

EC Consultation renewed sustainable finance strategy

We thank the European Commission for the opportunity to express our view for the upcoming renewed sustainable finance strategy. Energy Norway's vision is that Norway should take a leading role as the first renewable and all-electric society in the world.

The first stage of the sustainable finance work was substantive, ambitious and will deliver on most areas covered. However, some issues remain for Europe to become a truly sustainable and climate neutral economy by 2050 and we prioritize these elements in this consultation. Energy Norway is a strong supporter of the EU goals on sustainability and climate neutrality, as well as increased climate reduction goals for 2030. All solutions must be able to contribute to these goals.

Hydropower stands as a unique renewable electricity generating technology with its multifunctional contributions and level of flexibility. The following key issues underline the barriers posed by the TEG report from March 2020 hindering hydropower from contributing with its full potential to climate change mitigation and adaption. These should be addressed in the renewed sustainable finance strategy.

Creating an unequal level playing field

The criteria put forth to assess climate change mitigation are not technology neutral for renewable energy sources. Only hydropower faces specific criteria regarding land use and life cycle assessments.

Obliviating the only renewable storage option of electricity

Hydropower is the only large-scale renewable generating option to offer storage of energy (in form of water in reservoirs) which can be transformed into electricity instantaneously. Hydropower storage – in line with other storage technologies - should therefore be automatically eligible under the Taxonomy without any further requirements.

Recognizing hydropower as an enabling activity

Hydropower plants with reservoirs are enabling adaptation, by being actively used to mitigate floods and droughts, limit damage to assets and economic activities and indirectly enable more intermittent renewable power. We suggest recognizing hydropower as an “Enabling activity” in the technical screening criterias. We strongly object to categorising hydropower as “Transitional activity” as this disregards hydropower’s unique capabilities to provide large-scale and renewable flexibility to power systems.

Narrow approach to sustainability

While the UN definition of sustainability balances economic, social and environmental perspectives, the proposed approach solely focusses on the environmental dimensions, thus neglecting other important multi-purpose contributions of hydropower to sustainability.

Compromising the subsidiarity principle

Hydropower is site-specific, adapted to local needs and conditions in a water body. The sustainability of each hydropower plant is assessed through national licensing processes considering regional and local particularities in the context of each member state. Additional criteria at EU level may increase the administrative burden in financing hydropower and lead to a loss of flexible clean energy.

Size is not a guarantee for sustainability

Possible adverse effects of hydropower are always plant and site specific, and size has never been an appropriate criterion to judge whether a hydropower project is sustainable or not. The recommendation to avoid construction of small hydropower under 10 MW should therefore be abated.

Major remaining methodological uncertainties

The Taxonomy lacks specifications of how to calculate the power density factor and how to handle challenges related to life-cycle assessments. We therefore suggest including more detailed instructions on how to measure power density, hydropower's carbon footprint and to verify that this is relevant for hydropower in different European countries:

- **Power density factor**

The power density must acknowledge the NET effect of carbon emissions by deducting the natural carbon emissions prior to impoundment (as also pointed out by the IPCC). The calculation must be applicable for different hydropower schemes, such as:

- multiple reservoirs
- cascading hydropower plants
- multipurpose reservoirs (irrigation, floods, drinking water, navigation, recreation)
- modernization without changes to the reservoir

- **Life-cycle assessments**

Further clarification is needed on how to document consecutive reduction of GHG emissions and how to allocate GHG emissions originating from different human activities in multipurpose reservoirs such as carbon inflow from agriculture or sewage.

About Energy Norway

Energy Norway is a non-profit industry organization representing about 300 companies involved in the production, distribution and trading of electricity in Norway. Norwegian power production is almost 100% renewable and emission free. 95 per cent of the power production stems from the 1600 hydropower plants which are spread all across the country, and some 3,5 per cent stems from wind power.