for re-use of building elements is usually the selective deconstruction of buildings or other structures.

According to Article 3(17) of the Waste Framework Directive 'recycling' means any recovery operation, by which waste materials are reprocessed into products, materials or substances whether for the original purpose or for other purposes. This includes reprocessing organic material but does not include energy recovery and the reprocessing into materials that are to be used as fuels or for backfilling operations.

The operator of the activity demonstrates compliance with the 90 % threshold included in substantial contribution criterion in point 1 by reporting on the Level(s) indicator 2.2[72] using the Level 2 reporting format for different waste streams. Relevant documents for demonstrating compliance with this substantial contribution criterion include weight slip for waste brought to the waste recycling facility (in kg), receipts of total waste brought to different waste facilities (in kg) (i.e. recycling, backfilling, landfilling etc.) or estimates the total waste generation based on pre-demolition audit or a pre-renovation audit.

**98. Will it be possible to support the availability of product performance data as requested by the substantial contribution criteria in Section 3.1. 'Construction of new buildings' by delegated acts under the revised Construction Products Regulation (CPR)?**

The declaration of performance and conformity required by the CPR will provide the necessary information for products. There is no need for delegated acts.

**99. The substantial contribution criteria in Section 3.1. 'Construction of new buildings' require operators to use the information management systems provided by national tools, such as cadastres or public registers for the long-term preservation of the building's information. Some Member States do not have public registers, but only private registers. Would these still count?**

The relevant criterion in Section 3.2. aims to ensure that the data is available to the public rather than changing the data ownership or imposing the public ownership of the data. The phrase 'public register' in point 5 of the substantial contribution criteria is only used as an example. National registers or equivalent information management systems may come with some access restrictions (e.g. username/password access) or may impose the payment of a fee. Also in these cases, they can still count towards the obligation to ensure the long term-preservation of the information of the buildings.

**100. Are there any detailed guidelines for selective dismantling as referenced in the substantial contribution criteria of Section 3.1. 'Construction of new buildings'?**

[72] See Level(s) indicator 2.2: Construction and demolition waste and materials, user manual: introductory briefing, instructions and guidance (Publication version 1.1), https://susproc.jrc.ec.europa.eu/product-bureau//sites/default/files/2021-01/ UM3_Indicator_2.2_v1.1_40pp.pdf. For reporting, the Excel spreadsheet available on the Commission website is to be used: Construction and Demolition Waste (CDW) and materials Excel template: for estimating (Level 2) and recording (Level 3) amounts and types of CDW and their final destinations (version 1.1), https://susproc.jrc.ec.europa.eu/product-bureau/product-groups/412/documents.

The EU Construction and Demolition Waste Protocol and Guidelines[73] provide for guidance on pre-demolition and pre-renovation audits of construction works which support selective dismantling and aims to increase re-use, preparing for re-use and recycling of construction demolition waste.

**101. What is meant by the term 'backfilling' as referenced in the substantial contribution criteria in Section 3.1. 'Construction of new buildings'?**

The term 'backfilling' is defined in Article 3(17a) of the Waste Framework Directive and means any recovery operation where suitable non-hazardous waste is used for purposes of reclamation in excavated areas or for engineering purposes in landscaping. Waste used for backfilling must substitute non-waste materials, be suitable for the aforementioned purposes, and be limited to the amount strictly necessary to achieve those purposes.

Non-binding information on backfilling can be found in the preparatory study to support the preparation of Commission guidelines on the definition of backfilling.[74]

**102. Does technical equipment have to be included in the life cycle assessment (LCA) calculations in Annex 1, when opting to disclose according to a 'national tool' as referred to in the substantial contribution criteria in Section 3.1. 'Construction of new buildings'? Is it possible to report LCA data (life-cycle Global Warming Potential impacts) using a national tool even if it is not fully aligned with the Level(s) framework?**

In order to comply with the substantial contribution criteria in Section 3.1. 'Construction of new buildings' in Annex II to the Taxonomy Environmental Delegated Act, operators are required to calculate the life-cycle global warming potential of buildings for each stage in the life cycle and disclosed it to investors and clients on demand. In the footnote to this criterion, three different ways of complying with the criterion are outlined: calculations in accordance with the Level(s) common EU framework; using a national calculation tool; using other calculation tools.
It is specified that calculation tools other than national tools may be used only if they fulfil the minimum criteria laid down by the Level(s) common EU framework (see Level(s) User manual for Indicator 1.2[75]). However, there is no specificationregarding the use of a national tool. Therefore, an official national or regional tool may be used even if it diverges from the Level(s) common EU framework. Moreover, the scope of elements included in the calculation should respect the requirements of an official national or regional tool.

Finally, the revised Energy Performance of Buildings Directive renders the calculation of life-cycle GWP mandatory for new buildings from 2028. Although the calculation methodology is currently described in Annex III citing EN15978 and the Level(s) EU common framework, the Directive also

[73] Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, Oberender, A., Fruergaard Astrup, T., Frydkjær Witte, S., Camboni, M. et al., *EU Construction & Demolition Waste Management Protocol including guidelines for pre-demolition and pre-renovation audits of construction works – Updated edition 2024*, Publications Office of the European Union, 2024, https://data.europa.eu/doi/10.2873/77980
[74] European Commission: Directorate-General for Environment, *Study to support the preparation of Commission guidelines on the definition of backfilling – Final report*, Publications Office, 2020, https://data.europa.eu/doi/10.2779/382166
[75] Dodd N., Donatello S. & Cordella M., 2021. Level(s) indicator 1.2: Life cycle Global Warming Potential (GWP) user manual: introductory briefing, instructions and guidance (Publication version 1.1): https://susproc.jrc.ec.europa.eu/product-bureau/sites/default/files/2021-01/UM3_Indicator_1.2_v1.1_37pp.pdf.

empowered the Commission to adopt a delegated act amending Annex III and setting out a Union framework for the national calculation.

## Section 3.2. 'Renovation of existing buildings' in Annex II to the Taxonomy Environmental Delegated Act

### 103. The substantial contribution criterion in point 4 of Section 3.2. 'Renovation of existing buildings' states that 'At least 50 % of the original building is retained'. How should 50 % of the original building be defined?

The calculation is based on the gross external floor area retained from the original building using the applicable national or regional measurement methodology, alternatively using the definition of 'IPMS 1'contained in the International Property Measurement Standards (IPMS)[76]. Specific guidance may be available at national or regional level. In case 'IPMS 1' is used, that document provides detailed explanations. The gross area of the renovated part of the building must not exceed 50% of the gross area of the original building.

### 104. The substantial contribution criteria in Section 3.2. 'Renovation of existing buildings' require the calculation of the life cycle global warming potential. For this calculation, operators have to follow the standard EN15978. What parts of the standard need to be followed?

In general, the scope of building elements and technical equipment is as defined in Level(s) common EU framework. Other than that, the criterion does not impose other requirements on the use of the standard. In some Member States or third countries a national calculation tool may exist for making disclosures or for obtaining building permits, however other calculation tools may also be used if they fulfil the minimum criteria laid down by the Level(s) common EU framework. The standard EN15978 allows for a flexible interpretation.

## Section 3.5. 'Use of concrete in civil engineering' in Annex II to the Taxonomy Environmental Delegated Act

### 105. How should the scope of Section 3.5. 'Use of concrete in civil engineering' be defined? Should only the material costs for concrete be indicated or also the supply and service of the construction company, e.g. transport?

The activity in Section 3.5. covers the use of concrete for new construction, reconstruction, or maintenance of civil engineering objects. Therefore, the activity covers all civil engineering works provided that these works comply with the technical screening criteria.

Operators providing services of transportation of cement are not covered under this activity, but could report Taxonomy-alignment under the freight transport activities included in Annex I and II to the Taxonomy Climate Delegated Act.

[76] See website https://ipmsc.org/ .

*Information and communication*

## Section 4.1. 'Provision of IT/OT data-driven solutions' in Annex II to the Taxonomy Environmental Delegated Act

### 106. Section 4.1. 'Provision of IT/OT data-driven solutions' requires compliance with the Waste Electrical and Electronic Equipment (WEEE) Directive for IT whereas WEEE can only be for physical products. What is the advised way forward to comply with this specific requirement?

The substantial contribution criterion in point 8 (c) of Section 4.1. 'Provision of IT/OT data-driven solutions and software' requires that all IT/OT data-driven solutions meet the criteria for: 'c) preparation for re-use, recovery or recycling operations, or proper treatment, including the removal of all fluids and a selective treatment are performed in accordance with Annex VII to Directive 2012/19/EU'.

