

EPEE & EHPA Feedback on the draft technical screening criteria for substantial contribution to the transition to a circular economy

September 2021

EPEE, representing the refrigeration, air-conditioning and heat-pump industry, and EHPA, representing the heat-pump industry, welcome the potential to incentivise investment in activities that contribute significantly to more durable, material and resource efficient products through the Technical Screening Criteria (TSC) for Transition to a circular economy under the Sustainable Finance Taxonomy. The TSCs will be an important driver to ensuring that sustainable investments are made in line with the goals of the European Green Deal's Circular Economy Action Plan.

In the context of the Renovation Wave's goal to "at least double the annual energy renovations rate for both residential and non-residential buildings, targeting 35 million renovations by 2030", providing a framework to incentivise private finance in the most energy and material/resource efficient heating and cooling systems will be essential to ensuring that renovations are made in a more circular manner that also delivers tangible energy savings for 2030, and is futureproof, looking to 2050 and beyond.

Ensuring the market uptake, installation, and ongoing performance via regular inspections, of highly efficient and renewable heating and cooling systems in new and renovated buildings is a critical component in the building sector's decarbonization. A carbon-neutral building sector can only be achieved through a massive boost in the roll-out of these systems.

Technical building systems, such as heat pumps, are regulated under the Ecodesign Directive, which sets minimum energy performance requirements for energy-related products (ErP). In addition to energy performance, the EU increasingly aims to reduce the environmental impact of energy-related products (ErP) by introducing resource/material efficiency requirements via the Ecodesign Directive. Having delivered successfully on energy efficiency, EPEE and EHPA support the Commission's ongoing approach to integrate circular economy/sustainability into the ErP framework through the introduction of material/resource efficiency requirements.

Considering the above, we would like to stress that circular economy technical screening criteria under the EU Taxonomy Regulation should align as much as possible with material/resource efficiency requirements established (or being developed) under other legislative measures. This is not only imperative to provide the manufacturers of technical building systems with the stable environment to enable them to perform their crucial role in the green transition of the building sector, but also to preserve the competitiveness of the EU industry.

From this perspective we would like to take the opportunity to suggest a number of improvements that should be made to the TSCs suggested for the 'Transition to a circular economy' objective.

2.6 Manufacture of durable electrical and electronic equipment

Description of the activity

Manufacture of durable electrical appliances. The activity is classified under NACE code C.26 and C.27 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Substantial contribution to transition to a circular economy

The economic activity manufactures equipment that contribute substantially to a circular economy through improved technical or functional durability that demonstrate a minimum percentage improvement, dependent on the product's lifetime compared to the same existing technologies placed on the market.

Lifetime of the product is defined as the lifetime that may be expected according to a particular set (reference set) of conditions of use and that may be used to estimate the lifetime under other conditions of use [definition Reference service life (RSL): EN 50693:2019, 3.35]. Lifetime of the product is also defined in Product Category Rules for the Life Cycle Assessment (LCA) of the relevant product range.

The lifetime improvement is calculated using the below formula:

Lifetime improvement (in number of years) = $1 + 2,5 * \ln(\text{Lifetime})$

Ln = natural logarithm

This technical screening criteria is only applicable to products with a reference lifetime (before lifetime extension) of 2 years and above.

EPEE/EHPA comments: *We note that the Commission is preparing to address the durability of products under the forthcoming Sustainable Products Initiative (SPI), the implementation of which will require the establishment of calculation methodologies to measure the durability of a product. Under the auspices of the ongoing revision of the Methodology for the Ecodesign of Energy related Products (MEErP) a draft methodology is under consideration as a function of reliability and reparability.*

We would recommend that calculation of lifetime improvement under the Circular Economy TSC reflect the calculation methodologies under Ecodesign. As implementation of a revised MEErP across Ecodesign's product specific implementing regulations will take some time we would caution against the inclusion of a calculation in the TSC at this stage. However, if a calculation is to be included, we would suggest that a statement is made to the effect that it will be superseded once the calculation methodologies under Ecodesign are in place.

Do no significant harm ('DNSH')

(1) Climate change mitigation

The activity demonstrates that durability improvement is not negatively impacting climate change, by comparing lifecycle climate change impact in kgCO₂eq. Lifecycle environmental impacts are calculated and compared using the Commission Recommendation 2013/179/EU or, alternatively, using the ISO 14040 and 14044.

Where the activity manufactures products covered by an energy performance standard (such as the EU Energy Label or voluntary energy performance standard), the equipment complies with the top class in terms of energy performance against this standard.

EPEE/EHPA comments: *The above 'DNSH' criteria does not accurately reflect the TSC for Climate Change Mitigation "3.5. Manufacture of energy efficiency equipment for buildings".*

Technical Building Systems (TBS) and household appliances are to meet the TSC if they are in "the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation". It is "the highest two populated classes" as under the rescaling of energy labels under Regulation (EU) 2017/1369 the top two (A and B) classes are to be unpopulated which would make it impossible to sustainably invest in the manufacture of such products.

