# WG Taxonomy – Draft Environmental Delegated Act

Latest news on new Platform on Sustainable Finance
Draft Environmental Delegated Act
Reporting obligations
EU Taxonomy Navigator

21<sup>st</sup> April 2023









# <image>

# 1. EU taxonomy – latest news on new Platform



# 1. Latest news on new Platform

- New Platform on Sustainable Finance: FIEC application unsuccessful
- $\rightarrow$ Over 200 highly qualified applications
- $\rightarrow$ Only 28 members directly selected
- Most of new members come from:
- Banking sector
- Wider financial sector (including insurance)
- Non-sectoral European business associations

→ Composition of new Platform: FIEC asked for justification/clarification in a letter (construction sector not represented!)



#### Members and Observers of the Platform on Sustainable Finance

#### **Platform Plenary**

a. Chair

Organisation	Name
Comisión Nacional del Mercado de Valores	Helena Viñes Fiestas
(CNMV)	

#### b. Members

Organisation	Name/permanent representative
Agent Green	Theodor F. Cojoianu
Allianz SE	Jörg Ladwein
Association 2 Degrees Investing Initiative	Hélène Lanier
АХА	Clémence Humeau
BusinessEurope	Erik Berggren
CDP Worldwide (Europe) gemeinnützige GmbH	Hélène Procoudine-Gorsky
Climate Bonds Initiative (CBI)	Sean Kidney
Crédit Agricole S.A.	Erwan Crehalet
EPIA SolarPower Europe	Nicole Della Vedova
Eurochambres	Jan Greitens
Eurometaux	Mukund Bhagwat
European Alliance for Sustainable Finance in	Daniel Houska
waste management and recycling	
European Banking Federation aisbl	Hans Biemans
International Sustainable Finance Centre z.	Linda Zeilina
Natural Resources Institute Finland	Esa-Jussi Viitala
Orgalim	Andreas Brunsmaard



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INDUSTRY FEDERATION

# 1. Latest news on new Platform

- Started working in March
- Composition:







# 2. Draft Environmental Delegated Act

Construction-related economic activities





# The EU taxonomy in a nutshell

- Taxonomy Regulation 2020/852 in force since July 2020
- Defines what economic activities in the EU count as "sustainable"
- Technical screening criteria for **6 environmental objectives**:
- 1. Climate change mitigation
- 2. Climate change adaptation
- 3. Sustainable use and protection of water & marine resources
- 4. Transition to a circular economy
- 5. Pollution prevention and control
- 6. Protection and restoration of biodiversity & ecosystems
- ...in order to qualify as a sustainable economic activity, the activity must:
- Contribute to at least one of the six environmental objectives
- "do no significant harm" to any of the other objectives

...while also respecting basic human rights and labour standards ("minimum social safeguards")









# The EU taxonomy in a nutshell





# 2. Draft Environmental Delegated Act

- Package published on 5 April 2023 as draft versions of future delegated acts:
- **1.** Draft Environmental Delegated Act: Contains draft technical screening criteria for the four "remaining environmental objectives", including for 4<sup>th</sup> objective "transition to a circular economy"  $\rightarrow$  <u>most relevant for construction</u>
- 2. Draft annexes amending the Taxonomy Climate Delegated Act (Climate change mitigation + adaptation)→ touches upon certain activities related to construction, <u>especially</u> "civil engineering"
- 3. <u>Draft revised annexes of Disclosures Delegated</u> <u>Act (reporting requirements)</u>
- FIEC press release on 12 April
- Public consultation/feedback period open until 3<sup>rd</sup> May
- FIEC reaction planned

# The 6 environmental objectives of the EU taxonomy

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- Climate change mitigation (Climate Delegated Act, new draft amending annex)
- 2. Climate change adaptation (Climate Delegated Act, new draft amending annex)
- 3. Sustainable use and protection of water and marine resources (Environmental Delegated Act)
- 4. Transition to a circular economy (EDA)
- 5. Pollution prevention and control (EDA)
- 6. Protection and restoration of biodiversity (EDA)

