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FINANSDEPARTEMENT**

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Draft report by the Platform on Sustainable Finance on preliminary recommendations for technical screening criteria for the EU taxonomy – feedback from Norwegian Ministry of Finance

The Ministry of Finance of Norway welcomes the opportunity to provide feedback on the Platform on Sustainable Finance's draft report on preliminary recommendations for technical screening criteria for the EU taxonomy. We have provided feedback on several of the draft criteria using the questionnaire. For your convenience, our feedback on the specific criteria is included as an annex to this paper.

We would like to stress that our feedback is without prejudice to future comments and is limited to the activities and environmental goals in question and should not be interpreted as an endorsement of draft criteria for activities not covered by our feedback.

In addition to our feedback on the criteria for specific activities, we would like to use the opportunity to provide some general comments on the future development of criteria for activities in the aquaculture sector and activities covering production of non-ferrous metals, pulp and paper. We also have some general comments regarding criteria for the environmental objective of transition to a circular economy, and the development of criteria for activities in bio-based sectors enabling transition to a circular economy

Criteria for aquaculture activities

Aquaculture is essential in the transition to a healthy and sustainable global food system and can contribute substantially to the environmental objectives of the Taxonomy Regulation. We therefore welcome the recommendation by the Platform to prioritise aquaculture in the next round. To increase sustainable production, more investment needs to be directed towards environmental and climate-friendly projects in this sector. The Norwegian government recently put forward an aquaculture strategy which is pointing out the direction on how aquaculture can be further developed in a sustainable manner. In this strategy, particular emphasis is put on

- ensuring good fish health and welfare,
- reduced impact on climate and environment,
- increased access to global markets – of the seafood itself, but also knowledge and technology,
- increased possibilities to document the sustainability of the products, in particular through digitalisation and the sharing of data, and
- to contribute to employment and good working conditions in the sector.

We look forward to contributing to the development of criteria for activities in this sector.

Criteria for production of non-ferrous metals, pulp, and paper

We would like to underline the importance of including additional activities covering production of non-ferrous metals, pulp, and paper in the taxonomy. Such criteria could increase the impact of the taxonomy as it could promote investments in sustainable production of materials, that in many cases are key components for other undertakings in the EU producing eco-friendly products or solutions (batteries, offshore wind, biochemicals etc.).

Criteria for the objective of transition to circular economy

Criteria for this objective could supplement existing regulations as some of the criteria cover measures which is not fit for direct regulation. For a number of activities, the substantial contribution criteria goes further than existing EU regulations. To improve usability, we would recommend that it is made more explicit when criteria are referring to existing regulations, and when new criteria are introduced.

It is very positive that the screening criteria suggests the use of secondary raw materials in several product types, and that several criteria promote design for circular economy and circular business models. However, criteria stimulating the use of secondary raw materials in new batteries from electric cars is lacking in the current draft. We recommend that criteria covering the mentioned activity is developed in the next round of development of criteria for objective 4, when the requirements in the forthcoming Battery Regulation are adopted.

We welcome, and stress the importance of, the inclusion of chemicals in the proposed criteria for the transition to a circular economy. However, we would recommend a more holistic approach to chemicals, both in terms of SC and DNSH criteria. The current draft includes a large number of lists with detailed thresholds. We question the practical rationale behind this approach, as this will require extensive maintenance. Instead, we would recommend the platform to consider DNSH criteria based on the existing EU chemical regulatory frameworks. One option is to develop DNSH criteria that prohibits the use of 'Substances of Very High Concern' (SVHC), and substances which fulfils the criteria for SVHC. The SC criteria would then be tied to substances having a chronic effect for human health or the environment according to REACH and CLP ('Substance of Concern', SoC).

Criteria for activities in bio-based sectors enabling transition to a circular economy

Bio-based sectors can contribute to increased sustainable production and harvesting, make resource use more efficient, enable greater use of residual raw materials in high-value products, and produce new feed resources and other products.

Provision of renewable resources is not explicitly mentioned in the Taxonomy Regulation article 13 as activities that can be considered as contributing substantially to the objective of transition to a circular economy. However, such activities could be considered as enabling other activities to contribute substantially to the objective, given that the requirements of article 16 are met. We therefore recommend that the Platform consider developing SC criteria for activities in bio-based sectors enabling transition to a circular economy.

