

April 28, 2023

European Commission
1049 Brussel, Belgium



Japanese Bankers Association

JBA comments on the draft delegated regulation for the EU Taxonomy by the European Commission (EC)

Dear Sirs/Madams:

The Japanese Bankers Association¹ (JBA) appreciates the opportunity to comment on the draft delegated regulation for the EU Taxonomy² proposed by the European Commission (EC) on April 5, 2023.

We hope that our comments will contribute to further discussions in the EC.

General Comments

We welcome that the Taxonomy Regulation does not impose any obligation on investors to invest only in those economic activities that meet specific criteria laid down in that Regulation. The taxonomy should not be used for penalization purposes that may, for example, result in restricting financing for any non-taxonomy-eligible projects, but rather, it should be used to foster and support taxonomy-eligible projects. We believe the EU should avoid creating a trend where only those in the green list are "good" and others that are not in the green list are "bad". Instead, the taxonomy should be used for fostering and supporting taxonomy-eligible projects.

A well-balanced framework should be developed for both developed and emerging countries by sharing a universal and global principle. Such a framework shall lead to accommodation for a variety of taxonomies developed in a harmonized way to the extent possible, and these taxonomies should be introduced in ways that reflect the economic or energy-related situations of each country and jurisdiction.

An excessive and prescriptive taxonomy might impede innovation. In order to create an environment for fostering creativity and innovations of the private sector, we consider taxonomy to be a flexible framework that should be regularly reviewed to reflect current trends.

The EU should guide the real economy sectors on how they can achieve net zero by leveraging transition technologies currently available in a sufficiently ambitious but realistic way.

In this sense, the EU should clearly indicate how the EU ensured the scientific evidence, economical and operational viability, and readiness of supply chains regarding the proposed TCSs in the EU taxonomy.

¹ The Japanese Bankers Association is the leading trade association for banks, bank holding companies and bankers associations in Japan. As of April 28, 2023, JBA has 114 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 76 Associate Members (banks & bank holding companies), 51 Special Members (regionally-based bankers associations) and one Sub-Associate Member for a total of 245 members. Several of its largest member banks are active participants in the EU financial markets.

² https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13237-Sustainable-investment-EU-environmental-taxonomy_en

Specific Comments

Annex to the Delegated Regulation (EU) 2021/2139

We would like to emphasize again that the taxonomy should not be used for penalization purposes that may, for example, result in restricting financing for any non-taxonomy-eligible projects, but rather, it should be used for fostering and supporting taxonomy-eligible projects. The new TSCs introduced in the draft amendment for aviation and shipping appear less realistic and lack transparency in terms of the scientific evidence and economical and operational viability, and thus could hamper the flow of capital to projects that are dearly needed to move towards net zero.

Taking those points into account, the EU should guide the aviation and shipping sectors on how they can achieve net zero whilst continuing to use some transition technologies available today.

Also, we believe the EU should clearly indicate how the EU ensured the scientific evidence, economical and operational viability, and readiness of supply chains regarding the proposed TSCs in the EU taxonomy.

In particular, with regard to the shipping sector, we welcome the EU's effort to introduce thresholds for gradual emission reduction until zero direct emission vessels/fuels are developed. However, understanding the differences in size and operation between inland water-bound vessels/passenger vessels and outland water (ocean)-bound and coastal freight vessels, we are concerned about the feasibility of applying the same thresholds for all vessels regardless of their types and operation. We would be grateful for further explanations or references for the thresholds introduced this time for Section 6.10 in terms of the scientific evidence and economical and operational viability. As the current TSCs until the end of 2025 (*) are already unrealistic, the new TSCs from 2026 (**) continue to be distant from the reality and would leave those companies with good intentions to invest in a sustainable future without options. If there are no solutions capable of complying with the new thresholds, the shipping sector may continue to comply with the minimum standards and may give up on accelerating their efforts towards net zero. The technological development of vessels and fuels with zero direct emissions, such as those using ammonia and hydrogen, is underway, and methanol-fueled ships are already commercialized. However, the development of the necessary infrastructure to secure the production and supply of a sufficient amount of green methanol or any zero-emission fuels will still take more time, and this will not be resolved by 2026. Freight transportation has a significant impact on the real economy, and the EU should set those thresholds to guide the sector to achieve net zero using the transition technologies available today in a sufficiently ambitious but realistic way. Also, the EU should clearly indicate how the EU ensured the scientific evidence, economical and operational viability, and readiness of supply chains regarding the proposed TSCs in the EU taxonomy.

*Extracted from the Delegated Regulation:

The activity complies with one or more of the following criteria:

(c) where technologically and economically not feasible to comply with the criterion in point (a), until 31 December 2025, and only where it can be proved that the vessels are used exclusively for operating coastal and short sea services designed to enable modal shift of freight currently transported by land to sea, the vessels have

direct (tailpipe) CO₂ emissions, calculated using the International Maritime Organization (IMO) Energy Efficiency Design Index (EEDI), 50 % lower than the average reference CO₂ emissions value defined for heavy duty vehicles (vehicle sub group 5-LH) in accordance with Article 11 of Regulation 2019/1242;

(d) where technologically and economically not feasible to comply with the criterion in point (a), until 31 December 2025, the vessels have an attained Energy Efficiency Design Index (EEDI) value 10 % below the EEDI requirements applicable on 1 April 2022 if the vessels are able to run on zero direct (tailpipe) CO₂ emission fuels or on fuels from renewable sources.

**Extracted from the draft Delegated Regulation:

Section 6.10. is amended as follows:

in Subsection ‘Technical screening criteria’, subsection ‘Substantial contribution to climate change mitigation’, points (e) and (f) are added:

(e) where technologically and economically not feasible to comply with point (a), from 1 January 2026, the vessels that are able to run on zero direct (tailpipe) CO₂ emission fuels or on fuels from renewable sources have an attained Energy Efficiency Design Index (EEDI) value equivalent to reducing the EEDI reference line by at least 20 percentage points below the EEDI requirements applicable on 1 April 2022, and have the ability to plug-in at berth;

(f) where technologically and economically not feasible to comply with the criterion in point (a), from 1 January 2026, in addition to an attained Energy Efficiency Existing Ship Index (EEXI) value equivalent to reducing the EEDI reference line by at least 10 percentage points below the EEXI requirements applicable on 1 January 2023, the yearly average greenhouse gas intensity of the energy used on-board by a ship during a reporting period does not exceed the following limits:

- (i) 76,4 g CO₂e/MJ from 1 January 2026 until 31 December 2029;
- (ii) 61,1 g CO₂e/MJ from 1 January 2030 until 31 December 2034;
- (iii) 45,8 g CO₂e/MJ from 1 January 2035 until 31 December 2039;
- (iv) 30,6 g CO₂e/MJ from 1 January 2040 until 31 December 2044;
- (v) 15,3 g CO₂e/MJ from 1 January 2045.

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We thank the EC for the opportunity to comment on the draft delegated regulation for EU Taxonomy and hope our comments will contribute to further discussions in the EC.

Yours faithfully,

Japanese Bankers Association