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Public consultation (four weeks)

Adoption of delegated act and start of scrutiny period of European Parliament and Council (**4 months, can be extended**)

Autumn 2023 & depending on scrutiny period: Entry into force (if no objections) 1 January 2024: Date of application of Delegated Act Reporting on eligibility & non-eligibility starts

5 April 2023: Publication of draft Environmental Delegated Act + draft annexes amending Climate Delegated Act and Disclosures Delegated Act

3<sup>rd</sup> May: End of feedback period

2023

Parliament and Council can inform Commission that they will not object before expiry of period

### 2024



# Draft Environmental Delegated Act – Transition to a circular economy

- 5 construction-related activities:
- (1) Construction of new buildings
- (2) Renovation of existing buildings
- (3) Demolition or wrecking of buildings & other structures
- (4) Maintenance of roads and motorways
- (5) Use of concrete in civil engineering







## Draft Environmental Delegated Act – Transition to a circular economy

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"The transition to a circular economy **is an enabler of environmental sustainability that generates significant benefits** for the sustainable management of water, the protection and conservation of biodiversity, the prevention and control of pollution and the mitigation of climate change. The circular economy reflects the need for economic activities to **promote efficient use of resources through appropriate re-use and recycling of resources.** 

The technical screening criteria for determining under which conditions an economic activity qualifies as contributing substantially to the transition to a circular economy should therefore ensure that in the design and production phase, **the operator takes into account the long-term value retention and waste reduction of the product over its lifecycle**. (...)

That approach can **limit the dependency of the Union's economy on materials imported from third countries, which is particularly important in respect of critical raw materials**. It is therefore appropriate to focus first on those economic activities and sectors that have the greatest potential to achieve those aims" (recital 11, text of draft delegated act)



The development of construction projects for residential and non-residential buildings by combining financial, technical, and physical means with a view to sell the building upon delivery or at a later date, as well as the construction of complete residential or non-residential buildings, on own account for sale or on a fee or contract basis.

The economic activities in this category could be associated with several NACE codes, in particular F41.1, F41.2 and F43, in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.





All generated construction and demolition waste is **treated in accordance with Union waste legislation** and with the **full checklist of the EU Construction and Demolition Waste Management Protocol,** in particular by setting sorting systems.

At least 90 % (by weight) of the non-hazardous construction and demolition waste generated on the construction site is prepared for re-use or recycling. This excludes naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC. The operator of the activity demonstrates compliance with the 90% threshold by reporting on the Level(s) indicator 2.2 using the Level 2 reporting format for different waste streams.



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A lot of reporting on indicators



The life-cycle Global Warming Potential (GWP) of the building resulting from the construction **has been calculated for each stage in the life cycle** and is disclosed to investors and clients **on demand**.

**Construction designs and techniques support circularity via the incorporation of concepts for design for adaptability and deconstruction** as outlined in Level(s) indicators 2.3 and 2.4. respectively. Compliance with this requirement is demonstrated by reporting on the Level(s) indicators 2.3 and 2.4 at Level 2.



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A lot of reporting on indicators



The use of primary raw material in the construction of the building is **minimised through the use of secondary raw materials**. The operator of the activity ensures that the three heaviest material categories used to construct the building, measured by mass in kilogrammes, **comply with the following maximum total amounts of primary raw material used:** 

- (a) for the combined total of concrete, natural or agglomerated stone a maximum of 70% of the material come from primary raw material;
- (b) for the combined total of brick, tile, ceramic, a maximum of 70% of the material come from primary raw material;
- (c) for biobased products, a maximum of 80% of the total material come from primary raw material;
- (d) for the combined total of glass, mineral insulation, a maximum of 70% of the total material come from primary raw material;
- (e) for non-biobased plastic, a maximum of 50% of the total material come from primary raw material;
- (f) for metals, a maximum of 30% of the total material come from primary raw material;
- (g) for gypsum, a maximum of 65% of the material come from primary raw material.