Directive 2012/19/EU (WEEE Directive) only sets requirements for the end-of-life treatment of 'electrical and electronic equipment' or 'EEE', i.e. equipment which is dependent on electric currents or electromagnetic fields in order to work properly and equipment for the generation, transfer and measurement of such currents and fields and designed for use with a voltage rating not exceeding 1 000 volts for alternating current and 1 500 volts for direct current. Software do not fit this definition of EEE.

This criterion was included to account for the end-of-life treatment of the hardware equipment that is used to operate the IT/OT data-driven solution but not software.

### 107. Is software (e.g. SAP) included in the scope of the activity in Section 4.1. 'Provision of IT/OT data driven solutions' as software could be used for the supplier management?

As indicated in the description of the activity, the manufacture, development, installation, deployment, maintenance, repair or provision of professional services, including technical consulting for design or monitoring of different types of software and information technology or operational technology (OT) systems built for the purpose of remote monitoring and predictive maintenance are in the scope of the activity.

### 108. The DNSH criteria for pollution prevention and control in Section 4.1. 'Provision of IT/OT data driven solutions' require that 'the equipment used to operate the software meets the requirements laid down in Directive 2009/125/EC for servers and data storage products'. How can companies that are only software providers comply with this provision given that they don't have access to this type of information about the hardware equipment?

The scope of the activity in Section 4.1. covers both information technology and operation technology solutions, i.e. both the software and the hardware elements. The technical screening criteria setting out requirements relating to hardware equipment used to operate software, including servers and data storage products, only apply with respect to hardware equipment and not to software. This means that software providers that do not control the hardware equipment do not have to comply with this criterion.

*Services*

## Section 5.1. 'Repair, refurbishment and remanufacturing' in Annex II to the Taxonomy Environmental Delegated Act

### 109. What form should the waste management plan referred to in the substantial contribution criteria in Section 5.1. 'Repair, refurbishment and remanufacturing' take in practice?

Waste management plans such as those referred to in Section 5.1. 'Repair, refurbishment and remanufacturing' should follow the principles for waste management plans set out in Article 28 of as the Waste Framework Directive amended. This includes setting out an analysis of the current waste management situation in the entity concerned, as well as the measures to be taken to improve environmentally sound preparation for re-use, recycling, recovery and disposal of waste and an evaluation of how the plan will support the implementation of the objectives.

The plan should take into account at least: (i) the type, quantity and source of waste generated by the company, and an evaluation of the development of waste streams in the future; and (ii) existing disposal and recovery installations, including any special arrangements for waste oils, hazardous waste, waste containing significant amounts of critical raw materials. The plan should include waste management policies, including measures to combat and prevent all forms of littering and to clean up all types of litter, as well as appropriate qualitative or quantitative indicators and targets.

## Section 5.2. 'Sale of spare parts' in Annex II to the Taxonomy Environmental Delegated Act

### 110. Under Section 5.2. 'Sale of spare parts', what should be considered as a consumable and what should not be considered as a spare part? What are the functions of the product that the spare part can restore? Are only primary functions covered? Or are all functions of the bought products covered, including all the accessories present when the sales is done (e.g. front basket of a city bike )?

Section 5.2. defines 'Consumables' in footnote 151 as 'non-durable commodities that are intended to be used, depleted or replaced. They may be required for the functioning of a consumer product, or be used in fabrication, without being incorporated into the finished product'. They stand in contrast to 'Spare parts', which are defined in footnote 164 as 'a separate part of a product that can replace a part of a product with the same or similar function. The product cannot function as intended without that part of the product. The functionality of a product is restored or is upgraded when the part is replaced by a spare part in line with Directive 2011/65/EU. Spare parts may be used parts'.

Furthermore, the description of the activity for sale of spare parts gives examples of consumables which are not covered by the activity (e.g.printer ink, toner cartridges, lubricants for moving parts and batteries and maintenance.

There is no official list of products qualifying as spare parts. Operators have to make the individual product assessment based on the above definitions.

## Section 5.3. 'Preparation for re-use of end-of-life products and product components' in Annex II to the Taxonomy Environmental Delegated Act

### 111. How do you define the terms 're-use' and 'end-of-life' which are referred to in the substantial contribution criteria in Section 5.3. 'Preparation for re-use of end-of-life products and product components'?

According to the Waste Framework Directive, 're-use' means any operation by which products or components that are not waste are used again for the same purpose for which they were conceived. 'Preparing for re-use' means checking, cleaning or repairing recovery operations, by which products or components of products that have become waste are prepared so that they can be re-used without any other pre-processing.

It is worth recalling that 'waste' means any substance or object which the holder discards or intends or is required to discard. Already the intention to discard the item renders it waste. This is important when differentiating between reuse and preparing for reuse as reuse relates to an item that has not become waste while preparing for reuse relates to an item that has become waste.

An item can be the subject of reuse only when the purpose of the item is not changed. If the purpose is not changed, it is reuse.

When an item is at its end-of-life, it is waste. However, there are different ways in which the item can end its waste status, such as by being preparing for reuse, if there are end-of-waste criteria that apply to the item and the item fulfils them.

## Section 5.5. 'Product-as-a-service and other circular use- and result-oriented service models' in Annex II to the Taxonomy Environmental Delegated Act

**112. How should the requirements in Section 5.5. 'Product-as-a-service and other circular use- and result-oriented service models' be applied in case where a rental company provides power generators for a construction site. Does each rental asset need to be compliant with the criteria separately or can a group of assets on the construction site be seen as considered in case they together fulfill the condition? Or do the criteria for the activity relate to the total service, for example to energy consumption on the site of rental company providing the service?**

The activity in Section 5.5. 'Product-as-a-service and other circular use-and result-oriented service models' covers different service models (e.g. rental or leasing) through which the operator enables customers to use different products. Power generators are among the products covered in the scope of this activity. Unless specified otherwise, the technical screening criteria for this activity apply to the overall activity of the operator and not to specific products provided by the operator. The requirements in the DNSH to climate change mitigation relating to direct emissions from the activity apply specifically to situations where the activity involves on-site generation of heat/cool or co-generation including power.

**113. Can leasing of oil spill response equipment be covered under Section 5.5. 'Product-as-a-service and other circular use-and result-oriented service models'?**

Eligible economic activities under Section 5.5. 'Product-as-a-service and other circular use-and result-oriented service models' include providing customers with access to products through service models such as leasing. Hence the leasing of oil spill response equipment to customers is covered by this activity. The lessor should account for the leasing expenses, depending on the accounting treatment of the lease, as CapEx or OpEx. However, the company that is leasing the oil spill response equipment from another provider, i.e. the lessee, does not fall under this activity.

## SECTION VI - QUESTIONS RELATED TO THE OBJECTIVE OF POLLUTION PREVENTION AND CONTROL (ANNEX III TO THE TAXONOMY ENVIRONMENTAL DELEGATED ACT)

*Water supply, sewerage, waste management and remediation activities*

### Section 2.4. 'Remediation of contaminated sites and areas' in Annex III to the Taxonomy Environmental Delegated Act

**114. The activity description in Section 2.4. 'Remediation of contaminated sites and areas' includes in point (d) (vii) the term 'soil'. Is soil air included in the term 'soil'?**

Directive 2010/75/EU (Industrial Emissions Directive) defines the term 'soil' in Article 3 point 21 as "the top layer of the Earth's crust situated between the bedrock and the surface. The soil is composed of mineral particles, organic matter, water, air and living organisms". Soil air is therefore included in the term 'soil'.

**115. What is the definition of 'polluted area' and 'pollutants' as referred to in the activity description in Section 2.4. 'Remediation of contaminated sites and areas'?**

Building on the Industrial Emissions Directive definition of 'pollution', pollutants are substances, vibrations, heat or noise introduced directly or indirectly, as a result of human activity, into air, water or land which may be harmful to human health or the quality of the environment, result in damage to material property, or impair or interfere with amenities and other legitimate uses of the environment. The 'polluted area' is the area affected by pollution.