We strongly recommend that the 'DNSH' criteria is aligned with that in the TSC for Climate Change Mitigation.

2.7 Manufacture of circular electrical and electronic equipment

Description of the activity

Manufacture of electrical appliances. The activity is classified under NACE code C.26 and C.27 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Substantial contribution to transition to a circular economy

- 1) Design for repair and guarantee:
 - Ensure key spare parts (such as – non exhaustive list – motors, batteries, and any part essential to the good functioning of the product) availability for 1 additional year compared to legal requirements.

Where no legal requirement apply, key spare part should be available for at least 8 years after production ceases.

EPEE/EHPA comments: *Products covered by Ecodesign are increasingly covered by spare parts requirements, including a list of spare parts that must be made available for a stated period of availability. As such we support the inclusion of the following reference covering products covered by such Ecodesign requirements.*

“For products covered by requirements on the availability of spare parts under Directive 2009/125/EC and implementing acts adopted under that Directive, key spare parts are considered to be those listed in Annex to the most recent implementing act for each product group”.

Substantial contribution to transition to a circular economy

2) Proactive substitution of hazardous substances

RoHS exemptions are limited to the following two:

- A. Lead in high melting temperature type solders (i.e. lead- based alloys containing 85 % by weight or more lead)
- B. Electrical and electronic components containing lead in a glass or ceramic other than dielectric ceramic in capacitors, e.g. piezoelectronic devices, or in a glass or ceramic matrix compound

EPEE/EHPA comments: *All RoHS exemptions are assessed according to the criteria defined in article 5 of the Directive. We wonder why two specific exemptions have been singled out despite all RoHS exemptions having equal justification. They are granted for materials and applications if substitution or elimination of the hazardous substance is impracticable, not reliable or the total negative impacts outweigh the benefits. For these materials and applications no solution without the use of hazardous substances is available yet. In case a substitution would be technically practicable, reliable and would not outweigh the benefits, the exemption would not be granted.*

Applying the screening criteria of 2.7 to electrical/electronic equipment needing RoHS exemptions would not lead to a higher comparability because all such equipment would not be taxonomy aligned.

The requirements of part B. would lead to the situation that economic operators and electrical and electronic equipment needing RoHS exemptions would not be taxonomy aligned . This can prevent investments in projects that would indeed generate relevant environmental benefits but

can currently only be realized by using electrical and electronic equipment applying RoHS exemptions.

We expect also the situation that bigger projects are defined to be taxonomy aligned but in the project definition phase it is not yet possible to define the last details regarding electrical and electronic components. As a consequence, the whole project might have to be stopped or changed once it turns out that the criteria of 2.7 cannot be fulfilled. For example, a building cannot work without the door locks, air conditioning, lighting, etc. that currently use different RoHS exemptions.

Recommendation:

- 1) Exclude from sentence 1 on page 204 uses or categories of uses exempted from the authorization requirement.*
- 2) Delete sentence 2 on page 204.*

Do no significant harm ('DNSH')

(1) Climate change mitigation

If the manufactured product contains refrigerants, it complies with the GWP performance laid down in the F-gas regulation. The activity does not manufacture products containing SF6.

Where applicable, the equipment does not score lower than the 3rd class on the energy label applicable to the product range.

EPEE/EHPA comments: *The above 'DNSH' criteria do not accurately reflect the TSC for Climate Change Mitigation "3.5. Manufacture of energy efficiency equipment for buildings".*

Technical Building Systems (TBS) and household appliances are to meet the TSC if they are in "the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation". It is "the highest two populated classes" as under the rescaling of energy labels under Regulation (EU) 2017/1369 the top two (A and B) classes are to be unpopulated which would make it impossible to sustainably invest in the manufacture of such products.

We strongly recommend that the 'DNSH' criteria are aligned with those in the TSC for Climate Change Mitigation.

2.9 Manufacture of machinery, equipment and data solutions enabling a substantial contribution to pollution prevention and control

EPEE/EHPA comments: *We ask the Platform to also consider elements of energy circularity when developing further circular economy TSC for heat generating equipment. Equipment generating heat apply circular economy principles when they optimise the use of the calories present in an outdoor or indoor environment. As is explained in for instance in the publication [“AFPAC - La pompe à chaleur au prisme de l'économie circulaire Janvier 2020”](#), this is notably the case when renewable or recovered thermal energy is redirected – for instance with a heat pump – to the heating system in building, thus acting against energy losses and/or suboptimal use.*

2.13 Manufacture of machinery, equipment and data solutions enabling a substantial contribution to pollution prevention and control

Description of the activity

Manufacture of equipment, machinery and related services, aimed at, and demonstrating a substantial contribution to enabling pollution prevention and control, as defined in article 14 of EU Regulation (EU) 2020/852, where those technologies are not covered in other activities substantially contributing to pollution prevention and control.