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The thresholds are calculated by subtracting the secondary material from the total amount of each material category used in the works measured by mass in kilogrammes. Where the information on the recycled content of a construction product is not available, it is to be counted as comprising 100% primary raw material. Where a construction product is re-used, it is to be counted as comprising zero primary raw material. Compliance with this criterion is demonstrated by reporting in accordance with the Level(s) common EU framework for indicator 2.1.







The operator of the activity uses **electronic tools to describe the characteristics of the building as built**, including the materials and components used, for the purpose of future maintenance, recovery, and reuse, for example using EN ISO 22057:2022 to provide Environmental Product Declarations. The information is stored in a digital format and is made available to the client. In addition, the operator ensures the long-term preservation of this information beyond the useful life of the building by using the information managing systems provided by national tools, such as cadastre or public register.





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# 2. Renovation of existing buildings

Construction and civil engineering works or preparation thereof. The economic activities in this category could be associated with several NACE codes, in particular F41 and F43 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

The life cycle Global Warming Potential (GWP) of the building's renovation works **has been calculated for each stage in the life cycle**, from the point of renovation, and is disclosed to investors and clients **on demand.** 







# 2. Renovation of existing buildings

**Construction designs and techniques support circularity via the incorporation of concepts for design for adaptability and deconstruction** as outlined in Level(s) indicators 2.3 and 2.4 respectively. The operator of the activity demonstrates compliance with this requirement by reporting on the Level(s) indicators 2.3 and 2.4 at Level 2.

At least 50% of the original building is retained. This is to be calculated based on the gross floor area retained from the original building using the applicable national or regional measurement methodology, alternatively using the definition of 'floor area' contained in the International Property Measurement Standards.









# 2. Renovation of existing buildings

The use of primary raw material in the renovation of the building is minimised through the use of secondary raw materials. The operator of the activity ensures that the three heaviest material categories that have been newly added to the building in the renovation of the building, measured by mass in kilogrammes comply with the following thresholds regarding the maximum amount of primary raw material used:

- (a) for concrete, natural or agglomerated stone a maximum of 85% of the material come from primary raw material;
- (b) for brick, tile, ceramic, a maximum of 85% of the material come from primary raw material;
- (c) for biobased products, a maximum of 90% of the material come from primary raw material;
- (d) for glass, mineral insulation, a maximum of 85% of the material come from primary raw material;
- (e) for non-biobased plastic, a maximum of 75% of the material come from primary raw material;
- (f) for metals, a maximum of 65% of the material come from primary raw material;
- (g) for gypsum, a maximum of 83% of the material come from primary raw material.



The thresholds are calculated by subtracting the secondary material from the total amount of each material used in the works measured by mass in kilogrammes. Where the information on the recycled content of the construction product is not available, it is to be counted as comprising 100% primary raw material. Where a construction product is re-used, it is to be counted as comprising zero primary raw material. Compliance with this criterion is demonstrated by reporting in accordance with the Level(s) common EU framework for indicator 2.1.



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# 2. Renovation of existing buildings

The operator of the activity uses **electronic tools to describe the characteristics of the building as built**, including the materials and components used, for the purpose of future maintenance, recovery, and reuse, for example using EN ISO22057:2022 to provide Environmental Product Declarations.

The information is **stored in a digital format and is made available to the client**. In addition, the operator of the activity ensures the long-term preservation of this information beyond the useful life of the building by using the information managing systems provided by national tools, such as cadastre or public register.

# de activity





# 3. Demolition or wrecking of buildings and other structures

The demolition and wrecking of buildings, roads and runways, railways, bridges, tunnels, wastewater treatment works, water treatment works, pipelines, wells and boreholes, power- generating plants, chemical plants, dams and reservoirs, mines and quarries, offshore structures, near shore works, ports, waterway works or land formation and reclamation.

For projects associated with the activities Construction of New Buildings or Renovation of existing buildings (see Sections 3.1. and 3.2. of this Annex), where the demolition works and the construction or renovation works are procured under the same contract, the technical screening criteria for the construction or renovation activities apply.

The economic activity does not include the demolition and wrecking of buildings and other structures carried out as part of the activity Remediation of contaminated sites and areas (see Section 2.4. of Annex III).