**116. Point (b) in the activity description in Section 2.4. 'Remediation of contaminated sites and areas' includes 'decontamination or remediation of contaminated industrial plants or sites'. What is meant by 'industrial plants or sites'? Does it include other areas such as decommissioned plants, military sites, landfills (security/aftercare)? Is 'brownfield' included?**

A site refers to a specific geographical location where industrial activities have taken place (see definition in Article 3(3) of the Industrial Emissions Portal Regulation), and as a result, contamination may have occurred. This may include land or soil contaminated with hazardous substances, groundwater or surface water contamination, areas surrounding industrial facilities where pollution has migrated, or abandoned or inactive industrial facilities. Industrial plants, on the other hand, refer to the physical structures and equipment used for industrial processes, such as manufacturing facilities, refineries or power generation plants. Site-focused efforts to remediate or decontaminate address the surrounding environment, while industrial plant-focused efforts address the physical structures and equipment.

The decontamination or remediation of industrial plants or sites does not cover remediation of legally non-conforming landfills and abandoned or illegal waste dumps unrelated to the site under remediation, as they are covered by a specific activity set out in Section 2.3. While military sites do not qualify as industrial plant sites under point (b) of the activity description, the remediation of military sites could be covered under other points.

**117. Point (e) in the activity description in Section 2.4. 'Remediation of contaminated sites and areas' refers to 'material abatement of hazardous substances, mixtures or products, such as asbestos or lead-based pain'. What is the definition of 'hazardous substances'?**

In accordance with Article 3 of Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures, hazardous substances are those substances that fulfill the criteria relating to physical hazards, health hazards or environmental hazards, that are laid down in Parts 2 to 5 of Annex I to that Regulation.

**118. The substantial contribution criterion in point 1 of Section 2.4. 'Remediation of contaminated sites and areas' states that 'Remediation activities are not carried out by the operator that caused the pollution or a person acting on behalf of that operator in order to comply with the requirements of Directive 2004/35/CE or, for activities located in third countries, with environmental liability provisions based on the 'polluter-pays' principle according to national law'. How should this criterion be interpreted? Does the term 'operator' refer to the undertaking carrying out the remediation activities?**

This criterion aims to ensure that the remediation activities are carried out in an impartial and transparent manner, with the primary goal of protecting the environment and public health. The criterion specified in point 1 refers to the operator that caused the pollution. The term 'operator' is defined in accordance Article 2 (6) of Directive 2004/35/CE as any natural or legal, private or public person who operates or controls the occupational activity or, where this is provided for in national legislation, to whom decisive economic power over the technical functioning of such an activity has been delegated, including the holder of a permit or authorisation for such an activity or the person registering or notifying such an activity.

In accordance with the criterion specified in point 1, remediation actions carried out by the operator that caused the pollution or a person acting on behalf of that operator to comply with the obligations under Directive 2004/35/CE cannot be considered as making a substantial contribution.

**119. Is an independent undertaking that has been contracted by the operator that caused the pollution to carry out the remediation activity considered as acting on behalf of the polluter under Section 2.4. 'Remediation of contaminated sites and areas'?**

An independent undertaking with whom the operators that caused the pollution signed an agreement to carry out the remediation activity is not considered a person acting on behalf of that operator, unless that undertaking represents the operator or enjoys specific powers delegated by it (this could for example be if the undertaking is a subsidiary of the operator). This implies, that the revenue earned by the independent undertaking for performing the remediation activity is Taxonomy-eligible, while the OpEx or CapEx spent by the operator that caused the pollution to receive that service is not eligible.

## SECTION VII - QUESTIONS RELATED TO THE OBJECTIVE OF BIODIVERSITY AND ECOSYSTEMS (ANNEX IV TO THE TAXONOMY ENVIRONMENTAL DELEGATED ACT)

*Environmental protection and restoration activities*

## Section 1.1. 'Conservation, including restoration, of habitats, ecosystems and species' in Annex IV to the Taxonomy Environmental Delegated Act

### 120. Can the activity in Section 1.1. 'Conservation, including restoration, of habitats, ecosystems and species' be performed in urban areas with negligeable natural spaces? How can an activity performed in urban areas meet the requirements in the substantial contribution criteria?

The conservation activity can be carried out in all areas, including urban areas. The activity can also be carried out by any type of operator irrespective of its main domain of activity.

All the substantial contribution criteria must be fulfilled. This includes the requirement in point 1.1 of the criteria for substantial contribution:

'1.1. The activity contributes to at least one of the following:

maintaining good condition of ecosystems, species, habitats or of habitats of species;

re-establishing or restoring ecosystems, habitats or habitats of species towards or to good condition, including through increasing their area or range.'

Similarly, point 3.1. of the substantial contribution criteria requires that the area is covered by a management plan or an equivalent instrument.

In this context, it might be useful to contact the competent nature authorities, which may have adopted a green infrastructure plan, which, provided it is in line with the relevant TSC, could fall under the management plan required for the conservation activity.

It may be also useful to contact relevant municipal authorities to check whether an Urban Greening Plan[77] exists or if the city has signed the 'Green Cities Accord' [78].. Provided they are in line with the requirements of the TSC, these documents could fall under the management plan/equivalent instrument required for the conservation activity.

### 121. The substantial contribution criterion in point 3.1 of Section 1.1. 'Conservation, including restoration, of habitats, ecosystems and species' requires that the area is covered by a management plan or equivalent instrument. Does this mean that green areas owned and managed by private entities cannot meet this criterion since for such privately-owned and managed areas public entities (i.e., nature conservation authorities) do not establish management plans or equivalent instruments?

A management plan or an equivalent instrument needs to be put in place before the operator can report the activity as Taxonomy-aligned. However, it is not specified that the management plan or an equivalent instrument must be drawn by public authorities. If no such instrument has been established by the competent authorities, the operator of the conservation activity can in principle also draw up such a plan. However, the plan has to contain all the specific information that is required to be included in

[77] To bring nature back to cities and reward community action, the Commission in its EU Biodiversity Strategy calls on European cities of at least 20,000 inhabitants to develop ambitious Urban Greening Plans by the end of 2021. See also https://environment.ec.europa.eu/topics/urban-environment/urban-nature-platform_en.

[78] To facilitate the greening of urban and peri-urban areas under the EU Biodiversity Strategy, the European Commission has set up an EU Urban Greening Platform, under a new 'Green City Accord' with cities and mayors. See also https://environment.ec.europa.eu/topics/urban-environment/green-city-accord_en.

the management plan and the equivalent instrument as specified in point 3.1. of the substantial contribution criteria.

To be noted that in accordance with points 4.1 and 4.2 of the substantial contribution criteria, the management plan or equivalent instrument must be verified by either the national authorities or by an independent third-party certifier at the start of the conservation activity or when the management plan ends or at least every ten years..

**122. The substantial contribution criteria in Section 1.1. 'Conservation, including restoration, of habitats, ecosystems and species' explicitly exclude the 'offsetting' of the impacts of another activity and only covers 'net biodiversity gains'. What is the meaning of the word 'net' in this context? Does it mean that there could also have been a loss of biodiversity that must be offset in order to be considered a substantial contribution?**

'Net biodiversity gain' means a measurably positive impact ('net gain') on biodiversity, compared to what was there on the area covered before the conservation/restoration activity. This can be achieved by improving the condition of a habitat or species without any prior biodiversity loss due to another activity. In addition, net biodiversity gain can result from additional conservation/restoration measures beyond offsetting, as explained in footnote 11 to activity in Section 1.1. In this case, net gain is the creation of additional biodiversity after the biodiversity loss caused by the other economic activity has been compensated to 100% like for like.

### *Accommodation activities*

### Section 2.1. 'Hotels, holiday, camping grounds and similar accommodation' in Annex IV to the Taxonomy Environmental Delegated Act

**123. The substantial contribution criterion in point 1.2. of Section 2.1. 'Hotels, holiday, camping grounds and similar accommodation' refer to 'organisation in charge of the conservation or restoration of the area'. Must this organisation be exclusively a public administration body, or can the role also be performed by, for example, an NGO?**

The organisation can be any "organisation in charge of the conservation or restoration of the area", including public administrations, NGOs, private companies or other entities.

**124. Point (c) of the activity description of Section 2.1. 'Hotels, holiday, camping grounds and similar accommodation' refers to 'visitor flats, bungalows, cottages and cabins'. What is meant by "visitor flats"? Does this cover short-term rental facilities? How do they differ from "apartments for more permanent use"?**

'Visitor flats' cover rental facilities for short-term tourism, whereas 'apartments for permanent use' do not serve any short-term touristic purpose and are therefore excluded.

