

Avoiding a backwards step

We have strong concerns on the latest proposals by the European Commission on the draft Sustainable Finance Delegated Regulation with the technical screening criteria for the climate mitigation and adaptation objectives. The proposals, circulated for Member States comment in the MSEG by Friday 26 March 2021, **represent one step backwards compared to the original draft text that went to public consultation last November.**

As previously explained¹, the average of the best 10% smelters must not be the main criteria deciding which primary aluminium smelter in Europe can qualify to the framework. Establishing the single direct emission threshold as the mandatory criteria is not the correct approach to evaluate the sustainability of aluminium production, as the main CO₂ footprint differentiator between installations is the indirect emissions, due to high electricity consumption in the production process.

Paradoxically, not even the most efficient and based on carbon-free electricity smelters in Europe would qualify. As a consequence, this would impact the competitiveness of the European primary production vis à vis international producers, which do not bear any carbon cost nor have ambitious decarbonisation objectives, despite having most often a significantly higher carbon footprint.

The November draft proposals represent a better solution. They allowed for some flexibility combining the efficiency of the process and the energy source. The use of a combined threshold better reflected the electricity-intensive nature of our processes and the technological improvements available today.

We therefore:

1. **Support the previous Commission proposal whereby the eligibility thresholds were based on a combined value for the direct and indirect emissions.** This better reflected the high-electro-intensity of our production process allowing the most efficient smelters with access to low carbon energy to qualify to the framework while providing the right incentives for decarbonization. A combined value is a better reflection of the activity's emissions.
2. Request to **include, as recommended by the TEG experts² the provision that investments aimed to achieve the thresholds should be considered eligible.**
3. **Request to change the thresholds for the carbon content of the electricity generation from the current 100g CO₂e/kW to 270g CO₂e/kWh.** This to reflect the actual European average electricity mix. Such stringent thresholds would label the majority of aluminium production in Europe as either not sustainable (climate mitigation) or

¹ See our [comments on the Draft Delegated Regulation \(December 2020\)](#) & our [reaction to the TEG Report \(March 2020\)](#) where we explain in detail why a single mandatory threshold linked to the ETS benchmark is not a correct and fair tool to assess the sustainability performance for primary aluminium in Europe. New ETS benchmark values are available [here](#) (15 March 2021)

² See their [Report](#) at p.172, March 2020

even significantly harming the environment (climate adaptation), even though their average carbon footprint (7 tCO₂/tAl, cradle to gate) is around two times lower than the global average and three times lower than the footprint of Chinese aluminium production.

The above approach must be applied to both the thresholds to be eligible under the Climate Mitigation Objectives and fulfil the Climate mitigation DNSH threshold under the Climate Adaptation Objective.

Energy efficiency equipment for buildings & the criteria proposed for windows & wall systems

Windows and doors: Setting a pan-European maximum U-value for windows and doors is not acceptable. This is because:

- For windows, legal requirements too often focus on insulation (U_w-value) while other aspects are equally important, like solar gains (g_w), air permeability (L, H), cooling through natural ventilation, natural light etc. The proposed pan-European maximum U-Value of 0.1, may severely and unnecessarily impact window manufacturers located in southern EU countries where U-values are much less relevant for energy efficiency than in northern EU countries.
- There is no pan-European best window solution, but an optimal one for each situation: climate where the building is located, building type, window orientation etc..., so that the best window from an environmental (and cost) point-of-view is not always the one with the lowest thermal transmittance (U_w-value). For example, in southern European countries windows with U_w 1.7 / g 0.65 and U_w 2.8 / g 0.78 perform similarly or better than windows with U_w ≤ 1.0 / g ≤ 0.6 while being less material-intensive³.

Instead, we recommend that **thermal performance thresholds should be defined at national/regional level**, as a combination of (U_w, g_w and H values) in energy balance formulas customised to each national/regional situation⁴. If not possible to consider energy balance formulas in the short term, the EU Taxonomy should be **based on the minimum performance requirements defined by Members States for building elements** in line with Art 4 §1 sub§2 of Directive 2010/31/EU on the Energy Performance of Buildings (EPBD), which include windows and doors.

Curtain walls: In the latest drafts, external cladding has been renamed has ‘external wall systems’ and footnotes 88 in Annex I (and footnote 112 in Annex II) directly refer to ‘curtain wall’. Curtain walls are glazed facades which behave similarly to windows. Therefore, our above comments and recommendations are also valid.