ANNEX. Comments on specific activities

1.3 Forestry logging

We recognise the intention to set base criteria that can be interpreted in all locations and contexts globally. However, boreal forest ecosystems differ from central European forests because of differences in temperature and seasons. This influences species composition of mature forests, and the forestry practice, i.e., age of harvest. Given the vast variation of forests in Europe, the criteria should give priority for ambitious national standards and implementation of sustainable forest management.

The main rationale for the proposed criteria is plummeting biodiversity in Europe's forests (Annex p. 125), and that huge improvements therefore are needed, with the forestry sector being the principal pressure on European forest habitats (p. 126). In Norway, representative and science-based forest monitoring through the National forest inventory shows positive development in several environmental aspects. This development is also observed in Norway's nature index. The variation in the state of Europe's forests calls for a more nuanced approach, taking into account regional differences.

We have some specific comments to the criteria that reflects this difference (see below) and will probably provide more detailed comments at a later stage in the process.

The proposed zoning of forest with reference to Buchwald (pp. 127 -128) will be difficult to implement in Norway, where most of the forests will be found in the gradient between what is defined as native plantations and close to nature managed forests. Such zoning will, where appropriate, need national and local interpretation in order to be operative and used in maps and management plans.

Criteria 1.1.1. (p. 133) where long untouched forest is defined as 60 years plus will need adjustment for Norwegian conditions, where rotation periods (the time between planting and final harvest) for managed forest will exceed this period on average in unthinned stands. Boreal forests grow slower than forests in the majority of European countries, because of lower temperatures and longer winter seasons. Most Norwegian forest where forestry activities occur, are older than 60 years at time of final harvest. We suggest this to be reflected in the criteria, with an older age for boreal forests to be counted as "Long untouched forest".

Criteria for size of offsets (1.2), clear-cuts (2.2), tree species composition (2.4) and logging restrictions on sloping terrain (6.2) (pp. 141-48) are detailed, and we would encourage a more detailed scientific documentation for these criteria for forests in Europe as a whole. We would favour an approach where the criteria are adjusted for different forest types like boreal spruce and pine forests, Central European deciduous forests etc. based on local conditions and best available knowledge about what is needed to meet objective of protection and restoration of biodiversity and ecosystems.

Criterion 7.1 on roads (p. 149) is based upon the assumption that roads will lead to deforestation. This does not consider that forest roads also serve as infrastructure for sustainable forest management, including climate change mitigation efforts in forests.

Criterion 7.2 (p. 149). In countries like Norway, the forest owner has no means for preventing access to their forests, as public access to forests is secured by law. Prevention of illegal activities carried out by trespassers, is not feasible or appropriate to include in forest management plans.

Criterion 8.2 (p. 150) "No intentional killing of species classified by national or international IUCN red lists as "near threatened" or more severe categories" will include species in the category "near threatened" that are subject to common hunting in most parts of Norway, e.g., Mountain hare (*Lepus timidus*) and Willow Grouse (*Lagopus lagopus*). The hunting of these species is under public regulation and is permitted only when the hunting is considered to be consistent with a sustainable management of the species.

1.4 Fishing

The UN Convention on the Law of the Sea (UNCLOS) sets out the legal basis for all ocean activities. For the criteria to promote and ensure sustainable fisheries according to best available science, they should be designed in line with, and build upon existing international frameworks under the Law of the Sea, and the principle of best available knowledge as set out e.g., in the UN Fisheries resolution, RFMO-regulations, and FAO guidance.

Commercial fishing is an economic activity based on the harvest of renewable marine resources. Thus, sustainable commercial fishing should be categorised as contributing substantially to the objective of sustainable use and protection of water and marine resources and not the objective of protection and restoration of biodiversity and ecosystems, as suggested in the draft report. Considering sustainable fisheries as contributing to sustainable use and protection of water and marine resources would also be in line with the Taxonomy Regulation recital 26 where this objective is linked to inter alia the Common Fisheries Policy.

Moreover, a number of measures are implemented both nationally and internationally to ensure the protection of marine resources, such as seasonal closures, the protection of spawning grounds, bans on bottom trawling and other effective area-based conservation measures. Compliance with measures which would substantially contribute to the protection of marine resources should be categorised according to this objective. However, certain criteria related to the compliance of effective area-based measures which substantially contribute to the objective of protection and restoration of biodiversity and ecosystem could also be considered.

