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The EU taxonomy: a missed opportunity to grasp the potential of the ICT sector

DIGITALEUROPE comments on taxonomy delegated act

Digital has enormous enabling potential to facilitate the EU's transition to a low carbon circular economy. Digital technologies have the potential to enable a 20 per cent reduction of global CO₂ emissions by 2030, in particular in traditional sectors like energy, transport, construction, agriculture and manufacturing¹. That is ten times more than what is produced by the digital sector.

To further leverage this enabling potential and promote the uptake of these technologies, a clear and science-based investment framework is needed. This framework should not only promote the uptake of currently existing technologies but should also be future proof and encourage the development of new innovative solutions.

DIGITALEUROPE welcomes the opportunity to comment on the draft delegated acts on climate change mitigation and adaptation under the EU Taxonomy Regulation. The EU taxonomy provides a great opportunity to leverage the enabling potential of the ICT sector. However, the current draft delegated act does not truly grasp this potential. The way digital is covered in one single section of the delegated act also ignores the digital transformation of many industries. Digital should not only be covered in one section of the delegated act. Concretely, we recommend for this purpose the following improvements are made in the draft delegated act:

- 1. Modify the proposed criteria to qualify ICT as an enabler (section 8.2) and future technologies (section 3.5)**
- 2. Provide greater predictability and flexibility to data centres seeking to meet the taxonomy under section 8.1**

¹ #SMARTer 2030, GeSI & Accenture 2015



1. Modify the proposed criteria to qualify ICT as an enabler (section 8.2) and future technologies (section 3.5)

- ▶▶ In the European Green deal, digitisation is seen as a key enabler for the decarbonisation of the EU. According to the International Energy Agency, IT could help save no less than 15,000 Twh by 2040 across all sectors. For example, in the building, sector, it would represent 10% of total energy demand from the deployment of building controls and in the industry, 6% of total energy demand from upgrades on process control systems.
- ▶▶ In the draft delegated act, **the key role of digital as an enabler fails to be recognized**, with “data-driven solutions for GHG emissions reductions” (section 8.2) facing problematic criteria to be able to qualify.
- ▶▶ In section 8.2, among the three conditions to meet, ICT solutions should “*demonstrate substantial life-cycle GHG emission savings compared to the best performing alternative technology/ solution available on the market*”. Unless the European Commission can clarify what the “best alternative solutions available on the market” are, this criterion will be difficult to be met as carbon footprint assessments are by nature not comparative.
- ▶▶ There is currently no available and validated information on what are the “best performing alternative technology/solution available on the market”, that would allow manufacturers to meet this condition.
- ▶▶ On top, we would welcome providing more flexibility in terms of product and organisation environmental footprint standards, that would be relevant for both the IT sector and for the ICT using industry, for which our technologies enable carbon footprint measurement and reduction, across business operations and supply chains. There is a wide range of international standards, including ISO, GHG Protocol, ITCL, PAS 2050, which are being used by companies. Coherent and best in class standards would address the potential risk of greenwashing, increase transparency for companies and consumers, enable comparability, market adoption of technology and facilitate reporting and labelling.
- ▶▶ The direct (e.g., optimization of equipment operation) and indirect (e.g., efficient, streamlined, and trustable data for decision-making) means of achieving GHG emissions reductions utilising data-driven technologies are not comprehensively included. Particularly, achieving the potential GHG emissions reductions by using data-driven solutions depends on multiple layers of physical and digital technologies as their enabling backbone. The

current wording may result in supporting an incomplete set of the technologies needed.

- ▶▶ The use of these criteria also applies to **section 3.5 Manufacture of other low carbon technologies**. A number of technologies have not been covered due to the lack of time and data, e.g., the manufacturing of technologies that are used in data centres (such as UPS) and would fall under this section. As a solution the draft delegated act proposes the creation of a catch-all category for missing or future technologies.
- ▶▶ The criteria to be able to qualify technologies are the same as the ones of the IT section. Again, the burden of proof will be on manufacturing companies, with the similar difficulty to meet the criteria on “the best performing alternative technology/product/solution available on the market.”
- ▶▶ **Recommendation: Modify the proposed criteria by adding “when possible”, allowing manufacturers to qualify other low carbon technologies (section 3.5) or ICT as an enabler (section 8.2).²**