The economic activities in this category could be associated with NACE code F43 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.





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# 3. Demolition or wrecking of buildings and other structures

Prior to the start of the demolition or wrecking activity, at least the following aspects from the Level 1 design concept checklist of the Level(s) indicator 2.2 checklist are discussed and agreed upon with the client:

- (a) definition of key performance indicators and target ambition level;
- (b) **identification of project-specific constraints** that may compromise the target ambition level (such as time, labour and space) and how to minimise these constraints;
- (c) details of the pre-demolition auditing procedure
- (d) an **outline waste management plan** that prioritises selective deconstruction, decontamination and source separation of waste streams. Where these actions are not prioritised, an explanation is provided to justify why selective deconstruction, decontamination or source separation of waste streams are not technologically feasible in the project. Cost or financial considerations are not an acceptable reason to avoid complying with this requirement.







# 3. Demolition or wrecking of buildings and other structures

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The operator of the activity conducts a **pre-demolition audit in line with the EU Construction and Demolition Waste Management Protocol.** 

All demolition waste generated during the demolition or wrecking activity is treated in accordance with **Union waste legislation** and the **full checklist of the EU Construction and Demolition Waste Protocol.** 

At least 90 % (by weight) of the non-hazardous demolition waste generated on the demolition site is prepared for reuse or recycling. This excludes naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Commission Decision 2000/532/EC. The operator of the activity demonstrates compliance with the 90% threshold by reporting on the Level(s) indicator 2.2 using the Level 3 reporting format for different waste streams. Alternatively, at least 95% for mineral fraction and 70% for the non-mineral fraction for non-hazardous demolition waste is separately collected and prepared for reuse or recycled.







# 4. Maintenance of roads and motorways

Maintenance of streets, roads and motorways, other vehicular and pedestrian ways, surface work on streets, roads, highways, bridges or tunnels, aerodrome runways, taxiways and aprons, defined as all actions undertaken to maintain and restore the serviceability and level of service of roads. For bridges and tunnels, the economic activity only includes the maintenance of the road that runs on the bridge or through the tunnel. It does not include the maintenance of the bridge or tunnel itself.

The economic activity includes routine maintenance, which can be scheduled on a periodical basis. The economic activity also includes preventive maintenance and rehabilitation which are defined as works undertaken to preserve or restore serviceability and to extend the service life of an existing road. The maintenance operation is mainly dedicated to pavement management and concerns only the following main elements of the road: binder course, surface course and concrete slabs. The roads in the scope of this economic activity are made of asphalt, concrete or asphalt concrete.

The economic activities in this category could be associated with NACE code F42.11 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.



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# 4. Maintenance of roads and motorways

Where main road elements (binder course, surface course or concrete slabs) are demolished or removed, **100% (by mass in kilogrammes) of the non-hazardous waste generated onsite is prepared for re-use or recycling**. This excludes naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Commission Decision 2000/532/EC.

Where road elements are newly installed after demolition or removal, at least 50% (by mass in kilogrammes) of the structural road elements used are re-used or recycled materials.

The re-used or recycled materials are not moved over distances greater than 2.5 times the distance between the construction site and the nearest production facility for equivalent primary raw materials, to avoid that the use of reused or recycled materials leads to higher CO2 emissions than the use of primary raw materials.



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# 4. Maintenance of roads and motorways

Where newly installed, **the binder course has a service lifetime no shorter than 20 years.** 

The use of primary raw material for road furniture is minimised **through the use of re-used or recycled products**. The operator of the activity ensures that for metals, such as steel barriers, a maximum of 30% of the material come from primary raw material.



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# 5. Use of concrete in civil engineering

Use of concrete for new construction, reconstruction, or maintenance of civil engineering objects, except concrete road surfaces on streets, motorways, highways, other vehicular and pedestrian ways, bridges, tunnels and aerodrome runways, taxiways and aprons that are covered under the economic activity 'Maintenance of roads and motorways' (See Section 4.1. of this Annex).