**125. Why does the substantial contribution criterion in point 3.2. of Section 2.1. 'Hotels, holiday, camping grounds and similar accommodation' only apply to accommodation establishments with more than 50 employees while the requirement to provide Taxonomy disclosures generally applies to companies with more than 250 employees?**

The requirement to provide Taxonomy related disclosures applies to undertakings that are subject to sustainability reporting in accordance with the Corporate Sustainability Reporting Directive, which applies in particular to large or listed companies. The reference to 50 employees in point 3.2. does not affect the scope of those disclosures. The criteria under point 3.2 applies only to establishments with more than 50 employees, to facilitate compliance of smaller undertakings with the substantial contribution criteria

**126. Do the criteria for Section 2.1. 'Hotels, holiday, camping grounds and similar accommodation' also cover the GHG emissions of the visitors of the hotel (e.g. when they travel by plane)?**

The substantial contribution criteria for Section 2.1. 'Hotels, holiday, camping grounds and similar accommodation' do not cover the GHG emissions of the visitors to the accommodations included in that activity.

## SECTION VIII - QUESTIONS RELATED TO THE GENERIC DNSH CRITERIA

### *Generic DNSH criteria for climate change adaptation*

**127. How are 'climate risks' defined? To which phase of a project do they apply?**

For the objective of climate change adaptation, the most relevant climate risks are:

- the physical risks from climate change that result in possible material damage or impact, e.g. physical damage to property, equipment, or inventory, which can disrupt business operations or cause significant cost of repair;
- other types of impact (such as impact on workforce, critical elements of upstream and downstream value chains and market parameters etc.) leading to disruptions of operations, and/or material financial losses.

They can be either event-driven (acute) or result from longer-term shifts (chronic) in climate patterns. Event-driven risks relate to extreme-weather events (e.g. floods, heatwaves, or storms) while chronic risks are permanent (e.g. sea level rise or coastal erosion). The relevant provisions[79] include a non-exhaustive list of climate-related hazards to be taken into account in the climate risk and vulnerability assessment. Other risks may potentially become material in the future.

Physical climate risks should be assessed for all project phases. In the construction sector for example, the physical risks need to be taken into account in the planning and design phases, as well as during the project lifecycle, i.e. in relation to both the use and demolition of a building.

**128. Does a climate risk and vulnerability assessment need to be performed for all sites (e.g. all construction projects)? Or is a generic analysis, which can be transposed to other sites, sufficient?**

The objective of a robust climate risk and vulnerability assessment is to identify material physical climate risks that affect the performance of the economic activity and of the assets on which the economic activity depends (for its performance and continuity). The assessment is then used to identify suitable adaptation solutions that are presented as part of an adaptation plan.

[79] Appendix A, point II, of Annex I and Appendix A of Annex II to the Taxonomy Climate Delegated Act as well as Appendices A, point II, of Annexes I and II of the Taxonomy Environmental Delegated Act.

According to the generic DNSH criteria for climate change adaptation[80], a climate risk and vulnerability assessment should follow a state-of-the-art methodology and take into account the most recent highest-resolution data available. The scope of the assessment, methods and data used to achieve this objective may vary.

To ensure that the vulnerability assessment properly reflects the risks, proper attention should be given to local circumstances. This is because physical risks and adaptation are site-specific and depend to a large extent on location and existing vulnerabilities. This means that for construction projects on different sites, a climate risk and vulnerability assessment can be performed for all sites as long as it addresses each site-specific risks and vulnerabilities. The climate risk and vulnerability assessments should consider whether all assets within the site are exposed to the same risk to a similar degree. They can then propose the best adaptation solutions for each asset on the site individually.

**129. The generic DNSH criteria for climate change adaptation state that the economic operator should implement physical and non-physical solutions ('adaptation solutions') for existing activities and new activities using existing physical assets, over a period of up to five years. Does the period of five years start when the assessment is completedor when the adaptation solution is identified?**

Adaptation solutions are changes in processes, practices, and structures of the economic activity in question to moderate potential damages associated with climate change. Adaptation solutions can be physical (e.g. building flood defences), or non-physical (e.g. switching to drought-resistant crops, or redesigning communication systems). Assessing adaptation solutions is a step in the climate risk and vulnerability assessment. The five year period starts from the day when the operator has finalized the climate risk and vulnerability assessment of the activity and identified the adaptation solution for the activity.

**130. How is 'expected lifespan' defined? Should it be understood as the expected lifetime of the underlying economic activity or of the financing of the activity?**

The generic DNSH criteria for the objective of climate change adaptation state that physical climate risks that are material to the activity are to be identified through a climate risk and vulnerability assessment. This assessment involves identifying what physical climate risks may affect the performance of the economic activity during its expected lifetime. The physical risks are related to the location and type of the activity, so the expected lifetime is understood as the entire period during which the economic activity is carried out. In the construction sector, for example, the lifespan covers the planning, design, use and demolition of a building. For long-term or indefinite activities, it may be appropriate to take into account a lifespan of at least 30 years in the future.

**131. The DNSH criteria for climate change adaptation included in Appendix A refer to '(…) physical and non-physical solutions ('adaptation solutions') (…) that reduce the most important identified physical climate risks that are material to that activity'. How should the term 'reduce' be understood? Is anything that can reduce physical climate risks acceptable? Or is it only possible to consider solutions that reduce the effect to such an extent that it leads to a different risk assessment (risk bucket) of the climate risk and vulnerability assessment (CRVA) be considered?**

[80] Appendix A of Annex I and Appendix A of Annex II to the Taxonomy Climate Delegated Act and Appendices A of Annexes I, II, III and IV of the Taxonomy Environmental Delegated Act.

The generic DNSH criteria to climate change adaptation mention ‘adaptation solutions that can reduce the identified physical climate risk’ in the list of steps involved in the performance of a robust CRVA. The term ‘reduce’ here means that physical climate risks material to the economic activity are reduced to the level that the activity may be continued without major avoidable[81] climate-related disruptions in the present and for the lifetime of the activity.

**132. The generic DNSH criteria for climate change adaptation in Appendix A state that 'the economic operator implements physical and non-physical solutions'. Should both conditions always be satisfied before an adaptation solution is eligible (given that the word ‘and’ is used)?**

Appendix A requires economic operators to identify adaptation solutions that reduce the most important identified physical climate risks that are material to that activity. These adaptation solutions can be either physical or non-physical solutions depending on the physical climate risk the operator is facing.

As an example of a physical adaptation solution[82], an operator located in a region prone to heat waves may decide to install green roofs or green facades on its buildings in order to keep indoor temperatures low during hot periods and to improve water retention around the buildings by minimizing rainwater run-off.

In contrast, a company operating in landfill gas capture and use that is located in a zone at risk of being affected by wildfires may, as a non-physical solution, implement awareness campaigns to reduce wildfire-generating behavior[83].

### *Generic DNSH criteria for pollution prevention and control*

**133. Appendix C was amended on 27 June 2023. What do these amendments entail?**

Appendix C sets the generic DNSH criteria for the objective of pollution prevention and control relating to the use and presence of chemicals. More precisely, it addresses the manufacture, use, and presence of substances of very high concern (SVHCs) and of other hazardous substances referred to in relevant EU legislation.

[81] The term ‘avoidable’ in this context means (i) there are solutions/technologies available that can eliminate or reduce the specific identified climate change related risk to the required level to avoid disruption; and (ii) the cost of eliminating or reducing the risk to the required level to avoid disruptions is not exceeding the benefit (e.g., the value of the avoided damage and loss taking into account their severity and likelihood and applying the precautionary principle). In cases where the risk is deemed ‘not avoidable’ based on these factors, attempt should be given to (i) reduce the risk and impact on the operation of the activity to the highest attainable level and (ii) shorten the recovery time; and the residual risk should be accounted for.

[82] The main categories of physical solutions are physical infrastructure and technological solutions, as well as nature-based and ecosystem-based approaches.

[83] The main categories of non-physical solutions are governance and institutional solutions (including initiation or changes of practices, processes and process management, planning, monitoring and cooperation systems and similar) economics and financial solutions (including insurance), as well as knowledge and behavioral change related approaches.

Appendix C was amended on 27 June 2023 to clarify, among other matters, the conditions for derogations that were laid down in points (f) and (g) of that appendix.

The former derogation allowing the use of certain hazardous substances, which was based on the concept of 'essential use for society' has been revised. Under the revised derogation, operators have to assess and document that there are no other suitable alternative substances or technologies in the market and, if there are no such alternatives, assess and document that the hazardous substances are only used under controlled conditions[84].