2. Provide greater predictability and flexibility to data centres seeking to meet the taxonomy under section 8.1

- ▶▶ In the draft delegated act Annex for mitigation (8.1), the reliance on the EU Code of Conduct as the primary certification scheme may limit data centres from participating in more aggressive sustainability schemes, certifications or mechanisms for proving energy efficiency. The taxonomy should therefore provide for data centre operators to use different methods for demonstrating that they meet substantial energy efficiency targets that are ambitious and mitigate climate change. For example, we consider that certifications such as LEED, BREEM, or the forthcoming industry self-regulatory initiative for Climate Neutral Data Centres should all be evaluated as alternatives to the European Code of Conduct on Data Centre Efficiency to ensure a verifiable outcomes-based approach rather than a narrow process-based approach.

² Proposed modification: “The economic activity manufactures low carbon technologies (and their key components) that demonstrate substantial life-cycle GHG emission savings, **and when possible**, compared to the best performing alternative technology/product/solution available on the market.”

- ▶▶ The ability to rely on different sustainability schemes should be regardless of any constraints or practical limitations. All of these sustainability certifications require extensive reporting, costly certifications, data collection exercises, significant investment, and, most importantly, a commitment to sustainability. Data centre operators should not be required to duplicate these schemes for the purposes of the taxonomy. Instead, we recommend that data centre operators are allowed to select the right certifications for their footprint and demonstrate their adherence under the certification scheme, as long as such schemes can demonstrate similar energy savings.
- ▶▶ The language in the annex states that a data centre must have implemented all the relevant practices in the most recent European Code of Conduct on Data Centre Efficiency. This creates significant unpredictability for data centre operators. The first version of the Code of Conduct was released in 2008. It has been updated 11 times since, with the latest version for 2020 having been finalized in December of 2019. Data centres are complex infrastructure with sophisticated technologies and climate control systems. The taxonomy needs to provide data centre operators with more predictable requirements that they can be expected to achieve. We recommend the taxonomy be based on the 2020 update to the EU Code of Conduct and that changes only be reconsidered when the taxonomy is updated by the Commission. Furthermore, a three-year certification timeline is onerous for data centre operators, especially SMEs. We recommend a quadrennial cycle for certification, which aligns with the timeline established by the EU for businesses to undertake energy audits under the Energy Efficiency Directive.
- ▶▶ These same issues would also apply to delegated acts annex on adaptation (8.1, DNSH). Data centre operators should be permitted to demonstrate compliance through certifications and schemes that have similar characteristics or energy savings than the EU Code of Conduct.
- ▶▶ We further note that the delegated act is introducing a refrigerant threshold for data centre cooling systems which may not exceed a GWP of 10, which is not feasible for small data centres. Even for the larger data centres this will create some problems as this equipment will not really fit in the existing technical rooms as this type of refrigerant will require bigger equipment (e.g., larger heat exchanger) to ensure energy efficiency. To overcome this inconsistency with the current and future legislative framework for refrigerants, we recommend ensuring compliance via integrating a reference to Regulation 517/2014 and its future amendments. We further recommend that the Annex provides clarity as how to measure when a larger chiller that has low-GWP refrigerants “significantly reduce the energy

efficiency” so data centre operators have clear information to make planning decisions. The technical screening criteria should also clarify if the use of low-GWP refrigerants applies to data centre office space and how responsibility is applied for colocation providers that host a wide variety of tenants in data centres.

- ▶▶ **Recommendation: Modify sections 8.1. of the Adaptation and Mitigation Annexes to allow data centre operators to rely on similar sustainability schemes and certifications. Consider compiling and maintaining a list of eligible sustainability standards, similar to the approach taken for ensuring the sustainability of biofuels in the EU. References to the EU Code of Conduct should reference a specific version and be updated with that taxonomy and assurance processes should occur no more than every four years to align with the energy audit process under the Energy Efficiency Directive. Modify the refrigerants provisions so they align with existing regulation and provide clarity to operators.**

FOR MORE INFORMATION, PLEASE CONTACT:



Lara Visser

Policy Director

lara.visser@digitaleurope.org / +32 493 89 20 58

About DIGITALEUROPE

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