Please find in the table below the two different versions of the text since November and our proposed changes highlighted in grey (third column).

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³ See [here](#) our animation and infographics to understand the issue and how to solve it by applying the ‘the energy balance’ method

⁴ The need to consider the energy balance was also highlighted in [Commission Recommendation \(EU\) 2019/1019 of 7 June 2019 on building modernisation](#) and during the Ecodesign Preparatory Study on window products (DG-ENER - Lot 32). See table 14 of study DG ENER - LOT 32 / Ecodesign of Window Products- TASK 7)

CLIMATE MITIGATION OBJECTIVE TSC		
November Draft Delegated Act – Annex I	New text discussed in MSEG last 24 March	European Aluminium proposal
Substantial contribution to climate change mitigation		
<p>The activity manufactures one of the following:</p> <p>(a) primary aluminium where the sum of direct GHG emissions and indirect GHG emissions is lower than [xxx 145] tCO2 per tonne of aluminium manufactured;</p> <p>(b) secondary aluminium.</p> <p>Footnote 145: [The average value of the top 10% of installations based on the data collected in the context of establishing the EU ETS industrial benchmarks for the period of 2021-2026 and calculated in accordance with the methodology for setting the benchmarks set out in Directive 2003/87/EC plus the substantial contribution to climate change mitigation criterion for electricity generation (100gCO2/kWh) multiplied by the average energy efficiency of aluminium manufacturing (15.5 MWh/t Al)]</p>	<p>The activity manufactures one of the following:</p> <p>(a) primary aluminium where GHG emissions do not exceed [XXX97] tCO2 per ton of aluminium manufactured and where the economic activity complies with one of the following criteria until 2025 and with both of the following after 2025:</p> <p>(i) the average carbon intensity for the indirect GHG emissions does not exceed 100g CO2e/kWh;</p> <p>(ii) the electricity consumption for the manufacturing process does not exceed 15.5 MWh/t Al;</p> <p>(b) secondary aluminium.</p> <p>Footnote 97: [The average value of the top 10% of installations based on the data collected in the context of establishing the EU ETS industrial benchmarks for the period of 2021-2026 and calculated in accordance with the methodology for setting the benchmarks set out in Directive 2003/87/EC]</p>	<p>The activity manufactures one of the following:</p> <p>(a) primary aluminium where the sum of direct GHG emissions and indirect GHG emissions is lower than [xxx 145] tCO2 per tonne of aluminium manufactured;</p> <p>(b) secondary aluminium</p> <p>New “Mitigation measures are eligible provided they are incorporated into a single investment plan within a determined time frame (5 or 10 years) that outlines how each of the measures in combination with others will in combination enable the activity to meet the threshold defined</p> <p>Footnote 145: [The average value of the top 10% of installations based on the data collected in the context of establishing the EU ETS industrial benchmarks for the period of 2021-2026 and calculated in accordance with the methodology for setting the benchmarks set out in Directive 2003/87/EC plus the substantial contribution to climate change mitigation criterion for electricity generation (100g-270g CO2/kWh) multiplied by the average energy efficiency of aluminium manufacturing (15.5 MWh/t Al)]</p> <p style="text-align: center;">JUSTIFICATION / EXPLANATION</p> <p>Under the new proposal for Member States’ comment, basically no smelter in Europe can qualify to the framework. This is a clear discrimination against a sector that is fundamental for the decarbonization of the society. We therefore support the previous Commission proposal which defined the threshold for the combined direct and indirect emissions, and we request for the re-inclusion of the provision in the TEG Report whereby investments aimed to achieve the thresholds should be eligible. This would better reflect the high electro-intensity of our production process, while providing the right incentives to invest in decarbonization. This allowed for some flexibility combining the efficiency of the process and the energy source. We also propose 270 gCO2 as the criteria for electricity generation, reflecting the European average of the carbon content of the electricity mix.</p>

CLIMATE ADAPTATION - Do no significant harm criteria (DNSH)