That derogation concerns both substances that have been identified as substances of very high concern in accordance with Article 59 (1) REACH (revised point (f) of Appendix C) and substances that meet the criteria of the hazard classes or hazard categories mentioned in Article 57 REACH (new paragraph added after point (f) of Appendix C). The amendment also introduced a 0.1% (weight by weight) concentration limit as regards the use of the substances in mixtures and articles.

The conditions for the derogations should be assessed and documented depending on the use of the chemical substance(s) in question.

Point (g) of Appendix C has been deleted and replaced by a new paragraph added after point (f). It is a separate paragraph, because its scope is different from that of points (a) to (f). As opposed to the new paragraph, points (a) to (f), include the situation of the 'use of substances'; they are not limited to the situations of their 'manufacture' or 'placing on the market'. The new paragraph clarifies that the economic activity must not lead to the manufacture, presence in the final product or output, or placing on the market of substances that meet the criteria of the hazard classes or hazard categories mentioned in Article 57 REACH Regulation, except if it is assessed and documented by the operators that no other suitable alternative substances or technologies are available on the market, and that they are used under controlled conditions. Given the fact that the new paragraph does not refer to the 'use of substances', provided that the use of a substance referred to in the new paragraph does not result in its presence in the final product or output, or placing on the market, the ban set out in that new paragraph does not apply to such use.

**134. What chemical substances are covered under point (f) of Appendix C as amended on 27 June 2023?**

Point (f) concerns substances identified as substances of very high concern (SVHCs) according to Article 57 of the REACH Regulation in accordance with the procedure laid down in paragraphs (2) to (10) of Article 59 of the REACH Regulation. These substances can be found in the candidate list of SVHCs managed by the European Chemicals Agency (ECHA).

**135. What chemical substances are covered under the last paragraph of Appencix C, added after point (f), as amended on 27 June 2023?**

The additional new paragraph added after point (f) concerns substances that meet the criteria of the Classification, labelling and packaging of substances and mixtures Regulation (CLP Regulation) for one of the hazard classes or hazard categories mentioned in Article 57 of the REACH Regulation. The C&L (classification and labelling) inventory provides information on the hazard classifications of substances in line with the CLP Regulation, with harmonised classifications (assessed by authorities and concluded by the Commission) as well as self-classifications (assessed and concluded by the undertakings). Hazard classification of substances covered by the new paragraph added after point (f)

[84] Please refer to FAQ 136 of this Commission Notice.

is therefore publicly available. Manufacturers and importers of hazardous substances are obliged by the CLP Regulation to self-evaluate their substances and report this classification to ECHA which makes it available in the C&L inventory. The Commission acknowledges that for substances without a harmonised classification, there may be differences in self-classification submitted by different undertakings. Moreover, the entries are currently not subject to verification or quality control.

**136. Point (f) and the new paragraph under point (f) in Appendix C provide an exemption according to which operators using the corresponding substances, have to assess and document the 'absence of suitable alternatives' substances or technologies on the market and their 'use under controlled conditions'. How does 'absence of suitable alternatives' and 'use under controlled conditions' have to be interpreted and fulfilled by operators in order to comply with that exemption?**

*Absence of suitable alternatives*

In the context of Appendix C, an alternative to a substance is considered as 'suitable' if all four of the following criteria are met:

- it is safer (meaning its use entails a lower risk to human health and the environment compared to the risk of using the substance),
- it is technically feasible (meaning it provides the functionality and level of technical performance required necessary for the use),
- it is economically feasible for an economic operator (meaning that the use does not lead to a negative economic impact of a magnitude that would jeopardise the economic viability of operations related to the use for which exemption is sought), and
- it is available, meaning that an analysis of alternatives must be carried out from the perspective of the production capacities for the alternative substances and the feasibility of alternative technologies, as well as in the light of the legal and factual requirements for putting them into circulation.

The absence of suitable alternatives can be demonstrated as follows:

- For substances listed in Annex XIV to the REACH Regulation (i.e. some of the substances in Appendix C point f)), if an operator has obtained an authorisation for his useof the substance, that authorisation is proof of lack of suitable alternatives. This means that the operator covered by a granted authorisation does not need to perform any further assessment with regard to compliance with the criterion on 'the absence of suitable alternatives. The documentation to be provided should at least include the authorisation number, the authorisation decision, and all documentations proving compliance that is required in the authorisation decision.
  If an application for authorisation has been submitted before the latest application date of the substance, as specified in Annex XIV, the operator does not need to perform any further assessment while waiting for the decision on authorisation. Until a decision is taken on the application for authorisation, the operator may provide the analysis of alternatives submitted within the application. If a Socio-Economic Assessment Committe (SEAC) opinion confirming the lack of alternatives has already been issued, it may also be submitted.

- For uses (i) of a substance listed in Annex XIV to the REACH Regulation that do not require an authorisation, or (ii) of a substance identified in accordance with Article 59(1) of the REACH Regulation (Candidate List of substances of very high concern), or (iii) of a substance meeting the criteria laid down in Article 57 of the REACH Regulation (as registered in the ECHA C&L

inventory), the possible alternatives need to be assessed and the assessment and its outcome documented. The operator:

- should provide summary of alternative substances and technologies for their use of the substance, including a justification why those are not suitable for at least one of the four cumulative criteria (i.e., not safer, and/or not technically feasible and/or not economically unfeasible for the operator, and/or not available on the EU market).
- can choose to follow the relevant parts of the ECHA guidance on analysis of alternatives[85] in the context of applications for authorisation to help in his assessment of alternatives. This guidance is in some instances very specific to REACH authorisations requirements, however, relevant sections to consult are in particular:
    - **3.6** 'How to determine the technical feasibility of alternatives';
    - **3.7.1** 'General considerations on assessing and comparing the risks';
    - **3.8** 'How to determine the economic feasibility of alternatives';
    - **3.10** 'Concluding on the suitability and availability of alternatives'.

*Use under controlled conditions*

A substance is used under controlled conditions when the risks arising from the operator's subjective use and use conditions (exposure scenarios) have been assessed and managed such that risk management measures and conditions of use that minimise exposure and emissions by the operator are in place. On that base, the operator must in particular perform risk management measures such as to minimise the exposures and emissions of the substance that give rise to serious risks from both a human health and environmental perspectives during the use phase. If the risk of the use of the substance by the operator is common to many operators and, as a result, that risk already was assessed previously by another body (supplier, authority, competitor, …) and risk management measures and operational conditions were defined accordingly, then the compliance with these could be sufficient for the purpose of Taxonomy. If the use is not covered by an existing risk assessment, the operator has to perform and document his own risk assessment first.

Overall, existing EU and national legal requirements on chemicals, products and waste legislation are set to limit humans' exposure to the substance and its emissions to the environment, as well as any risks resulting from that exposure and emissions. If an operator has already carried out such a risk assessment and management and consequenly minimised the emissions and exposures ensuing from a given use in accordance with the applicable requirements of EU and national legislation on the protection of workers, consumers, the general public and the environment, then that operator should be considered to be in compliance with the 'controlled conditions' requiement of Appendix C.

To demonstrate compliance with the 'controlled conditions' exemption, operators have to provide documentation demonstrating that they have in place risk assessment and management processes that minimise emissions and exposures to substances, as well as the risks resulting from these emissions and exposures, in line with relevant existing legal requirements. If based on specific legal requirements[86] the operator has performed or appropriately used a risk assessment and followed the resulting risk

[85] ECHA (2021), Guidance on the preparation of an application for authorisation: https://echa.europa.eu/documents/10162/17235/authorisation_application_en.pdf/8f8fdb30-707b-4b2f-946f-f4405c64cdc7?t=1610451346310.

[86] An overview of applicable EU chemicals legislation is provided by ECHA in EUCLEF (the EU Chemicals Legislation Finder).This searchable database provides an overview of existing obligations for each chemical substance.

management process and documented it, that documentation should be considered as proof of compliance.

Depending on the substance's specific use and hazardous properties, the operator could put in place the following (non-exhaustive) list of measures to demonstrate compliance with 'controlled conditions':

- the preparation of chemical safety reports and the use of appropriate risk management measures in accordance with Article 14 of the REACH Regulation;
- measures listed in Articles 5(5) and 10 (1) of the Directive 2004/37/EC on the protection of workers from the risks related to exposure to carcinogens, mutagens or reprotoxic substances at work;
- provisions following Article 15 of Directive 2010/75/EU on the emission limit values and the equivalent parameters and technical measures that are based on the Best Available Techniques (BAT). Operators can apply such measures if the use of the substance is covered by a BAT conclusion or a Best Available Techniques Reference Document (BREF).

