

# Feedback on Sustainable finance – EU classification system for green investments from the Union of the Baltic Cities (UBC)

The climate crisis is real and acute. The world leaders have in the Paris Agreement agreed to limit global warming to well below 2 °C, with a view to not exceeding 1.5 °C. Without major investments in introducing renewable energy measures, the world will not be able to meet the Paris Agreement goals.

The Union of the Baltic Cities (UBC) is a regional network with members cities in all Baltic Sea Region countries cooperating in bringing sustainability and prosperity to our region. Many of the cities in the region have high sustainability ambitions and among the members we have several frontrunner cities engaged in energy transition, partly by using biofuel as mean for energy production but also by other means to introduce renewable energy into their energy production. As a representative for our member cities in the Baltic Sea Region, UBC wishes to put forward our comments to the EU classification system for green investment as follows.

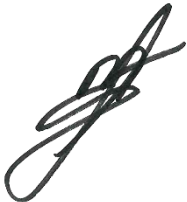
1. UBC is deeply concerned about the lack of coherence of the suggested taxonomy. Contrary to the ambitions in The Green Deal, which has a holistic view with sector coupling as a core value, the proposed Taxonomy criteria has a piecemeal approach to the activities listed.
2. All renewable energy sources are important and need to be there. During summer days PV-panels can produce a lot of power, also in northern Europe. Windy days wind power can be the major power source. However, windless cold winter days a system consisting only of solar and wind power would have catastrophic consequences for human well-being. The society needs a resilient energy system and to achieve that, Europe needs a mix of renewable energy sources with regulating capacity such as bioenergy and hydropower. Otherwise we build a very vulnerable energy system and risk to prevent the crucial renewable transition in order to maintain economic growth.
3. All cities, regions and member states have their specific conditions for achieving a sustainable, renewable and resilient energy system. What is sustainable in one place may not be sustainable in another depending on national policies on forestry, waste management, circular economy etc. UBC emphasizes the importance that the EU sets far-reaching requirements for each energy source and in order to be called sustainable, regardless of whether it refers to solar, wind, hydro energy or bioenergy.
4. The most important detail that UBC sees needs to be changed, is the systematic referring of bioenergy as “transitional” when used for electricity and heat production. A transitional activity is understood as a temporary activity “when there is no technologically or economically feasible

low-carbon alternative”, as stated in the sustainable finance document adopted in June 2020. This means that bioenergy is seen as both temporary, “until other renewables can take over completely”, and as secondary to “true” low-carbon sources, which always are seen as favoured. UBCs view is that bioenergy must be seen as a fully worthy renewable, non-fossil, carbon-neutral energy source with long-term relevance and an important component in a future 100 % renewable energy system, in no way secondary to other renewable energy sources.

5. The proposal for new buildings of at least 20% lower primary energy demand than the national near zero energy building limit is in the right direction. This however seems less ambitious in the light of the Paris Agreement and could be further strengthened. As example, the energy requirement for new buildings in Växjö’s energy plan corresponds to more than one-third lower primary energy demand than the NZEB limit in the building code. Also, by applying the global warming potential calculation requirement only for larger buildings will exclude a significant share of new multi-storey buildings where CO<sub>2</sub> reduction is also vital.

6. Finally, the choice of building material is an important element of the climate strategy that should be covered by the taxonomy. Recent research shows that wood-based buildings entail lower life cycle energy and climate impact than many other materials.

Yours faithfully,



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President, Union of the Baltic Cities