2023 Edition

Ania

Associazione Nazionale fra le Imprese Assicuratrici

ANIA Exploring SUSTAINABILITY

Focus on Taxonomy Regulation Delegated Acts

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Sustainability is rapidly becoming a key issue for insurance companies, which - both as investors and as providers of protection - play a central role towards a sustainable transformation of the economy and the achievement of the ambitious sustainable goals set at international, European and national level.

Sustainability factors - covering all three ESG dimensions (Environmental, Social and Governance) - need to be integrated in every single process: from corporate governance to reporting and disclosure, and from underwriting policies to investment strategies.

*The regulatory framework is moving fast in this direction, with particular regard to the European legislation, and ANIA decided to launch in 2021 a new series of newsletter: "**ANIA Exploring SUSTAINABILITY**".*

""ANIA Exploring SUSTAINABILITY" aspires to provide useful information about the rapidly evolving regulatory context of sustainability, with an initial focus, in the first 2021 edition, on the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation.

The second edition has then started to deal with Level 2 regulation, focusing on the Taxonomy Regulation Delegated Acts, which the 2023 edition will continue to address.

As for the previous editions, the newsletters will be issued on a regular basis, in a one-page format, and each issue will focus on specific features of the legislation in question.

The newsletters will be collected in a single volume to form a practical - and easy to use - reference guide.

Angelo Doni
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TR: Introduction to the Complementary Climate Delegated Act

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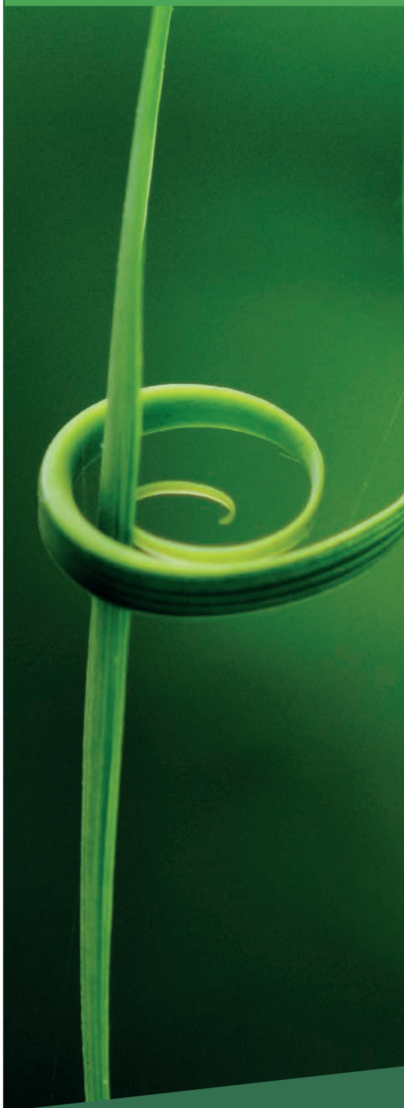

The **Delegated Regulation (EU) 2021/2139**, also known as Taxonomy **Climate Delegated Act (CDA)**, entered into application on **1 January 2022** and sets out **technical screening criteria (TSC)** for economic activities (**EAs**) having the potential to contribute to **climate change mitigation** and **climate change adaptation**.
The **CDA** is a living document and will continue to evolve over time considering that not all relevant sectors and activities have been covered. Specifically, at the time of its entry into force, the **CDA** did not include:

- the **nuclear energy**, due to the need to deepen the assessment of the "do no significant harm" aspects, which was ongoing at the time of the publication of the Regulation;
- the **natural gas**, as the Commission announced that further reflection was needed on how to address the role of gas in the decarbonisation of the Union's economy.