By default, the exemption of 'controlled conditions' is deemed to be met if the operator fulfils the measures listed in Article 18(4) of the REACH Regulation on 'strictly controlled conditions' and documents it.

For a substance listed in Annex XIV to the REACH Regulation, for which an authorisation has been granted, adherence to the conditions of the authorisation concerning risk management measures and fulfilment of the requirements in Article 60(10) of the REACH Regulation are deemed sufficient to fulfil the criterion on the use under controlled conditions for those authorised uses.

This means that an operator to whom an authorisation of this kind has been granted does not need to perform any further assessment of compliance with the criterion on use under controlled conditions. The documentation to be provided should at least include the authorisation number, the authorisation decision, the chemical safety report for their use in line with the authorisation decision and documentation proving compliance that is required in the authorisation decision and Article 60(10) of the REACH Regulation.

If an application for authorisation was submitted before the latest application date of the substance, specified in Annex XIV, the operator may, while waiting for the decision on authorisation, refer to the chemical safety report provided with the application for authorisation including justification of the application of appropriate risk management measures if it justifies those emissions and exposure is minimised in line with the requirements of the REACH Regulation.

Justification that emissions/exposures are minimised may be provided. For instance, in case there is a Committee for Risk Assessment (RAC) opinion concluding that the exposure/emissions are minimised, reference to that opinion may also be provided.

**137. The Taxonomy Climate and Environmental Delegated Acts state that 'the Commission will review the exceptions from the prohibition from manufacturing, placing on the market or use of the substances referred to in point (f) once it will have published horizontal principles on essential use of chemicals.' As the Commission published the Communication on the essential uses of**

**chemicals on 22 April 2024[87], how does this affect the application of the derogation under point (f) of Appendix C?**

The concept of essential use for society is described in Commission Communication C(2024) 1995. However, the concept has not yet been introduced into any of the pieces of chemicals legislation which Appendix C refers to, nor into the Taxonomy regulation itself. The current derogation conditions to be met are therefore the 'absence of suitable alternative' and 'use under controlled condition', as described in FAQ 136 of this Commission Notice.

**138. As part of the amendments of 27 June 2023, a concentration limit of 0.1% weight by weight (w/w) was introduced for chemical substances covered by point (f) of Appendix C. How should the 0.1% w/w threshold be applied? Is there a difference between imported articles and EU manufactured ones?**

The 0,1% threshold applies to the concentration of the substances in mixtures and in articles. There is no difference in this respect between imported articles and articles manufactured in the EU.
Where a product is composed of (an assembly of) several articles or of a combination of articles and mixtures, the 0,1% concentration should be determined separately for each article and mixture. Note that articles assembled in a product may be made of different materials.

### *Generic DNSH criteria for the Protection and Restoration of Biodiversity and Ecosystems*

**139. Which mapping tools or database source should be used to check the proximity of sites to biodiversity sensitive areas, such as the Natura 2000 network of protected areas?**

The Natura 2000 viewer shows the boundaries of all Natura 2000 sites. Clicking on a given site brings up the 'standard data form', which describes the habitats and species protected in the site.

See:

- Natura 2000 viewer
- About the Natura 2000 viewer
- List of Natura 2000 sites, which lists the Natura 2000 sites in all Member States, with links to the map viewer, standard data forms and management plans.

**140. What distance criteria to biodiversity sensitive areas should be used?**

For Natura 2000 sites, there is no distance beyond which the impacts can be considered non-significant. For example, a river dam could have detrimental effects on Natura 2000 sites located further downstream or a mining project could affect wetlands several kilometres away. Possible negative effects need to be assessed on a case-by-case basis in view of the site-specific conservation objectives. The Court of Justice of the EU (CJEU) has confirmed in several rulings that Article 6(3) of the Habitats

[87] Communication from the Commission of 22 April 2024. Guiding criteria and principles for the essential use concept in EU legislation dealing with chemicals, C(2024) 1995 final: https://environment.ec.europa.eu/document/download/fb27e67a-c275-4c47-b570-b3c07f0135e0_en?filename=C_2024_1995_F1_COMMUNICATION_FROM_COMMISSION_EN_V4_P1_3329609.PDF.

Directive applies to plans and projects outside Natura 2000 areas, independently of their distance from the site in question[88].

**141. What does the term 'required' mean in the sentence 'Where an Environmental Impact Assessment (EIA) has been carried out, the required mitigation and compensation measures for protecting the environment are implemented'? Does it refer to all measures recommended in an EIA and the relevant assessment or does it refer to measures that the authorities deemed required? Some of these mitigation and compensation measures might have been built into the Industrial Emissions Directive (IED) permit. Are those the only ones that are required?**

In relation to the appropriate assessment under the Habitats Directive, the DNSH criteria allow only mitigation measures, not compensation measures. As regards avoiding harm, the relevant provisions of the Taxonomy Delegated Acts[89] state: 'For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented'.

Mitigation measures aim to reduce impacts or prevent them from happening in the first place. Mitigation measures may be proposed in a plan or project proponent and/or may be required by the competent national authorities to avoid the potential impacts identified in the appropriate assessment, or to reduce them so that they no longer adversely affect the site's integrity. An appropriate assessment under Article 6(3) of the Habitats Directive must take the site's conservation objectives into account. The identification and description of mitigation measures must, like the appropriate assessment itself, be based on a sound understanding of the species and habitats concerned, in line with the Habitats Directive. This is not the case in an IED permit.
The mitigation measures are usually proposed by the developer and analysed by the competent authorities. If the authorities deem the measures to be insufficient to protect the integrity of the site, they will require additional measures.

**142. An appropriate assessment within the meaning of Article 6(3) of the Habitats Directive has to take into account the cumulative impacts on habitats and species protected within the sites. Should the permit for a factory that was approved before the Directive entered into force be reviewed? How should cumulative emissions be assessed, including those from factories permitted and built before the Directive entered into force? If the permit for an old factory is reviewed, should it be assessed as a new project under the Habitats Directive?**

Factories built before the designation of Natura 2000 sites under the Habitats Directive were not obliged to assess their implications for habitat types and species under Article 6(3) of that Directive. The current operation of these factories would need to comply with Article 6(2) of that Directive from the date of listing of the concerned sites as sites of Community importance. For example, in Natura 2000 sites, Member States have to take appropriate steps to avoid the deterioration of natural habitats, the habitats

[88] Case C-98/03, Commission v. Germany (2006 I-00053), paragraph 51; Case C-418/04, Commission v Ireland (2007 I-10947), paragraphs 232 and 233; Case C-142/16 Commission v Germany (published in electronic Reports of cases), paragraph 29.
[89] Paragraph 3 of Appendix D of Annexes I and II to the Taxonomy Climate Delegated Act and Annexes I, II and III to the Taxonomy Environmental Delegated Act.

of species, and to avoid significant disturbance of the species for which the sites have been designated, which may be linked to these factories' operation[90].

However, the CJEU has confirmed that the provisions of Article 6(2) and (3) of the Habitats Directive must be construed as a coherent whole[91], and are designed to ensure the same level of protection of natural habitats and habitats of species[92].

Therefore, where Article 6(2) of the Habitats Directive results in an obligation to carry out a subsequent review of a project's implications for the site concerned, that review must meet the requirements of Article 6(3). In this case, the review would be considered an appropriate assessment of a new project, in the sense of Article 6(3), and would have to be assessed in combination with other plans and projects (completed, approved but incomplete, or proposed). The project can be approved only if it is ascertained that it will not have a significant negative impact on the integrity of the Natura 2000 sites.

This means that, if a Member State assesses the operation of an old factory under Article 6(3) of the Habitats Directive, and the assessment concludes that the operation significantly affects the integrity of the site concerned, in view of its site specific conservation objectives, that Member State is required to take appropriate steps to prevent or minimise such impacts on the natural habitats, on the habitats of species, and on the species for which the areas have been designated (e.g. by applying mitigation measures).

**143. Do environmental impact assessments apply only to activities within the scope of the EIA Directive or to all activities included in the EU Taxonomy?**

The EIA Directive applies to the activities listed in its Annexes I and II. For the purposes of the EU Taxonomy, the Directive also applies to activities not listed in these annexes but to which there is a reference to the need for an EIA in the generic DNSH criteria for the protection and restoration of biodiversity and ecosystems in Appendix B to the Taxonomy Climate and Environmental Delegated Acts.

