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## **UPM position on the draft delegated act proposal on climate change mitigation and adaptation**

### ***UPM calls for taxonomy criteria that supports industry's transition beyond fossils***

UPM is one of the largest forest industry companies with 8.6 billion EUR turnover, 18 000 employees and global operations with headquarters in Finland. In addition to our leading position in e.g. paper, pulp, and plywood, we are expanding to new innovations such as advanced biofuels and wood-based biochemicals. UPM Energy is the 2<sup>nd</sup> largest electricity producer in Finland, producing nearly 100 % of its electricity CO<sub>2</sub>-free with nuclear and hydropower. UPM is the only forest industry company in the world recognized as a UN Global Compact LEAD participant for our strong commitment to responsible business.

UPM supports Commission's intention to harness also financing sector to fight climate change. However, even after some positive changes compared to the previous version of the delegated act, **UPM still regards the current proposal as counter-productive to achieving EU's climate target.**

Therefore, we propose the following amendments:

- In **forestry**, the sustainability (and related) criteria must be identical with REDII sustainability criteria.
- The delegated act should refer only to Water Framework Directive requirements in **hydropower** to avoid ambiguity and new interpretations of existing legislation.
- All **biofuels** criteria, including the technical screening criteria, should be identical with the criteria in REDII.
- **Nuclear power** should be included in the delegated act especially in the light of the positive remarks in recently published JRC report.

### **Forestry sustainability criteria should be identical with REDII sustainability criteria**

**The current draft would unnecessarily reduce the forest industry's possibilities to use green finance.** The impacts of the taxonomy extend to small forest owners and the administrative burden in the whole production chain would be increased. **All forest management measures complying with REDII sustainability criteria should be accepted as sustainable activities in the delegated act.**

Proposed "do no significant harm" criteria for forestry should not be accepted as they undermine the current forest management activities. The draft delegated act proposes reducing the use of site-specific fertilizers and use of pesticides. What is forgotten is that using fertilizers can significantly increase forest growth and sequestration of carbon. Likewise, pesticides are needed to prevent and control outbreaks of pests and of diseases. At the same time, ecosystem criteria are exceptionally strict and are setting new ambiguous policy targets. **Instead, the focus should be on ensuring that the DNSH principle is respected by following REDII sustainability criteria.**

**An additional guarantee of permanence requirement is not needed in the taxonomy and should be deleted**, as sustainability criteria in REDII already set requirements for forest regeneration and long-term carbon potential. The proposed requirement is also legally challenging and undermines the right to property.

**Climate monitoring and reporting is feasible at national level – in line with the current framework – and thus approaches based on country level should be eligible.** Instead of forest holding (> 25 hectares) specific climate benefit analyses, the accounting in the taxonomy should be based on the renewable energy directive (REDII, 2018/2001 recast) and its sustainable forest management criteria and the LULUCF framework.

### **Hydropower requirements must be aligned fully with Water Framework Directive**

Hydropower is seen in the proposal as an economic activity that qualifies as contributing substantially to climate change mitigation as well as climate change adaptation. UPM supports this approach as well as the reference made to compliance with provisions of Water Framework Directive (WFD). **Despite this good development, it remains still unclear whether Finnish hydro power plants would be regarded eligible under EU taxonomy, which decreases possibilities of reaching EU climate and energy goals.**

The draft creates unnecessary ambiguity and sets a possibility of new interpretations of existing legislation by mixing references to WFD and DNSH criteria. WFD does not include the measures introduced in the delegated act draft, such as measures to ensure downstream and upstream fish migration and minimum ecological flow. Therefore, **all additional requirements that go beyond the explicit reference to the WFD should be deleted from the draft Delegated Act and all the wording of DNSH(3) should be replaced with “The activity complies with the provisions of Directive 2000/60/EC, in particular with all the requirements laid down in Article 4 of the Directive”.**

The measures introduced in the current draft delegated act can be interpreted as additional criteria compared to Water Framework Directive. Especially the mitigation of short-term flow variations in existing hydropower plants would reduce balancing power and flexibility services provided by hydropower. This is ever more important as the amount of variable renewable energy increases in the energy system. Hydropower should also be added to the list of 7.6 Installation, maintenance and repair of renewable energy technologies.

### **Advanced biofuels criteria should be aligned with REDII**

Advanced biofuels will play a central role in providing sustainable low- or no carbon fuels for heavy duty vehicles, maritime and aviation fuels for decades to come. Taxonomy should recognize their role and enable their use. UPM supports the decision to delete the transitional status introduced in the consulted version of the delegated act. We wish to remind that in the final version, **all biofuels criteria, including the technical screening criteria, should be identical with the criteria in REDII.**

**Nuclear power should be included in the taxonomy as soon as possible**

The recently published *Technical assessment of nuclear energy with respect to the 'do no significant harm' criteria of Taxonomy Regulation* by Commission's Joint Research Center (JRC) confirms the following key facts about nuclear power:

- The analyses did not reveal any science-based evidence that nuclear energy does more harm to human health or to the environment than other electricity production technologies already included in the Taxonomy as activities supporting climate change mitigation.
- The comparison of impacts of various electricity generation technologies (e.g. oil, gas, renewables and nuclear energy) on human health and the environment, based on recent Life Cycle Analyses, shows that the impacts of nuclear energy are mostly comparable with hydropower and the renewables, with regard to non-radiological effects.
- Presently, there is broad scientific and technical consensus that disposal of high-level, long-lived radioactive waste in deep geologic formations is, at the state of today's knowledge, considered as an appropriate and safe means of isolating it from the biosphere for very long-time scales. Similarly, carbon capture and sequestration (CCS) technology is based on the long-term disposal of waste in geological facilities and it has been included in the taxonomy and received a positive assessment.

On light of these facts, **nuclear power should also be included in the delegated act.** By generating CO<sub>2</sub>-free electricity, nuclear power contributes significantly to mitigating climate change. **Adoption of the delegated act should be postponed so that there is time to consider including also nuclear power in the list of sustainable activities.** If this is not regarded possible, UPM proposes amending the delegated act within 2 months to include nuclear power.

## Conclusion

**UPM calls on the Commission to rethink the delegated act proposal and postpone the process, if necessary.** The aim should be legislation which ensures technological neutrality and does not limit any options in striving towards decarbonization. Delegated act must provide a level-playing field where all the criteria used to define whether a technology is sustainable or not should be applied equally to all climate-friendly technologies belonging to the same category (e.g. electricity generation).

The delegated act may also have wider implications, which must be acknowledged. The European Commission has expressed its will to use taxonomy requirements as building blocks for other EU legislation and practices. This emphasizes even more the need to carefully consider the delegated act, its limits and its requirements.

## UPM

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DJSI's forestry sector. We employ 18,000 people worldwide and our annual sales are approximately EUR 8.6 billion. Our shares are listed on Nasdaq Helsinki Ltd.

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