

**Valdis Dombrovskis**

Executive Vice-President  
Commissioner of financial Stability, Financial  
Services and Capital Markets Union  
Rue de la Loi 200  
1049 Brussels

**Kadri Simon**

Commissioner of Energy  
Rue de la Loi 200  
1049 Brussels

07.05.2020

Dear Mr. Dombrovskis,  
Dear Ms. Simson

First, the signatories of this letter would like to express their support to the Sustainable Finance Action Plan. Establishing a classification system for environmentally sustainable activities will incentivize and guide investors in the right direction and thus be a vital instrument in ensuring the necessary investments towards a green transition.

The signatories of this letter represent Danish district heating companies, forest owners, electricity companies and the energy industry; four diverse organizations with a common interest in how sustainable bioenergy is treated in Sustainable Finance. Sustainable Finance will – if not reality-proofed - have an enormous negative impact on forest owners and on energy production from sustainable biomass, which plays a vital role in the power production and heating sector in several Member States across Europe. Hence, a transformation of coal-fired energy production into biomass-based energy production is an efficient and cost-effective way of reducing CO2 emissions in a short timeframe.

The Sustainable Finance Taxonomy is an extensive and ambitious regulation. For it to be successful, we call on the Commission to ensure that it is robust and based on knowledge about how biomass is produced in a sustainable way, so it will become a useful framework for companies and investors.

**Create a taxonomy in accordance with existing EU regulation**

The guiding principle is to provide a classification system that sends clear signals to investors about which activities are to be recognised as sustainable. Thus, the system must be established in a common and unambiguous language, and to the extent possible built on existing EU sustainability standards.

Therefore, we are concerned that the latest report from the Technical Expert Group (TEG) recommends criteria for sustainable biomass that are not in line with the standards agreed upon in the recently adopted Renewable Energy Directive (REDII).

Creating new standards for sustainable biomass not in line with existing EU regulation is problematic in many senses. It will add to the complexity and create uncertainty for companies in the forest product supply chain as well as the financial sector. Conflicting standards for production of sustainable biomass may also cause misunderstandings and increase the risk of non-compliance, thereby possibly undermining trust in the system. We thus strongly recommend the Commission to build the Taxonomy on existing EU regulation, e.g.

REDII being the result of recent political considerations and technical assessments (the rules came into application for less than one year ago).

### **Make sure screening criteria are reality-proofed**

The signatories of this letter support ambitious and risk-based sustainability requirements for forest biomass. However, we do not believe that the practicality of one of the essential criteria has been thoroughly evaluated against the realities of how sustainable biomass is produced and with this letter, we would like to draw attention to this issue.

To this end, we wish to highlight the second criteria in the TEG recommendation, paragraph 1.4 about Existing forest management. In brief, the criterion demands establishing a verified GHG-balance at the beginning of the afforestation/reforestation. This is practically impossible to perform at the forest plot level, as it, according to the TEG recommendation, would require very detailed and specific knowledge about tree species, number of trees in the forest and soil conditions – information which is not currently recorded with this level of detail by any of the current forest certifications schemes or by the authorities or forest owner.

Often, forest biomass for energy production comes from small and medium-size forest owners where such knowledge does not exist and would be excessively expensive to provide. This significantly increases unreasonable administrative burdens, which will especially be challenging for smaller forestry/SMEs. SME forestry will be first in line to be affected economically, which can result in negative impacts on the local community and economy.

A large proportion of biomass used for energy production comes from sawmills and other forest product industries. Wood for these forest product industries originate from multiple forests and in some cases several countries, which makes traceability back to the forest plot impossible.

We fully stand behind Sustainable Finance. Therefore, we hope the Commission will take our letter into account. Creating standards that are not in line with existing EU regulation and adopting criteria that are practically impossible to implement will not benefit the desired goals. On the contrary, it may hamper the green transition by undermining trust in the system besides the negative impact on cost-effective sustainable energy production to the benefit of consumers and European competitiveness.

Yours sincerely,

The organizations listed below:



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Birger Lauersen, Manager International Affairs



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Jan Søndergaard, CEO



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Kristine Grunnet, Managing Director Renewable Energy



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Rikke Sophie Lassen, Head of Section