For fishing activities, the draft proposes that all criteria in the table on pages 155-160 in the Annex must be satisfied. These criteria collectively and in part individually offer a limited interpretation of sustainability. We question the rationale and the scientific evidence behind some of the draft criteria, and the preliminary draft raise several questions regarding prerequisites for fisheries management strategies and research, without sufficient reference to best available science or well-established practices. Stock assessment and management advice on fish stocks in the North-East Atlantic (including EU waters other than the Mediterranean) are carried out by International Council for the Exploration of the Sea (ICES). Over decades, ICES has developed guidelines and established practices for stock assessments, considering biological status, fisheries, and best available knowledge for the stock in question. ICES is a network of nearly 6 000 scientists from over 700 marine institutes in 20 countries. ICES delivers an extensive body of science and advisory work each year and has well-developed policies which in turn offer a solid foundation for further advances within stock assessment and fisheries management, also in an ecosystem context. We encourage referring to this extensive body of research, independent scientific cooperation, and their scientific advances.

Without sufficient scientific evidence, the criteria will not offer an adequate representation of sustainable fishing. For instance, criterion 1.1.1 states that the economic activity must operate in a fishery which complies with established catch limits set at Maximum Sustainable Yield (MSY). This would not serve as an appropriate definition for which economic activities can be considered environmentally sustainable. Among many sustainable levels of harvest, MSY is a target of a maximum yield. Moreover, the criteria specify an interpretation of MSY "with at least 50% of spawning biomass unfished, based on stock status and fishing mortality below MSY taking into account an ecosystem-based approach", without sufficient scientific evidence to support this definition as an MSY-target.

Furthermore, the criteria should be sufficiently flexible to consider future scientific and technological advances in the environmental performance of fishing methods and gears. The criteria should also be precise, and compliance should be possible to verify. Finally, the criteria on reporting should not be linked to IUU fishing, but rather be focused on the implementation of government-imposed measures that help strengthen authorities' ability to fulfil flag state duties and to conduct effective compliance controls, such as tracking catches through the value and supply chain.

2.5 Manufacture of plastic packing goods

The proposed criteria are ambitious, and we see that there is a need for incentives for the use of secondary raw materials. We assume the criteria are developed with the upcoming revision of the Packaging and Packing Waste Directive in mind.

The proposed criteria allow for the use of biobased feedstock, to reach the overall threshold of 95% recycled feedstock. The use of biobased plastic raises several concerns, in particular when it comes to degradability in countries with a cold climate,

such as Norway. We recommend the Platform to emphasize the fact that biodegradable plastic is not a suitable solution against plastic pollution in a cold climate, and that blending in this feedstock can reduce the quality of mechanically recycled plastic. We recommend that the Platform do not promote incentives for increased use of biobased and biodegradable plastic, until the Commission has presented the planned framework for biobased, biodegradable and compostable plastic. Allowing for biobased plastic can undermine the environmental integrity of the 95% threshold at the cost of the use of secondary plastic feedstock.

We would also encourage the Platform to include criteria for plastic pollution. Directive (EU) 2019/904 which impose requirements on the design of plastic products with the goal of preventing pollution could serve as an example.

2.16 Manufacturing of other transport equipment

In section 2.16 criteria related to the manufacturing of ships (sea and costal freight) are listed. It is specified that the vessels should not be intended for transportation of products linked to deforestation. We kindly ask the Platform to clarify how this criterion is to be interpreted, as some vessels can carry a mix of products over its lifetime, and it is difficult for shipyards to control type of cargo carried by a vessel once the ship is handed over to the shipowner.

2.18 Manufacture of food products and beverages (making a substantial contribution to biodiversity)

We would like to highlight that seafood is not included when the benefits of moving to a more plant-based diet with less red and processed meat, and more fruits and vegetables, are discussed. Moving towards a diet with more seafood will reduce the environmental impact of the food as it will contribute to reduce GHG emissions and the pressure on land use. This is well illustrated in the charts on pages 291, 297 and 298 of the Annex, but is not part of the chart on page 285 where the significance of seafood is missing.