November Draft Delegated Act – Annex II	New text discussed in MSEG last 24 March	European Aluminium proposal
Climate change mitigation DNSH		
<p>The activity manufactures one of the following:</p> <p>(a) primary aluminium where the sum of direct greenhouse gas emissions and indirect greenhouse gas emissions is lower than [xxx 168] per tonne of aluminium manufactured.</p> <p>(b) secondary aluminium.</p> <p>Footnote 168: [The median value of the data collected in the context of establishing the EU ETS industrial benchmarks for the period of 2021-2026 plus the DNSH to climate change mitigation criterion for electricity generation (270gCO₂/kWh) multiplied by the average energy efficiency of aluminium manufacturing (15.5 MWh/t Al)].</p>	<p>The activity manufactures one of the following:</p> <p>(a) primary aluminium where the GHG emissions do not exceed [XXX 139] tCO₂ per ton of aluminium manufactured and where the economic activity complies with one of the following criteria until 2025 and with both of the following after 2025:</p> <p>(i) the indirect GHG emissions do not exceed 270g CO₂e/kWh;</p> <p>(ii) the electricity consumption for the manufacturing process does not exceed 15.5 MWh/t Al;</p> <p>(b) secondary aluminium.</p> <p>Footnote 139: [The median value of the data collected in the context of establishing the EU ETS industrial benchmarks for the period of 2021-2026.]</p>	<p>The activity manufactures one of the following:</p> <p>(a) primary aluminium where the sum of direct greenhouse gas emissions and indirect greenhouse gas emissions is lower than [xxx 168] per tonne of aluminium manufactured.</p> <p>(b) secondary aluminium.</p> <p><i>New “Mitigation measures are eligible provided they are incorporated into a single investment plan within a determined time frame (5 or 10 years) that outlines how each of the measures in combination with others will in combination enable the activity to meet the threshold defined</i></p> <p>Footnote 168: [The median value of the data collected in the context of establishing the EU ETS industrial benchmarks for the period of 2021-2026 plus the DNSH to climate change mitigation criterion for electricity generation (270gCO₂/kWh) multiplied by the average energy efficiency of aluminium manufacturing (15.5 MWh/t Al)].</p> <p style="text-align: center;">JUSTIFICATION/EXPLANATION</p> <p>We request to go back to the Commission’s previous proposal which went to public consultation which foresaw a combined threshold <u>and introduce the TEG Recommendation that investments aimed to achieve the thresholds should be eligible.</u></p>

**Substantial contribution to climate change mitigation (ANNEX I) & climate adaptation (ANNEX II):
Manufacture of energy efficiency equipment for buildings**

November Draft Delegated Act – Annex I & II	New text discussed in MSEG last 24 March	European Aluminium proposal
<p>The economic activity manufactures one or more of the following products and their key components:</p> <p>(a) windows with U-value lower or equal to 0.7 W/m²K; (b) doors with U-value lower or equal to 1.2 W/m²K; (c) external cladding with U-value lower or equal to 0.5 W/m²K;</p>	<p>The economic activity manufactures one or more of the following products:</p> <p>(a) windows with U-value lower or equal to 1.0 W/m²K; (b) doors with U-value lower or equal to 1.2 W/m²K; (c) external wall systems with U-value lower or equal to 0.5 W/m²K;</p>	<p>The economic activity manufactures one or more of the following products and their key components:</p> <p>(a) windows with U-value lower or equal to 0.7 W/m²K; where the U-value and other relevant values related to the thermal performance of windows do not exceed the limits set as minimum performance requirements for building elements in national regulation implementing Directive 2010/31/EU.</p> <p>(b) doors with U-value lower or equal to 1.2 W/m²K; where the U-value and other relevant values related to the thermal performance of doors do not exceed the limits set as minimum performance requirements for building elements in national regulation implementing Directive 2010/31/EU.</p> <p>(c) external wall systems, with the exception of curtain walls, with U-value lower or equal to 0.5 W/m²K;</p> <p>New (d) Curtain walls where the U-value and other relevant values related to the thermal performance of curtain walls do not exceed the limits set as minimum performance requirements for building elements in national regulation implementing Directive 2010/31/EU.</p> <p align="center">JUSTIFICATION/EXPLANATION</p> <p>The best window, door or curtain wall, from an environmental point-of-view, is not always the one with the lowest thermal transmittance (U-value). In southern European countries, windows with $U_w 1.7 / g 0.65$ and $U_w 2.8 / g 0.78$ perform similarly or better than windows with $U_w \leq 1.0 / g \leq 0.6$ while being less material intensive. Thermal performance thresholds should be defined at national/regional level, as a combination of (U_w, g_w and H values) in energy balance formulas customized to each national/regional situation.</p>