## SECTION IX - QUESTIONS RELATED TO THE TAXONOMY DISCLOSURES DELEGATED ACT

**144. What is the timeframe for reporting on Taxonomy eligibility and alignment of economic activities included in the Taxonomy Environmental Delegated Act and the amendments to the Taxonomy Climate Delegated Act?**

Under Article 10(6) and (7) of the Taxonomy Disclosures Delegated Act:

- From 1 January 2024 until 31 December 2024, **non-financial undertakings** should disclose only the proportion of their total turnover, CapEx and OpEx relating to Taxonomy-eligible and Taxonomy non-eligible economic activities included in the Taxonomy Environmental

[90] Article 6(2), (3) and (4) of the Habitats Directive also apply to the special protection areas classified under the Birds Directive 2009/147/EC.
[91] Case C-258/11 Sweetman and Others (published in electronic reports of cases), paragraph 32; Case C-521/12, Briels and Others (published in electronic reports of cases), paragraph 19.
[92] Case C-399/14, Grüne Liga Sachsen and Others (published in electronic reports of cases), paragraph 54.

Delegated Act and the economic activities added to the Taxonomy Climate Delegated Act by the amending regulation[93].

- From 1 January 2025, non-financial undertakings should disclose the proportion of their total turnover, CapEx and OpEx relating to Taxonomy-aligned economic activities covered by the Taxonomy Environmental Delegated Act and economic activities that were added to the Taxonomy Climate Delegated Act by the amending regulation.
- From 1 January 2024 until 31 December 2025, **financial undertakings** should disclose only the proportion of their total covered assets of Taxonomy-eligible and Taxonomy non-eligible economic activities included in the Taxonomy Environmental Delegated Act and economic activities added to the Taxonomy Climate Delegated Act by the amending regulation. In addition, financial undertakings should disclose the qualitative information included in Annex XI relating to those economic activities.
- From 1 January 2026, financial undertakings should disclose the KPIs for Taxonomy-alignment relating to economic activities covered by the Taxonomy Environmental Delegated Act and economic activities added to the Taxonomy Climate Delegated Act by the amending regulation[94].

The following table provides a timeline for the reporting requirements for non-financial and financial undertakings. It shows the reporting year ( i.e. the year in which the reports are published) for financial year N on which the undertaking reports. For example, reports with KPIs relating to the 2023 financial year are in practice published in 2024.

| **Time period** | **Non-financial undertaking falling under the scope of the Accounting Directive[95]** | | | **Financial undertakings falling under the scope of the Accounting Directive** | | |
|---|---|---|---|---|---|---|
| Reporting / publication year (for reporting on financial year N) | Activities included in: | | | Activities included in: | | |
| | Taxonomy Climate Delegated Act (incl. Taxonomy Complementary Climate Delegated Act) | June 2023 amendments to Taxonomy Climate Delegated Act | Taxonomy Environmental Delegated Act | Taxonomy Climate Delegated Act (incl. Taxonomy Complementary Climate Delegated Act) | June 2023 amendments to Taxonomy Climate Delegated Act | Taxonomy Environmental Delegated Act |
| From 1/1/2022 until 1/12/2022 | Eligibility (not including activities covered by the Taxonomy Complementary Climate Delegated Act) | - | - | Eligibility (not including activities covered by the Taxonomy Complementary Climate Delegated Act) | | |

[93] The economic activities added concern sections 3.18, 3.19, 3.20, 3.21, 6.18, 6.19 and 6.20 of Annex I and Sections 5.13, 7.8., 8.4, 9.3, 14.1 and 14.2 of Annex II.
[94] The economic activities added concern sections 3.18, 3.19, 3.20, 3.21, 6.18, 6.19 and 6.20 of Annex I and Sections 5.13, 7.8., 8.4, 9.3, 14.1 and 14.2 of Annex II.
[95] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

| | | | | | | |
|---|---|---|---|---|---|---|
| From 1/1/2023 until 31/12/2023 | Alignment KPIs | | | Eligibility | | |
| From 1/1/2024 until 31/12/2024 | Alignment KPIs | Eligibility | Eligibility | Alignment KPIs | Eligibility | Eligibility |
| From 1/1/2025 until 31/12/2025 | Alignment KPIs | Alignment KPIs | Alignment KPIs | Alignment KPIs | Eligibility | Eligibility |
| From 1/1/2026 | *Alignment KPIs also for other large undertakings covered by the Corporate Sustainability Reporting Directive* | | | Alignment KPIs[96] | Alignment KPIs | Alignment KPIs |
| From 1/1/2027 | *Alignment KPIs also for other listed SMEs covered by the Corporate Sustainability Reporting Directive* [97] | | | | | |

**145. If a listed SME opts-out of sustainability reporting until 2028 under Article 19a(7) of the Accounting Directive, does it still have to include Article 8 Taxonomy disclosures in its management report?**

No. Article 8 of the Taxonomy Regulation applies to all undertakings required to prepare and publish a sustainability statement under Articles 19a and 29a of the Accounting Directive. However, if an SME (excluding micro-undertakings) with transferable securities admitted to trading on EU regulated markets decides not to include in its management report the sustainability statement under Article 19a(7) of the Accounting Directive which contains the Article 8 of the Taxonomy Regulation disclosures – then it is not required to disclose under Article 8 of the Taxonomy Regulation.

**146. Should undertakings that are required to report Taxonomy disclosures for the first time in a given reporting year (N) also include comparative information for the preceding financial year (N-1)?**

No. Undertakings that are required to report Taxonomy disclosures for the first time for a given financial year should provide those disclosures only for that financial year (N). Undertakings should only include comparative information on financial year N-1 starting with their second year of reporting Taxonomy disclosures. For example, and as clarified in FAQ3 of the Commission Notice C/2023/305, large non-listed undertakings will become subject to the reporting obligation under Article 8 of the Taxonomy Regulation and the Taxonomy Disclosures Delegated Act for financial years starting on or after 1 January 2025 (with first publication in 2026). Those undertakings should therefore publish Taxonomy disclosures in 2026 relating only to financial year 2025; only in the subsequent reporting years (i.e. 2027 onwards) should they also include comparative information. This means that in 2027, those

[96] For credit institutions, the KPIs referred to in Sections 1.2.3 and 1.2.4 of Annex V to the Taxonomy Disclosures Delegated Act (Fees and commissions KPI and GAR for the trading portfolio) should be disclosed for the first time from 1 January 2026.

[97] For listed SMEs that do not opt-out of the obligation to publish sustainability reports until 2028 in accordance with Article 19a(7) of the Accounting Directive. Listed SME that opt out of that obligation are also not required to make disclosures under Article 8 of the Taxonomy Regulation. See FAQ145 of this Notice.

undertakings should report Taxonomy disclosures relating to financial year 2026 (N) and include comparative information on financial year 2025 (N-1).

**147. Since when should undertakings use the modified reporting templates included in the Taxonomy Environmental Delegated Act?**

Annex V to the Taxonomy Environmental Delegated Act introduced modified reporting templates into the Taxonomy Disclosure Delegated Act. This is to facilitate Taxonomy disclosures relating to all environmental objectives. Those modified reporting templates replace previous templates and should be used by undertakings for reporting on Taxonomy-alignment in reporting/publication year since 1 January 2024[98]. Non-financial undertakings that do not carry out economic activities eligible under more than one environmental objective are not required to fill out the supplementary table in Annex II to the Taxonomy Disclosure Delegated Act.

**148. To what extent do undertakings have to report on activities included in the Taxonomy Environmental and Climate Delegated Acts when they are not material for their business?**

According to Article 8(2) of the Taxonomy Regulation, undertakings subject to the Corporate Sustainability Reporting Directive (CSRD) have to report the proportions of their turnover, CapEx and OpEx associated with Taxonomy-aligned economic activities. The Taxonomy Disclosures Delegated Act further specifies the content and presentation of the relevant information to be reported. No exemption from the obligation to report is allowed.

Where due to a lack of data or evidence, relevant undertakings are unable to ascertain whether Taxonomy-eligible activities that are not material for their business comply with the technical screening criteria, they should report those activities as not Taxonomy-aligned without any further assessment. For more details, undertakings should refer to FAQ13 in the Commission Notice C/2023/305 [99].

