



Nuclear power and natural gas – criteria for classifying activities as environmentally sustainable and new information obligations

TAXONOMY – OVERVIEW OF CHANGES

The European Commission has published a draft delegated regulation on climate change and accelerated decarbonisation¹. The draft introduces changes to the so-called taxonomy, i.e. criteria for qualifying an economic activity as environmentally sustainable regarding the nuclear and natural gas sectors. The draft also introduces new information obligations.

The taxonomy gains increasing importance due to, i.a. the policies of funding institutions excluding support for activities that qualify under the taxonomy as high-emission, while making it easier to obtain funding for environmentally sustainable activities.

The delegated regulation supplements existing regulations for one of the three kinds of environmentally sustainable activities, i.e. **transitional activity** - including **investments in nuclear power and natural gas**. Transitional activities include: producing cement, aluminum, iron and steel, and plastics in primary forms; retrofitting inland waterway passenger and freight transport; renovating existing buildings; and data processing or hosting².

The obligations of the financial sector and other entrepreneurs are related to the taxonomy:

a) Financial sector entrepreneurs must disclose:

- information on their environmental objectives; and

- a description of how and to what extent an investment qualifies as environmentally sustainable (by way of a percentage figure); and

b) Other entrepreneurs must disclose:

- the percentage of turnover derived from products or services related to environmentally sustainable activities; and
- the percentage of capital expenditures and operational expenditure corresponding to the assets or processes associated with environmentally sustainable activity.

The change in the material scope of environmentally sustainable activities in the nuclear and gas sectors will change entrepreneurs' obligations - it will be necessary to verify the scope of the information disclosed and statements made.

When adopted, **the delegated regulation will extend the catalogue of economic transitional activities to include certain nuclear and natural gas activities** with the introduction of technical eligibility criteria. Due to the diversified structure of energy production (dominance of high-carbon sources), achieving climate neutrality requires investment in low-carbon fuels (nuclear and natural gas) during the transitional period. These criteria will be revised every 3 years in line with progress in the development of zero-carbon sources.

¹ Commission Delegated Regulation (EU) /... amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors, and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

² Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation, and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (Text with EEA relevance).

CHANGE OF QUALIFICATION CRITERIA

The following nuclear activities will be recognised as sustainable:

- advanced technologies with a closed fuel cycle for research purposes or waste minimalisation;
- by 2045 (the date of the construction license approval), new nuclear power plant designs using the best available technology will be recognised; and
- by 2040 (the date of the competent authority's approval), modifications and upgrades of existing nuclear installations will be recognised.

The following natural gas activities will be recognised as sustainable:

- electricity generation from fossil gaseous fuels;
- highly efficient cogeneration of heat, cooling, and electricity from fossil gaseous fuels; and
- the production of heat/cooling from fossil gaseous fuels in an efficient heating and cooling system;

if none of the gas activities indicated above results in an excess of one of the following emission thresholds:

- life cycle emissions of less than 100g CO_{2e}/kWh; or
- by 2030 (the date of the building permit approval) and where RES are not available on a sufficient scale, direct emissions of less than 270g CO_{2e}/kWh, or for electricity generation activities, annual direct greenhouse gas emissions of no more than 550kg CO_{2e}/kW on average over a 20-year period (in which case, additional specific conditions will also need to be met).

NEW INFORMATION OBLIGATIONS

Financial sector undertakings as well as others are obliged to disclose the amount and share of nuclear and natural gas activities, i.e.: taxonomy-aligned; taxonomy-eligible, but not taxonomy-aligned; and taxonomy-non-eligible. In this regard, the European Commission has published draft new templates for disclosure purposes.

ENTRY OF THE CHANGES INTO FORCE

The Delegated Regulation is expected to be adopted in the 4th quarter of 2022.

As currently drafted, the Delegated Regulation is due to **enter into force on 1 January 2023**.



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