



## OPEN LETTER

October 11 2021

### **The urgent need to accelerate the adoption of a sustainable finance framework *Recognising the key enabling role of electrical and industrial solutions***

As a group of trade associations and companies, we want to draw your attention on a couple of issues in the context of the EU taxonomy.

The extreme events of this summer have dramatically highlighted the climate urgency and the vital need to move our climate action to the next level. With the Fit for 55 package proposed in July, the European Union has decided to step up its action and increase its ambition towards 2030. However, these newly planned measures and targets will be insufficient if they are not complemented by the use of all actionable levers available to us in the fight against climate change, namely the leading role of finance.

In May 2018, the European Commission published its action plan on sustainable finance, which included, among other things, a proposal to create a harmonised EU classification system (EU taxonomy). We strongly support this initiative as it aims to provide greater clarity to investors on what constitutes sustainable economic activities. While we are still in the regulatory phase of this process, climate change remains a reality and we need to accelerate our action.

We believe in the ability of European industry to lead and provide the needed technological solutions, while we simultaneously decarbonise our own activities, to tackle global warming. In this fight, electrification and electrical solutions, together with other solutions, will have a key role to play in achieving carbon neutrality. For instance, the rate of electrification in the EU will have to double to reach 60% by 2050. Industrial products and processes will also continue to drive significant energy savings, through the use of technologies such as speed drives, highly efficient contactors and industrial control and automation. In Germany alone, demand-driven automation technology could deliver additional energy savings of between 10-25 % in machines and plants.

It is therefore essential that the EU taxonomy rightly recognises the enabling role of our industry for climate change mitigation, which has been highly partial until now:

### **1. To decarbonise EU industry:**

- In the climate mitigation delegated act, the EU taxonomy has failed to capture the contribution of industrial equipment and systems, such as motors, variable speed drives and industrial automation equipment, in GHG emission reduction. The potential here, however, is huge: For motors, the European Commission estimates that, there are about 8 billion electric motors in use in the EU, consuming nearly 50% of the electricity the EU produces<sup>1</sup>. We therefore call for an inclusion of industrial automation equipment and systems in the EU taxonomy, to further unlock their potential to decarbonise European industry.
- Industrial equipment is partly covered in the proposed technical screening criteria for the environment objectives, but the criteria proposed are so restrictive that they won't be workable. First, they require a direct link, when most of our equipment is sold indirectly through partners. Secondly, the Do Not Significant Harm Criteria (DNSH) not only departs from that proposed under the first delegated acts, but also requires proof of audited life cycle assessment (LCA) comparisons, which is impossible to apply to systems.

### **2. To accelerate Europe's electrification:**

- In the first delegated act on climate change mitigation, the European Commission failed to include the manufacturing of electrical equipment. In the published draft from early August, the Sustainable Finance Platform made some improvements, recognising the importance of electrical equipment by adding a new section 2.10. We welcome this positive step, but call for additional improvements as:
  - 1) the new section falls short of covering the full chain of manufacturing electrical equipment from high, medium and low voltage.
  - 2) while it also focuses too much on 'connected devices'.

Therefore:

- 1) Section 2.10 needs to be modified to properly recognise the importance of the manufacturing of electrical equipment as an enabler for decarbonisation. The description of the activity should cover the manufacturing of high, medium and low voltage electrical equipment, systems for electric grids, complementing section 4.9 of the Climate Mitigation Delegated Act<sup>2</sup>.

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<sup>1</sup> [https://ec.europa.eu/info/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/energy-label-and-ecodesign/energy-efficient-products/electric-motors\\_en](https://ec.europa.eu/info/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/energy-label-and-ecodesign/energy-efficient-products/electric-motors_en)

<sup>2</sup> Section 2.10 should apply separately and additionally to section 4.9 of the Climate Mitigation Delegated Act, which covers the technologies for the construction, installation and operation of high and medium voltage transmission and distribution systems.

- 2) The scope of eligible electrical equipment must include both connected and non-connected devices as they are part of an integrated system. By restricting the definition of electrical equipment to connected devices only (as it is now proposed in the draft proposal of the Sustainable Finance Platform), the framework would fail to address a vast number of devices which need to be integrated in order to ensure the functioning of the entire system<sup>3</sup>.

The complementary delegated act on climate change mitigation is therefore a unique opportunity to get it right and capture the key enabling role of our industry for decarbonisation. We ask European decision-makers to:

- Ensure a **comprehensive approach to electrical equipment, encompassing high, medium and low voltage** in the dedicated manufacturing section;
- **Include industrial automation equipment and solutions in the manufacturing section**, either with a dedicated section or together with electrical equipment.
- **Remove the direct link requirements and align the DNSH criteria with the existing ones, sections 2.12 to 2.14** (Manufacture of machinery, equipment and solution) and **section 6.6** on ICT, in the corresponding environmental delegated acts.

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## Co-signatories

### *Trade associations*

- DIGITALEUROPE. Website: <https://www.digitaleurope.org/about-us/>
- Coordinating Committee for the Associations of Manufacturers of Switchgear and Controlgear equipment. Website: <https://www.capiel.eu/>
- European Committee of Electrical Installation Equipment Manufacturers (CECAPI). Website: <http://www.cecapi.org/>
- European Committee of Manufacturers of Electrical Machines and Power Electronics (CEMEP). Website: <https://cemep.eu/>
- European Building Automation and Controls Association (EUBAC). Website: <https://eubac.org/>
- Fédération des Industries Electriques, Electroniques et de Communication. Website : <https://www.fieec.fr/>
- Groupement des entreprises de la filière électronique française (GIMELEC). Website : <https://gimelec.fr/>
- European association of the electricity transmission and distribution equipment and services industry (T&D Europe). Website: <https://www.tdeurope.eu/>
- Electro and Digital Industry Association (ZVEI). Website: <https://www.zvei.org/>

### *Companies*

- ABB. Website: <https://global.abb/group/en>
- Danfoss. Website: <https://www.danfoss.com/en/>
- Emerson. Website: <https://www.emerson.com/global>
- Eaton. Website: <https://www.eaton.com/us/en-us.html>
- Hager. Website: <https://www.hagergroup.com/>

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<sup>3</sup> It should also cover electrical equipment to ensure that electrical assets are safely managed and people are protected (e.g. MCBs, RCCBs, emergency lighting, access control); Equipment and systems ensuring safe delivery of energy to users: wiring devices, cables managements systems.

- Rockwell Automation. Website: <https://www.rockwellautomation.com/>
- Schneider Electric. Website: <https://www.se.com/ww/en/>
- Siemens. Website: <https://www.siemens.com/global/en.html>