**149. Where an activity is Taxonomy-aligned, but is eligible to contribute to more than one objective, should an undertaking assess whether the activity contributes to all the other objectives?**

Where an activity is Taxonomy-aligned but is eligible to contribute to more than one objective, a non-financial undertaking is required to report Y (yes) or N (no) for those other eligible objectives in the respective reporting templates in Annex II to the Taxonomy Disclosures Delegated Act. This is explained in footnote (b) of those templates. In other words, the non-financial undertaking should assess whether or not the activity is aligned with each eligible objective and report the outcome accordingly in the respective reporting template. FAQ 31 of the (draft) third Commission Notice clarifies the methodology for financial undertakings for calculating KPIs per environmental objective.

**150. Do CapEx and OpEx referred to in point (c) of Sections 1.1.2.2 and 1.1.3.2 of Annex I to the Taxonomy Disclosures Delegated Act ('CapEx type (c)' and 'OpEx type (c)') relate to activities contributing to any environmental objective? Do individual measures 'enabling the target activities to become low-carbon or to lead to greenhouse gas reductions' referred to in those**

[98] The date of application of the Taxonomy Environmental Delegated Act.

[99] Commission Notice on the interpretation and implementation of certain legal provisions of the Taxonomy Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (second Commission Notice) (C/2023/305) (OJ C305, 20.10.2023, p. 1).

**provisions relate only to the CapEx for the environmental objective of climate change mitigation (CCM)?**

As regards the first part of the question, depending on the accounting treatment of the expenditures in question, undertakings should identify their purchases of output from any Taxonomy-aligned economic activity as CapEx or OpEx type (c), regardless of the environmental objective(s) to which those activities substantially contribute.

As regards the second part of the question, expenditures on individual measures referred to in point (c) of Sections 1.1.2.2 and 1.1.3.2 of Annex I to the Taxonomy Disclosures Delegated Act relate to individual measures listed in Sections 7.3. to 7.6. of Annex I to the Taxonomy Climate Delegated Act. Such individual measures are an example of CapEx or OpEx type (c) for activities that contribute substantially to the objective of climate change mitigation. Expenditures on such individual measures are therefore expected to enable the target activities to become low-carbon (e.g. expenditures on installation, maintenance or repair of charging stations for electric vehicles) or to lead to greenhouse gas reductions (e.g. expenditure on energy efficiency equipment).

**151. How should undertakings report on enabling activities that may be used for multiple purposes and not only to enable target activities to make a substantial contribution to an environmental objective?**

In accordance with Article 16 of the Taxonomy Regulation, an economic activity should qualify as contributing substantially to one or more of the environmental objectives if it directly enables other activities to make a substantial contribution to one or more of those objectives. To provide for accurate reporting, undertakings should only include in their Taxonomy KPIs the proportion of their enabling products or services actually used to directly enable other target economic activities to make a substantial contribution to one of the environmental objectives.

In particular, as regards the turnover KPI, undertakings should report as Taxonomy-aligned only the proportion of sales of the output of the enabling activity. This relates to enabling uses that directly allow target activities to make a substantial contribution to an environmental objective, as defined in the TSC for the enabling activity. Similarly, undertakings should include in their Taxonomy-aligned CapEx and OpEx KPIs the proportion of CapEx and OpEx of the enabling activity, which is directly enabling the target activities to make a substantial contribution to the relevant environmental objective as defined in the TSC for the enabling activity.

In line with the approach provided in the reply to FAQ 30 in the Commission Notice C/2023/305, reporting entities should use a non-financial metric that provides for an accurate allocation of the CapEx to enabling uses. For example, if the asset of the enabling activity financed by CapEx is used to produce (i) 100 units of output that enable a target activity to make a substantial contribution; and (ii) 100 units of output that do not enable another activity to make a substantial contribution, then the reporting undertaking could report 50 % of that CapEx as Taxonomy-aligned. The methodology used to allocate CapEx to enabling uses must be based on verifiable evidence. The reporting undertaking should also provide contextual information under Section 1.2.3 of Annex I to the Taxonomy Disclosures Delegated Act concerning:

- the allocation of CapEx related to an activity enabling multiple projects or activities; and
- the methodology used to allocate the CapEx to the Taxonomy-aligned enabling activity.

**152. What are the consequences of business combinations occurring close to the year-end, for which it is not practically possible to assess the year-end alignment of acquired activities, for Taxonomy disclosures in period N and N+1?**

Reporting undertakings should use all available information when assessing the Taxonomy-alignment of their activities, including those acquired through business combinations, in order to make accurate Taxonomy disclosures. For activities acquired through business combinations during a reporting period, undertakings that are already required to publish Taxonomy disclosures should include those activities in their Taxonomy disclosures for that reporting period based on: (i) the post-acquisition Taxonomy-assessment of those acquired activities; and (ii) information gained during pre-acquisition due diligence. For example, where the activities acquired were previously carried out by another NFRD/CSRD undertaking, then past information on the Taxonomy alignement of the acquired activities, obtained via previous Taxonomy disclosures of that undertaking, could be used as an input to assess the acquired activities' Taxonomy alignement during the current reporting period.

For activities acquired through a business combination and assessed as Taxonomy-eligible by a reporting undertaking, it may not always be practically possible to gather sufficient information on the Taxonomy-alignement of those activities during the reporting period N (in which the business combination takes place). In such cases, the reporting undertaking should: (i) include the respective financial information pertaing to the acquired activities (e.g. turnover, CapEx and OpEx for the acquired non-financial activities) in the denominator of its Taxonomy KPIs; and (ii) consider them as Taxonomy-not aligned in the numerator of their Taxonomy KPIs. The reporting undertaking should transparently disclose this treatment in the contextual information as well as the fact it was not able to screen the acquired assets/activities for alignment at the year-end. In reporting period N+1, the reporting undertaking should either: (i) separate the impact of this treatment[100] when explaining the reasons for any changes in the KPIs between the reporting periods N and N+1 (if the reporting undertaking does not restate the KPIs for period N); or (ii) restate the KPIs for period N.

**153. A bank loan finances the purchase and installation of wind turbine/solar panels for a house. Should the bank report its financing of the purchase of the wind turbine/ solar panels under Section 7.6. 'Installation, maintenance and repair of renewable energy technologies' or under Section 3.1. Manufacture of renewable energy technologies'? Does Section 7.6. cover only the service or also the product?**

The bank should assess such an exposure against the TSC for the relevant activity financed. For the financing of the installation service, the bank should assess alignment against the technical screening criteria in Section 7.6. for the installation activity. For the financing of the purchase of the renewable technology product, the bank should assess alignment against the criteria in Section 3.1. for the manufacturing of the renewable energy technology. The bank should report the entire exposure on the corresponding rows for retail residential exposures.

**154. Does the activity in row 6 of Template 1 in Annex XII to the Taxonomy Disclosure Delegated Act cover the operation of fossil gas boilers (e.g. to produce hot water) in buildings?**

Only industrial activities are captured by the descriptions of activities in Template 1 of Annex XII to the Taxonomy Disclosure Delegated Act mirroring analogous industrial activities in Annexes I and II to the Taxonomy Climate Delegated Act. The operation of fossil gas boilers in buildings is therefore not covered.

[100] As compared with the counter-factual scenario where the acquired activities were assessed as Taxonomy-aligned in reporting period N.

**155. How should financial and non-financial undertakings interpret the terms 'funds' and 'has exposures' for the fossil gas and nuclear disclosure templates?**

The disclosures on fossil gas and nuclear activities in Annex XII to the Taxonomy Disclosure Delegated Act relate to KPIs of non-financial and financial undertakings. However, the terms "funds" and "has exposures" pertain to Taxonomy disclosures of financial undertakings. Non-financial undertakings should only identify and report the activities that they 'carry out'[101]. This is because, contrary to financial undertakings' Taxonomy KPIs, the 'applicable' Taxonomy KPIs of non-financial undertakings (turnover, CapEx, OpEx as referred to in the templates) do not cover fundings and exposures to another entity such as investments in financial instruments held for short term trading.

[101] In the context of consolidated turnover, CapEx and OpEx KPIs, this should cover activities carried out by entities covered by full consolidation (e.g. subsidiaries) and joint ventures accounted for on a pro rata basis corresponding to their share in the equity of the joint venture, in accordance with the second paragraph of Section 1.2.3. of Annex I to the Taxonomy Disclosure Delegated Act.