An economic activity in this category could be associated with several NACE codes, in particular F42.12, F42.13, F42.2, F42.9, in accordance with the statistical classification for economic activities established by Regulation (EC) No 1893/2006.





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# 5. Use of concrete in civil engineering

All generated construction and demolition waste is treated in accordance with Union waste legislation and the full checklist of the EU Construction and Demolition Waste Management Protocol, in particular by setting sorting systems.

At least 90 % (by weight) of the non-hazardous construction waste deriving from concrete products is prepared for re-use or recycling. This excludes naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Commission Decision 2000/532/EC.

The operator of the activity demonstrates compliance with the 90% threshold by reporting on the Level(s) indicator 2.2 using the Level 2 reporting format for different waste streams.









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# 5. Use of concrete in civil engineering

**Construction designs and techniques support circularity** via the incorporation of concepts for

adaptability and deconstruction as outlined in Level(s) indicators 2.3 and 2.4 respectively. Compliance with this requirement is demonstrated by reporting on the Level(s) indicators 2.3 and 2.4 at Level 2.

The use of primary raw material is minimised through the use of recycled products. For concrete, a maximum of 70% of the material comprises primary raw material. This criterion applies to in-situ poured concrete, pre-cast products, and all constituent materials, including any reinforcement.

# 5. Use of concrete in civil engineering

The re-used or recycled materials is not moved over distances greater than 2.5 times the distance between the construction site and the nearest production facility for equivalent primary raw materials, to avoid that the use of reused or recycled materials leads to higher CO2 emissions than the use of primary raw materials.

The operator of the activity **uses electronic tools to describe the characteristics of the building as built,** including the materials and components used, for the purpose of future maintenance, recovery, and reuse, for example using EN ISO 22057:2022 to provide Environmental Product Declarations. The information is **stored in a digital format and is made available to the client**. In addition, the operator ensures the long-term preservation of this information beyond the useful life of the building by using the information managing systems provided by national tools, such as cadastre or public register. Would this mean that if the distance is > 2.5 times we should not re-use and recycle?

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Bridges, tunnels, dikes, and sluices are **equipped with monitoring functions** to predict maintenance needs.

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# Other construction-related activities

Annex amending Climate Delegated Act (climate change adaptation):

7.8 Civil engineering

. . .

14.2 Flood risk prevention and protection infrastructure

 $\rightarrow$  <u>If you plan to submit your own</u> feedback, please check whether it makes sense to also comment on other activities and make sure to use the template for submitting feedback!

The Delegated Acts presented in this call for feedback include several activities spanning over various economic sectors substantially contributing to all six environmental objectives of the Taxonomy Regulation, however only some of these activities may be of relevance to you. To facilitate your feedback process, find an overview of included activities per sector and environmental objective on the EU Taxonomy website.

Template for providing your feedback on the EU Taxonomy Delegated Acts

LAST NAME:

TRANSPARENCY REGISTER NUMBER:

SECTOR OF ACTIVITY: Choose an item.

ORGANISATION SIZE: Choose an item.

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Stakeholders are asked to limit their feedback only to the content of the drafts Delegated Acts subject to this call for feedback. Any other comments, including suggestions to add new activities will not be considered. A specific mechanism to channel these requests will be made available on the Commission website in the future.

When replying to this call for feedback, please clearly signal which activities in the draft Delegated Regulation(s) your comments relate to. For example, if referring to activity 3.19 regarding the manufacture of rail constituents in the draft amending Delegated Regulation regarding the objective of climate change mitigation (CCM), please mention the activity reference number (3.19) and the objective (CCM) clearly in your submission. The objectives should be abbreviated as follows:

- Climate Change Mitigation: CCM
- Climate Change Adaptation: CCA

TYPE OF RESPONDENT: Choose an item.

COUNTRY:

ORGANISATION:

EMAIL ADDRESS:

FIRST NAME:

- Water: WTR -
- Circular Economy: CE -
- Pollution Prevention and Control: PPC
- Biodiversity and ecosystems: BIO

If referring to the amendments to Delegated Regulation (EU) 2021/2178 regarding disclosures under the Taxonomy (Art. 8), please also clearly highlight the relevant Section or Annex your reply refers to.

