



# CONTRIBUTION TO CONSULTATION

## Action Plan of Sustainable Financing

### INTRODUCTION

DG FISMA has announced three proposals as a part of an Action Plan on Sustainable Finance:

- A proposal for a regulation on the establishment of a framework to facilitate sustainable investment, which essentially establishes a unified EU classification system ('taxonomy'): Setting harmonized criteria to determine whether an economic activity is environmentally sustainable.
- A proposal for a regulation on disclosures relating to sustainable investments and sustainability risks, which essentially enhances transparency: Financial institutions will have to disclose how they integrate ESG risks in their investment decision-making and advisory process
- A proposal for a regulation amending the benchmark regulation, which creates a new category of benchmarks, providing investors with better information on the carbon footprint of their investments and making possible to assess investment portfolios against climate targets.

## KEY MESSAGES

The ART Fuels Forum wants to comment to these proposals. ART Fuels Forum brings together European industry and other stakeholders including research and non-governmental institutions for the innovative development and deployment of renewable, sustainable and low carbon fuels for the transport sector (on road, water and at air). Deployment of these fuels brings down the dependency of fossil fuels, mitigates climate change by avoiding fossil fuel-based carbon emissions and contributes to the building up of a bio-based economy and the associated socio-economic benefits, in the context of a resource efficient Europe.

From this context, ART Fuels Forum would like to emphasise the following:

1. ART Fuels Forum warmly welcomes the Action Plan on Sustainable Financing. Access to capital is the single most important barrier to the industrialisation of renewable energy carrier technologies in the transport sector. Investors tend to add a substantial risk premium for new technologies resulting in a high “hurdle rate” which is difficult to meet in view of the complexity of the supply chain and inherent uncertainties.
2. ART Fuels Forum stresses the urgency for setting up a Sustainable Financing instrument and framework to prioritise the industrial scale deployment of such innovative projects and technologies that reduce pressure on the environment, that address emissions of greenhouse gases and that improve the efficiency in the use of natural resources.
3. Within the proposal for a regulation on the establishment of a framework to facilitate sustainable investments, with respect to the unified classification system, ART Fuels Forum strongly recommends involving renewable and low-carbon experts in the development of the taxonomy classification system. Furthermore, ART Fuels Forum proposes to adopt the following design parameters in the unified classification system:
  - Making the risk factors more explicit and focus on mitigating the risks resulting in a lower risk premium;
  - Technology neutrality and equivalent rewarding of benefits for equivalent performances on the selected parameters;
  - The selected parameters should, however, not only consider the commonly used parameters e.g. emissions, efficiency, resource usage etc., but should also take into account other, such as availability and use of alternative technologies, innovation aspects. This strategy should ensure that more long-term consequential impacts on climate change are duly rewarded;
  - An appropriate, life-cycle analysis based, sustainability assessment approach, using recognised and harmonised methodologies, for the evaluation of sustainability, starting with climate change mitigation. This approach needs also to consider resource-efficient usage (life-time expansion), recycling and cascaded utilisation (conform circular economy principles) and other impacts, as to giving credit in engaging those technologies that achieve or can achieve high overall efficiency and other benefits in the full value chain and prevent shifting negative impacts to down- or upstream parts of the value chain.
4. Within the proposal for a regulation amending the benchmark regulation, ART Fuels Form proposes to involve the actual experiences of industrial technology developers and the involved financing institutes of past project financing trajectories when creating a new category of benchmark.

## KEY MESSAGES

5. ART Fuels Forum wants to express firmly that substantial attention in the Action Plan on Sustainable Financing should be attributed to supporting innovative projects and technologies for both product and service innovations in the transport sector. Compared to other economic sectors, the Greenhouse Gas emissions in the transport sector do not show a clear downward trend. This is due to the complexity of the match between infrastructure and the different transport modes, the rigidity of the transport chain that makes the introduction of innovation very difficult, as well as to the higher economic, technical and non-technical barriers for low-carbon transport technologies, compared to other technological areas. As such, the transport sector is expected to become not only a dominant sector for GHG emissions, but also an area where policy and innovation become critical factors in achieving the Paris Climate Agreement goals. Innovative and sustainable transport powertrains and related infrastructure come with higher upfront capital needs than incumbent technologies. The Action Plan on Sustainable Financing should set the grounds for putting in place the right incentives to ensure such capital needs are met and thus sustainable transport investments are deployed in view of unleashing the full potential of the environmental benefits they announce at the earliest delay.

## ABOUT THE ART FUELS FORUM

The ART Fuels Forum is established under the project: “Support for alternative and renewable liquid and gaseous fuels forum (policy and market issues)”, following a tender issued by the European Commission-DG Energy, and aims at bringing together high level, competent stakeholders and experts (ca. 100) representing:

- the European Alternative and Renewable Transport Fuels (ART Fuels) production industry
- the manufacturing / engineering companies and technology providers
- the transport end-use industry
- the main international cooperation actors,
- research and non-governmental institutions and
- the EU policy makers and stakeholders

towards facilitating discussion and elaboration of common issues on policy and market penetration barriers for these fuels.

The project contributes to enhancing and strengthening the understanding of the needs of the ART Fuels sector in view of improving:

- policy understanding and its implementation at European level
- appreciation of market uptake issues
- technology insight and deployment issues
- appreciation of international cooperation, World Trade Organization (WTO) and GHG

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emissions issues.

The Forum integrates a series of organized and structured plenary meetings, preparation of position papers, etc. towards shaping strategies and policies for market deployment of ART Fuels, and it builds upon the results of the Sub-Group on Advanced Biofuels (SGAB) of the Sustainable Transport Forum, an EU initiative. The SGAB report is supported and fully endorsed by the ART Fuel Forum.

Besides the general Key Messages, the Forum has also prepared Sector-Specific Messages, pertinent to the main focus of the considered ART Fuels production and transport consumption industries, as well as Key Messages from the International Perspective.

These documents and other information can be found at the project's website: <http://artfuelsforum.eu>

**DISCLAIMER** - The above Contribution to Consultation on The Action Plan for Sustainable Financing has been drafted by the assigned committee of the Alternative & Renewable Transport Fuels Forum (ART Fuels Forum) after exchange of opinions and internal consultation among the Forum members. The content of the Position paper does not necessarily reflect the views of all members of the ART Fuels Forum, but is a synthesis of the main positions. The positions and recommendations listed above are those of the members of the ART Fuels Forum and do not necessarily reflect either the official position of the Commission or the complete position of the members of the ART Fuels Forum.

### Project Management of ART Fuels Forum



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