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The European Association of Internal Combustion Engine Manufacturers

EUROMOT POSITION

RECOMMENDATIONS ON THE EUROPEAN COMMISSION DRAFT TAXONOMY COMPLEMENTARY DELEGATED ACT

21 January 2022

EUROMOT welcomes the European Commission's proposal for a Taxonomy Complementary Delegated Act (CDA) addressing also gas activities.

It is important to find a right balance between the objectives of environmental protection and of safeguarding the competitiveness of the EU economy. The regulatory framework should not only encourage the development of new green activities, but also the use of already fully viable technologies enabling a fast cost-effective decarbonization coupled with access to a secure, affordable and sustainable energy system. This particularly applies to the power generation sector.

In line with these principles, EUROMOT would like to provide the following recommendations to sections 4.29, 4.30 and 4.31 of the CDA.

4.29. Electricity generation from fossil gaseous fuels

Technical screening criteria

Substantial contribution to climate change mitigation

Proposed modification	Justification
1 b) for facilities, for which the construction permit is granted by 31 December ~~2030~~ **2035**:	This clause should be extended to at least 2035 to be more in line with the different national coal phase out plans in place today and with availability of renewable and low carbon gases
i. direct GHG emissions of the activity are lower than 270g CO2e/kWh of the output energy, or annual GHG emissions of the activity do not	

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exceed an average of 550 kg CO2e/kW of the output energy of the facility's capacity over 20 years,	
ii. the power generated by the activity may not yet efficiently, **securely and cost-efficiently** be replaced by power generated from renewable energy sources, for the same capacity,	Availability/reliability and affordability of energy sources must also be considered when assessing decarbonisation scenarios.
ii (new) **In addition to the criteria i) and ii), the operator should comply with at least two of the following additional criteria outlined in points iii) to vii)**	Given the completely different starting conditions of member countries and regions it is more or less not possible to comply with all the seven criteria outlined in this section 4.29. Especially at the beginning when this complementary delegated act will come into force 2023 a fast development of larger and distributed gas power plants should start in order to enable an accelerated coal phase out across Europe.
iii. ~~the~~ **one or more** facilities~~y~~ replace an existing high emitting electricity generation facility that uses solid or liquid fossil fuels **or the facilities are necessary for ensuring grid reliability and stability,** ~~and~~ **or**	With the proposed large additions of volatile renewable capacity, it is essential to have enough dispatchable capacity available. This reliably available capacity can be best provided by (a) gas power plants with larger central power plants feeding electricity into the transmission system and (b) distributed and flexible gas power plants feeding electricity into the distribution system. All of these gas power plants are required providing different services for the security of electricity supply. The flexible (natural) gas fired grid balancing plants, a key contributor to the energy transition are not visible in the list of criteria and thus are to be added.
iv. **for replacement,** the **annual** production ~~capacity~~ of the facilities~~y~~ **do**~~es~~ not exceed the capacity of the replaced facility by more than 15%, ~~and~~ **or**	With the trend to E-mobility and more electrical heat pump installations a strong growth of decentral power demand can be expected. Therefore, it is essential to have a framework in place that allows a flexible local investment in required gas power plants achieving the best economic and environmental result for the society.
v. the facility demonstrates compatibility with co-firing of low carbon gaseous fuels and there are effective plans or commitments, approved by the management body ~~to use at least 30% of renewable or low-carbon gases as of 1 January 2026, and at least 55% of renewable or low-carbon gases as of 1 January 2030, and to switch to renewable or low-carbon gases and the switch takes place by 31 December 2035~~ **to switch to renewable or low carbon gases as they become available and affordable locally, in line with the respective EU and national policies,** ~~and~~ **or**	The timeline to switch from natural gas to low carbon or renewable gas including hydrogen should be in line with the plans in the EU green gas package (see Annex 2) and with national scenarios. It should also consider local availability and affordability of these fuels.

vi. the replacement leads to a reduction in emissions of at least ~~55~~ **40%** % GHG per kWh of output energy, **but only relevant for a coal to gas switch,** ~~and~~ **or**	It cannot be applicable to a new gas power plant for balancing / back-up as the purpose is different.
vii. the activity takes place on the territory of a Member State that has committed to phase-out the use of energy generation from coal and has reported this in its integrated national energy and climate plan referred to in Article 3 of Regulation EU/2018/1999 or in another instrument**, or the facility is installed to support the security of supply in the territory of the member state in line with the EU and national resource adequacy assessments**.	The role and need of gas power plants for providing reliable flexible balancing power will increase with the share of volatile renewable power installations. These gas power plants will have a positive effect, because a faster penetration in renewable power is ensured and coal phase out is accelerated.