2.21 Manufacture, repair, refurbishment and resale of wearing apparel

To comply with the criteria defining Substantial Contribution to environmental objective 4 for the treatment of textiles/wearing apparel, the activity is restricted to use certain chemicals, including perfluorinated substances, PFAS. However, the criteria allow for an exception for the use of fluoropolymers in coatings, laminates, and membranes, where incorporated into textile structure (B3.1.b., (v), p. 353). Coatings, laminates, and membranes is the biggest area of utilization for fluoropolymers, and we recommend that the Platform removes the exception to use the mentioned substances in the taxonomy. Fluoropolymers are included in the group of PFAS and will most likely be prohibited through REACH.

3.1 Environmental refurbishment of electricity generation facilities that produce electricity from hydropower

3.7 Electricity generation from hydropower

The taxonomy screening criteria should allow for overall considerations to be made in accordance with the environmental objectives in the Water Framework Directive and existing legislation, as laid down in the Taxonomy Regulation Article 19 d), when assessing the taxonomy alignment of the activity. With this approach, absolute thresholds with regards to the size and type of installations and refurbishments should be avoided. For instance, criteria excluding hydropower production entities below 10 MW from being taxonomy aligned, or criteria implying that increase of reservoirs may not be considered to comply with the screening criteria, is not relevant as long as the above-mentioned objectives of the relevant legislation is obtained.

8.1 Sea and costal freight water transport

8.2 Sea and coastal passenger water transport

Overall, we find the level of stringency of the criteria to align with the objective. We recommend some clarifications:

- In section 8.1, criteria 1b), the vessels are required to have zero direct emission technology at berth. We kindly ask the Platform to clarify whether the requirement is that the vessels must use zero direct emission technology at berth or if the requirement is that the vessel must have the technology onboard. The use of zero direct emission technology depends on the available infrastructure in ports, and in some cases the ports might not have the available infrastructure.
- We kindly ask the Platform to clarify whether the requirement related to zero discharge in section 8.1 criteria 5 e) concerns zero discharge to water.
- Section 8.2 lists several activities included in the definition of maritime transport. Cruise ships and super yachts are excluded. Since cruise ships vary in type and operation, we kindly ask the expert group to provide a definition of cruise ships.

13.1 Collection and transport of non-hazardous and hazardous waste

The criteria are unclear when it comes to defining which fractions of waste that is meant to be collected separately and which is not. Several waste fractions are explicitly mentioned, such as bio-waste. The objective of preparing waste for reuse or recycling can be achieved both through waste management systems based on separate collection and centralized sorting of waste.

The principle of technology neutrality laid down in the Taxonomy Regulation should be a guiding principle when developing criteria for collection and sorting of waste, given that the technology used can demonstrate a high level of environmental integrity. We

therefore recommend that the platform consider developing criteria that supports the need for innovation and development of future technologies in the sector of waste collection and sorting, without limiting future solutions for waste management.

13.3 Treatment of hazardous waste as a means for pollution prevention

The Taxonomy Regulation establishes that hazardous waste must be treated in a secure manner. In our understanding, treatment of hazardous waste prior to incineration or disposal can be classified as taxonomy aligned. However, both incineration and disposal are secure treatment methods of hazardous waste, and for certain fractions the alternative with the highest environmental integrity. We therefore propose that in cases where waste fractions are not suitable for material recovery, incineration and disposal of hazardous waste should be included in the Taxonomy.

13.4 Treatment of hazardous waste as a means for material recovery

Material recovery of waste, including hazardous waste, is high in the waste hierarchy and therefore among the preferred treatment methods of waste. Certain types of inorganic waste, such as fly ash, has the potential of material recovery. In Norway, fly ash from the incineration of household waste, is a big fraction and methods for material recovery with environmental integrity are developing rapidly. We therefore propose that criteria for material recovery of inorganic waste, such as fly ash are included in the activity.

13.5 Recovery of bio-waste by anaerobic digestion and/or composting

The criteria explicitly state that the activity covers facilities dedicated to "the treatment of separately collected bio-waste through anaerobic digestion and/or composting". We would ask the Platform to clarify whether this activity also includes facilities treating bio-waste together with other sorts of waste/manure (co-digestion). Treating different types of raw materials to produce biogas is in our opinion good management of resources and could be an important contribution to the transition to a circular economy. We encourage the Platform not to limit this activity to only include facilities dedicated to the treatment of separately collected bio-waste.