In line with the taxonomy's guiding principle of establishing robust, science-based criteria, the call for feedback puts emphasis on providing a clear scientific and technical explanation and rationale as well as supporting evidence (including links to published journals and articles) for any comments made with respect to the proposed technical screening criteria.

For more information on the EU Taxonomy and activities already covered in the Taxonomy Climate Delegated Act Inlease visit: https://finance.ec.europa.eu/sustainable-finance/tools-and-



# **Reporting obligations**

What does the draft Environmental Delegated Act say?



# What about reporting?



It is necessary to **provide non-financial and financial undertakings with sufficient time to assess** whether their economic activities comply with the technical screening criteria laid down in this Regulation, and to report on the basis of that assessment in accordance with Delegated Regulation (EU) 2021/2178 (**Disclosures Delegated Act**). The date of application of Regulation should therefore be **deferred until 1 January 2024.** 

*From 1 January 2024 until 31 December 2024, non-financial undertakings shall only disclose the proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities pursuant to Regulation [Taxonomy Environmental Delegated Regulation]* and Sections 3.18 to 3.21, Sections 6.18 to 6.20 of Annex I to Delegated Regulation 2021/2139 and Sections 5.13, 7.8, 8.4, 9.3, 14.1 and 14.2 of Annex II to Delegated Regulation 2021/2139 in their total turnover, capital and operational expenditure and the qualitative information referred to in Section 1.2 of Annex I relevant for that disclosure.

The key performance indicators of non-financial undertakings shall cover the economic activities set out in Regulation [Taxonomy Environmental Delegated Regulation] and Sections 3.18 to 3.21, Sections 6.18 to 6.20 of Annex I to Delegated Regulation 2021/2139 and Sections 5.13, 7.8, 8.4, 9.3, 14.1 and 14.2 of Annex II to Delegated Regulation 2021/2139 from 1 January 2025.





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# What else?

- EU Taxonomy Navigator
- → "user-friendly website that offers a series of online tools to help users better understand the EU Taxonomy in a simple and practical manner, ultimately facilitating its implementation and supporting companies in their reporting obligations"
- 3 tools:
- EU Taxonomy Compass → visual representation of sectors, activities & criteria
- 2. EU Taxonomy Calculator  $\rightarrow$  guide on reporting obligations
- 3. FAQs repository  $\rightarrow$  overview of questions and answers on the EU taxonomy and its delegated acts





## What we will do

- Collect input & answers from you on technical criteria
- Draft a response to Commission, ask for some clarifications & circulate reaction for approval
- Short deadline will be given (response will probably be submitted on 1<sup>st</sup> or 2<sup>nd</sup> May)
- Publish a statement of the Construction 2050 Alliance (probably after 3<sup>rd</sup> May)
- · Collect more information on reporting

## **Questions? Any other business?**





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The European built environment speaking with a single voice

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Joint statement by the Construction 2050 Alliance on the draft Taxonomy Environmental Delegated Act

On 5<sup>th</sup> April, the European Commission published the draft version of its long-awaited "Environmental Delegated Act" with the technical screening and Do-No-Significant-Harm criteria for the four remaining environmental objectives of the Taxonomy Regulation (environmental objectives 3 to 6). This delegated act will complement the so-called Climate Delegated Act (the first delegated act under the Taxonomy Regulation) of December 2021 and the Disclosures Delegated Act. The Commission also published new annexes that would amend these acts.

The draft Environmental Delegated Act published in April builds on the recommendations for technical criteria for the four remaining environmental objectives of the Platform on Sustainable Finance (published on 30 March 2022). These recommendations showed fundamental weaknesses from the point of view of the construction industry in terms of the usability and practicability of its recommendations.

In recent months, the construction industry, via many of its organisations representing the built environment at European level, has provided its constructive input and expertise to the European Commission while repeatedly calling for urgent corrections to the Platform report,