The economic activities in this category could be associated with several NACE codes, C25, 26, C27, C28, J61, J.62, J.63 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Substantial contribution to pollution prevention and control

The activity manufactures an equipment and/or related services and/or components complying with all of the following:

A. Direct link between the and/or related services and/or components and taxonomy alignment. The activity directly sells an equipment and/or related services and/or components to an economic operator using it in a taxonomy aligned activity substantially contributing to pollution prevention and control.

Information on clients is provided to the third-party verifier and include information derived from primary information from the product user.

The assessment of the independent 3rd party is publicly disclosed (redacting business confidential information).

B. Substantial contribution of the enabling activity:

The activity makes a substantial contribution to the environmental objective, by proving that the equipment and/or related services and/or components is essential and material to achieve the substantial contribution criteria in another activity substantially contributing to pollution prevention and control. In particular, the activity proves that:

1. The use of this equipment always helps make a substantial contribution to pollution prevention and control.
2. For complete machines/systems, it is proven and documented that it is able to fulfil the technical screening criteria of the activity, which is the intended use of the machine/system.
3. For components, it must be proven and documented that these components are the reason why the capabilities of a system with this component is different from conventional systems without this component (e.g. special sensors). Therefore, this does not include standard components used also in systems not able to reach the necessary technical screening criteria

The full assessment is publicly disclosed and 3rd party verified. The 3rd party assessment is publicly disclosed.

Do no significant harm ('DNSH')

(1) Climate change mitigation

The activity assesses the availability of and, where feasible, adopts techniques that support:

- Energy efficiency of the equipment,
- Minimization of embodied GHG emissions,
- For energy-related products, the use of decarbonized energy sources during the product's operation

In addition, the manufactured equipment has a life cycle performance above average compared to technologies with a similar purpose currently available on the market. Environmental Impacts are calculated using Recommendation 2013/179/EU. Quantified life-cycle environmental impact reductions are verified by an independent third party which transparently assesses how the standard criteria, including those for critical review, have been followed when the value was derived. The 3rd party assessment is publicly disclosed.

(3) Sustainable use and protection of water and marine resources

DNSH as set out in [Appending B of Annex 1 to the Commission Delegated Regulation (EU) .../... supplementing Regulation (EU) 2020/852]

In addition, the manufactured equipment has a life cycle performance above average compared to technologies with a similar purpose currently available on the market. Environmental Impacts are calculated using Recommendation 2013/179/EU. Quantified life-cycle environmental impact reductions are verified by an independent third party which transparently assesses how the standard criteria, including those for critical review, have been followed when the value was derived. The 3rd party assessment is publicly disclosed.

EPEE/EHPA comments: *We note that the forthcoming Sustainable Products Initiative (SPI) likely to set a pathway for the development of Life Cycle Assessment (LCA) methodologies for products under the scope of Directive 2009/125/EC. Similarly, the 'Green Claims Initiative' is likely to translate Recommendation 2013/179/EU into a legislative initiative.*

As such we recommend that LCA criteria under the Pollution Prevention and Control TSC reflect the approaches under the SPI and the 'Green Claims Initiative' to ensure that they are future proof. However, if an LCA criteria is to be included at this stage we would suggest that a statement is made to the effect that it will be superseded once the approaches under Ecodesign are in place.

Regarding ensuring that results of LCAs according to Recommendation 2013/179/EU are verified by an independent third-party, we stress the prohibitive cost of third-party verification, particularly for SMEs, which acts as a drag on innovation. As such we suggest that that ISO 14040 and ISO 14044, which underpin the Recommendation, are adapted for adoption as harmonised standards to underpin presumption of conformity in line with the 'New Approach'.



THE VOICE OF THE REFRIGERATION, AIR-CONDITIONING AND HEAT-PUMP INDUSTRY IN EUROPE

About EPEE:

The European Partnership for Energy and the Environment (EPEE) represents the refrigeration, air-conditioning and heat pump industry in Europe. Founded in the year 2000, EPEE's membership is composed of over 50 member companies as well as national and international associations from three continents (Europe, North America, Asia). With manufacturing sites and research and development facilities across the EU, which innovate for the global market, EPEE member companies realize a turnover of over 30 billion Euros, employ more than 200,000 people in Europe and also create indirect employment through a vast network of small and medium-sized enterprises such as contractors who install, service and maintain equipment. Please see our website (https://www.ep_eeglobal.org/) for further information.

About EHPA:

The European Heat Pump Association (EHPA) represents the majority of the European heat pump industry. Its members comprise of heat pump and component manufacturers, research institutes, universities, testing labs and energy agencies. Its key goal is to promote awareness and proper deployment of heat pump technology in the European market for residential, commercial and industrial applications. EHPA aims to provide technical and economic input to European, national and local authorities in legislative, regulatory and energy efficiency matters. All activities are aimed at overcoming market barriers and dissemination of information in order to speed up market development of heat pumps for heating, cooling and hot water production.