4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels

EUROMOT fully supports the COGEN Europe position paper as of 12 Jan 2022,[1] except the points in the table below.

Technical screening criteria

Substantial contribution to climate change mitigation

Proposed modification	Justification
Section 4.30.1.b. vii. the replacement leads to a reduction in emissions of at least ~~55~~ **40% GHG per kWh of output energy, but only relevant for a coal to gas switch, or**	It cannot be applicable to a new gas power plant for balancing / back-up as the purpose is different.

4.31. Production of heat/coolfrom fossil gaseous fuels in an efficient district heating and cooling system

EUROMOT fully supports the COGEN Europe position paper as of 12 Jan 2022, except the points in the table below.[2]

Technical screening criteria

[1] COGEN Europe Recommendations on the European Commission Draft Taxonomy Complementary Delegated Act – Updated, issued on 12 January 2022

[2] Ibid.

Substantial contribution to climate change mitigation

Proposed modification	Justification
Section 4.31.1.b) 1 b) for facilities, for which the construction permit is granted by 31 December ~~2030~~ **2035**:	This clause should be extended to at least 2035 to be more in line with the different national coal phase out plans in place today and with availability of renewable and low carbon gases
Section 4.31.1.b. vii. the replacement leads to a reduction in emissions of at least ~~55~~ **40% GHG per kWh of output energy, but only relevant for a coal to gas switch, or**	It cannot be applicable to a new gas power plant for balancing / back-up as the purpose is different.

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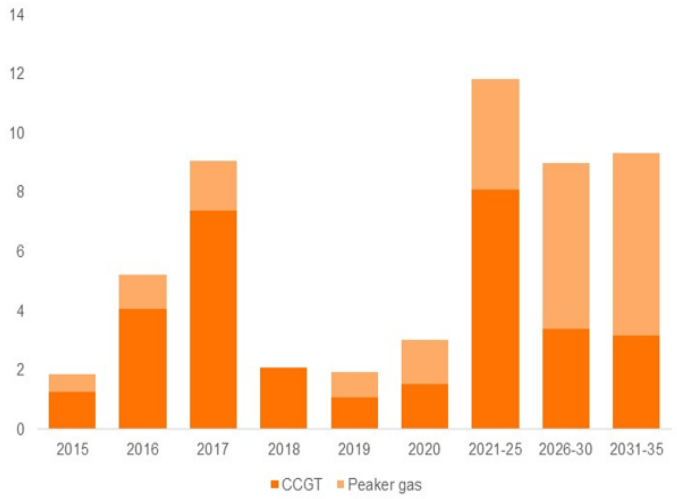
ANNEX

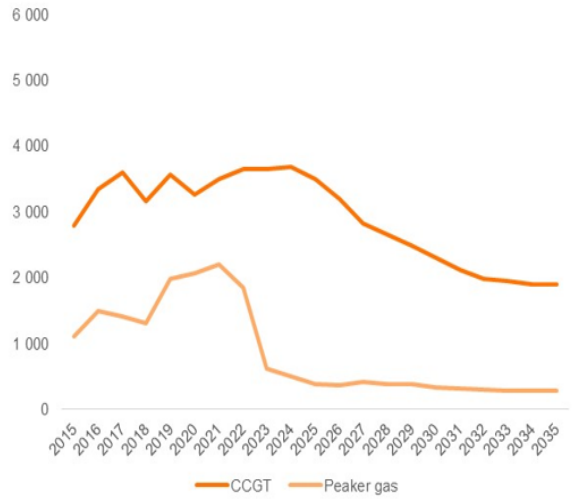
Current and future trends in power generation – flexibility as a key aspect

1) Increasing amount of intermittent renewables in power system require additional flexible thermal capacity, which will be based on Natural gas during this decade. 2) Future natural Gas plants will run less and more infrequently ("peaker" plants). 3) If climate ambitions are increased the need for thermal balancing capacity increases even further. Then natural gas would be largely replaced by cleaner fuels after 2030 or emissions are abated in some other way.