On **2 February 2022**, following expert consultations with the Member States Expert Group on Sustainable Finance and the Platform on Sustainable Finance and taking into considerations the feedback from the European Parliament on the matter, the **European Commission** presented a **proposal** for a **Taxonomy Complementary Climate Delegated Act (CCDA)** on climate change mitigation and adaptation covering certain **gas** and **nuclear activities**.
The text, formally adopted on 9 March 2022, was then transmitted to the **European Parliament and Council** for the **scrutiny period**. After they **voted not to object to it**, the **final version** was published in the Official Journal of the European Union on **15 July 2022** as **Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022** and entered into application on **1 January 2023**.
The **CCDA** amends:

- the **CDA** by setting out clear and strict conditions subject to which certain nuclear and gas activities can be added as transitional activities to those already covered by such Delegated Act; and
- the **Delegated Regulation (EU) 2021/2178**, also known as Taxonomy **Disclosure Delegated Act (DDA)**, by introducing specific disclosure requirements for businesses related to their activities in the gas and nuclear energy sectors, so that investors can identify which investment opportunities include gas or nuclear activities and make informed choices.

The **Taxonomy Regulation** provides for future reviews of the **TSC** set out in **CCDA** every three years following their application. This will concern also the appropriateness of the time limits provided by the **CCDA** for the recognition of contributions of certain gas and nuclear energy activities to climate change mitigation.

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2 MARCH, 23 2023

TR: Amendments to the Climate Delegated Act (Part I)

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The **Complementary Climate Delegated Act** (**CCDA**) in amending the **Commission Delegated Regulation** (**EU**) **2021/2139 of 4 June 2021**, i.e. the Taxonomy **Climate Delegate Act** (**CDA**), provides **two Annexes** that complement those already included in the **CDA** containing the **technical screening criteria** (**TSC**). Art. 1, CCDA

In particular, **Annex I** amends **Annex I** to the **CDA** under the chapter dedicated to **Energy sector EAs** and sets out the **TSC** under which conditions specific **fossil gas** and **nuclear energy related activities** should be considered as economic activities (**EAs**) that make a substantial contribution to **climate change mitigation** as established by **Article 10** of the **Taxonomy Regulation** (**TR**) and therefore recognized as "**climate mitigation EAs**".

More specifically the **TSC** are provided for the following **six EAs**:

- **Nuclear-related EAs**:
  - pre-commercial stage of advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle;
  - construction and safe operation of new nuclear power plants, for the generation of electricity or heat, including for hydrogen production, using best available technologies;
  - electricity generation from nuclear energy in existing installations.
- **Gas-related EAs**:
  - electricity generation from fossil gaseous fuels;
  - high-efficiency co-generation of heat/cool and power from fossil gaseous fuels;
  - production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system.

The structure of the **TSC** is similar for the **six EAs**, with the list of requirements to be fulfilled and criteria concerning the "do no significant harm" principle. For the **three nuclear-related EAs** are also provided additional criteria, such as the threshold for the limit value below which greenhouse gas emissions must be maintained during the life cycle of nuclear power generation or the verification by an independent third party of the quantification of these emissions.

All the **six EAs** are qualified as **transitional EAs** under **Article 10**(**2**) of the **TR** meaning that are **not replaceable with technologically and economically feasible low-carbon alternatives** (i.e. because not yet be commercially available or completely absent at a sufficient scale to cover the energy demand in a continuous and reliable manner), but do **contribute to climate change mitigation**. The **six EAs** are therefore recognized to have the **potential to play a major role in the transition to a climate-neutral economy**, in line with EU climate goals and commitments, and subject to strict conditions, without crowding out investment in renewables.

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TR: Amendments to the Climate Delegated Act (Part II)

3 APRIL, 28 2023

Annex II to the **Complementary Climate Delegated Act (CCDA)** amends **Annex II** to the **Taxonomy Climate Delegate Act (CDA)** under the chapter dedicated to **Energy sector EAs** and sets out the **technical screening criteria (TSC)** under which conditions specific **fossil gas** and **nuclear energy related activities (EAs)** should be considered as economic activities **(EAs)** that make a substantial contribution to **climate change adaptation** as established by **Article 11** of the **Taxonomy Regulation (TR)** and therefore recognized as "**climate adaptation EAs**".

