

## **Insurance Sweden response to EC consultation on the draft Delegated Act on technical screening criteria under the Taxonomy regulation**

Insurance Sweden is the industry organisation for insurance undertakings in Sweden. We welcome the opportunity to comment on the draft delegated act. Our comments focus on three activities:

- **Activity 10 Financial and insurance activities** – We support the consultation response by Insurance Europe and urge the European Commissions to adjust the screening criteria accordingly.
- **Activity 7.7 Acquisition and ownership of buildings** – We regret that the technical screening criteria for activity 7.7. *Acquisition and ownership of buildings* have been changed compared to the final TEG proposal. The new screening criteria do not represent an objective and uniform measure across the EU.

The current proposal for buildings built before 31 December 2020 is based on the Energy Performance Certificate (EPC). Specifically, a building needs to have at least EPC class A to qualify as taxonomy compliant. Unfortunately, the performance rating of the EPC is not harmonized across the EU. Instead, it is up to each Member States to decide on the performance rating of the representation.

Since the energy performance rating is set very high in Sweden, almost no buildings qualify for the EPC class A – even though their energy performance is very high in an EU context. In fact, the threshold in the Swedish Building Code for EPC class A is set to 50% better than the requirements for new buildings (NZEB). Meanwhile the draft technical screening criterion for *new buildings* is set to 20% better than NZEB (corresponding to EPC class C in Sweden). In other word, the requirement on existing buildings will be higher in Sweden than on new buildings. This cannot be the intention of the European Commission.

Since the taxonomy is intended to steer capital towards environmentally sustainable activities it is of utmost importance that the screening criteria are objective and uniform across the EU. Otherwise, there will be negative consequences for the capital markets and the real economy, without the intended benefits for the climate.

- **Activity Existing forest management** – We regret that the draft technical screening criteria exclude existing sustainable forest management, in contrast to the final TEG proposal. European forests and forest-based products contributes to a positive carbon dioxide (CO<sub>2</sub>) abatement of more than 800 million tons per annum<sup>1</sup>. Of that, the contribution from the Swedish forest-based sector is over 90 million ton<sup>2</sup>. In addition, biomass from existing sustainable forest management offers products and solutions that help other industries make the transition to a carbon-neutral economy. Therefore, we urge the Commission to reconsider the following points:

Regardin *forest activities*:

- The reference to “improved forest management” should be replaced with “existing forest management”.
- NACE codes 02.10-02.40 should be included.
- The criteria outlined by the Technical Expert Group (TEG) in its final report should be reinserted after the following adjustments:
  - It should be clarified that national or sub-national/regional level is adequate for demonstrating forest carbon sink development.
  - It should be defined as voluntary to use a forest management plan (or equivalent instruments) for demonstration of permanence and steady progress.
- The different natural conditions and lifecycles of forests across the EU need to be considered in climate benefit analysis.
- Any references to close-to-nature management should be removed, as this concept lacks a scientifically based and broadly agreed definition.
- Any reference to “additionality” should be removed, as this excludes existing sustainable forest management from being sustainable.

Regarding *energy*:

- Forest-based bioenergy should be classified as other renewable energy sources and not as a transitional activity.

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<sup>1</sup> [https://www.cepi.org/wp-content/uploads/2020/07/Cepi\\_-study.pdf](https://www.cepi.org/wp-content/uploads/2020/07/Cepi_-study.pdf)

<sup>2</sup> <https://www.forestindustries.se/siteassets/dokument/rapporter/swedish-forestry-sectors-climate-contribution.pdf>