Gross natural gas capacity additions in Europe 2015–2035 (GW)



Average capacity utilization in Europe 2015–2035 (hours)



Source: BloombergNEF New Energy Outlook 2020 & 2021

CCGT = Combined Cycle Gas Turbines (intermediate and baseload gas)
Peaker Gas = Open Cycle Gas Turbines and Reciprocating Engines (peaking operations)

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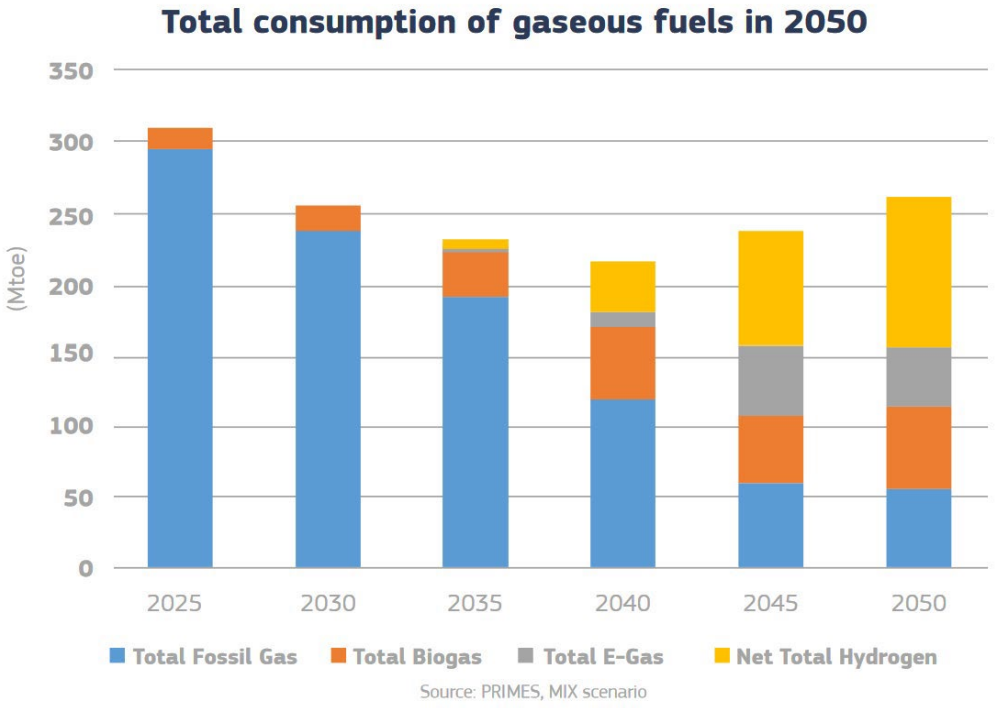
2) Switching to renewable and low carbon gases including hydrogen is an essential part of the EU green deal and included in the gas package (Fact Sheet). The below chart shows the plan how the total consumption of gaseous fuels should develop from 2025 to 2050. Starting from 2035 a growth in biogas can be seen combined with some hydrogen before the majority of gases are renewable in 2050.

https://ec.europa.eu/commission/presscorner/api/files/attachment/870606/Factsheet%20Hydrogen%20Gas_EN.pdf.pdf



EUROMOT is the European Association of Internal Combustion Engine Manufacturers. It is committed to promoting the central role of the IC engine in modern society, reflects the importance of advanced technologies to sustain economic growth without endangering the global environment and communicates the assets of IC engine power to regulators worldwide. For more than 25 years we have been supporting our members - the leading manufacturers of internal combustion engines in Europe, USA and Japan - by providing expertise and up-to-date information and by campaigning on their behalf for internationally aligned legislation. Taken together, the EUROMOT member companies employ about 200,000 highly skilled and motivated workers. The European market turnover for the business represented exceeds 25 bn euros.

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