Taxonomy regulations and Sustainable finance: What’s in for geothermal?

Thomas Garabetian,
Senior Policy Advisor, EGEC

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Sustainable Finance

What is “sustainable finance”?
  • Criteria for eligibility of projects to green financial products (e.g. Green bond…)

Purpose of the regulation: create an harmonised framework to attract more capital to such assets with transparency and tradability

Stake for the geothermal sector: this regulation’s criteria may define private capital flows to renewable projects

Key topic: prevent stranded assets which may have a huge impact on the financial sector
EU Taxonomy
- Climate
- Environment
- Social

NECESSARY
- Financial product standards
- Prudential rules
- Sustainability benchmarks
- EU Label

COMPLEMENTARY
- Private investment
- Public investment & policy
- Accounting
- Corporate non-financial disclosure
- Credit ratings and market research
- Investors' duty
- Financial advice
- Corporate governance
- Fostering investments in sustainable infrastructure projects
- European Supervisory Authorities' role
- Policy-making process
Sustainable Finance Taxonomy

Established by the Technical Expert Group on Sustainable finance. Its objectives include:

• An EU classification system – the so-called Taxonomy – to determine whether an economic activity is environmentally sustainable;
• An EU Green Bond Standard;
• Benchmarks for low-carbon investment strategies; and
• Guidance to improve corporate disclosures of climate-related information.

In practice the taxonomy provides a list of technologies eligible to be considered as a sustainable investment (e.g. RES technology)
• Proposes criteria for these technologies in terms of LCE, “do no harm criteria”
Sustainable Finance Taxonomy

Proposed criteria for geothermal:

**geothermal electricity:** “life cycle emission” threshold of 100gCO2e/kWh, decreasing to 0gCO2e/kWh in 2050; requirement of compliance with the Water Framework Directive, Air Quality regulations and other European Environmental legislations.

**geothermal cogeneration or geothermal heat:** ‘The threshold is calculated from the relative production of heat and power, and based on the declining power generation threshold of 100 gCO2e/kWh(e), and a notional heat threshold of 30 gCO2e/kWh(th)’ declining to net zero for both metrics by 2050.

**geothermal heat pumps** to justify a Seasonal Coefficient of Performance of at least 3.33 to be eligible.
Taxonomy and GEOENVI?

- Question of how to assess the life cycle environmental impact of projects (for all technologies)

- The LCA of various technologies must be comparable.

- With GEOENVI, the geothermal sector is well advanced in its effort to develop a LCA framework:
  - but how the will tool be applied?

- Competing renewable technologies must be subject to the same environmental impact criteria
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