In particular, **Annex II** to the **CCDA** contains the **TSC** for the same **six natural gas** and **nuclear energy related EAs** provided in **Annex I** to comply with in order to be considered e.g. solutions that substantially reduce the risk of the adverse impact of the current climate and the expected future climate without increasing the risk of an adverse impact on people, nature or assets.

As for the **TSC** already contained in the **Annex II** to the **CDA**, a generic approach applicable to each of the **six EAs** is provided to identify whether they can be considered **climate adaptation EAs**. The adaptation EAs are context- and location-specific, and there are no additional criteria beyond the generic ones provided in Annex II, unlike **climate change mitigation TSC** for which some additional criteria are also specified (e.g. Life-cycle greenhouse gas emissions from the generation of electricity from nuclear energy below the threshold of 100 g CO_2e/kWh.)

The approach includes among the criteria:

- the **implementation of physical and non-physical solutions** that substantially reduce the most important physical climate risks that are material to that activity (identified among those listed in **Appendix A** to the **Annex II** to the **CDA**);
- **a robust climate risk and vulnerability assessment** that for an **EA** with an expected lifespan of less than 10 years must be performed at least by using climate projections at the smallest appropriate scale; for all other **EAs** it must be conducted using state-of-the-art modelling under a range of climate scenario projections of 10 to 30 years.

Then, only for the **three nuclear-related EAs** it is also required to the **EA**:

- to comply with the provisions laid down in the Euratom Treaty and the legislation adopted on its basis (i.e. Directive 2013/59/Euratom, Directive 2009/71/Euratom, and Directive 2011/70/Euratom);
- to comply with national legislation that transposes Directive 2009/71/Euratom, including as regards the evaluation, through stress-tests, of the resilience of the Union nuclear power plants against extreme natural hazards, including earthquakes;
- to fulfil the requirements of Directive 2009/71/Euratom, supported by the latest international guidance contributing to increasing the resilience and the ability of new and existing nuclear power plants to cope with extreme natural hazards, including floods and extreme weather conditions.

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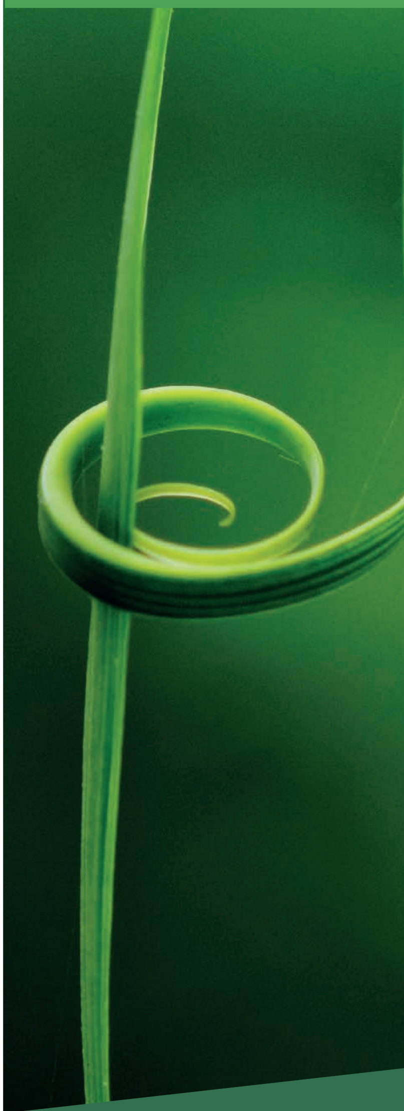

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ANIA, the Italian Insurance Association,
founded in 1944, is a voluntary non-profit association.
Its main purpose is to develop and spread the culture of safety and prevention in our country, so as to protect both people and companies, and society as a whole, more and better.

Moreover, ANIA represents its members and the Italian insurance market vis-à-vis the main political and administrative institutions, including the Government and Parliament, trade unions and other social bodies.

The Association studies and cooperates in the resolution of technical, economic, financial, administrative, fiscal, social, juridical and legislative issues concerning the insurance industry.
It supports and provides technical assistance to members, promotes the education and professional training of those working in the insurance sector.

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