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# EU Taxonomy: Recognising the role of Digital Solutions and Products for the Environmental Objectives



Digital technologies and products play a crucial role in accelerating climate action and environmental protection. The EU Taxonomy has the potential to enhance the decarbonisation of the European industry by boosting sustainable investments in digital solutions and products, as well as circular economy business models. In response to the final [report](#) from the Platform on Sustainable Finance, published on 30 March 2022, and in anticipation of European Commission's proposal for a Delegated Act on the Technical Screening Criteria (TSC) for the remaining four environmental objectives from EU Regulation 2020/852, DIGITALEUROPE strongly believes that the five key principles below should be considered.

The Platform on Sustainable Finance (PSF) stated in their final report that any criteria being developed to describe a sustainable economic activity should be built on robust and transparent methodologies and processes. The TSC should be both science- and evidence-based. DIGITALEUROPE wholeheartedly supports this approach. We agree that this is the best way to build confidence in the EU Taxonomy framework, which will do justice to the diverse environment of sustainable economic activities.

DIGITALEUROPE members regret that the role of digital solutions as enabling activities is not part of the final recommendations of the PSF. The digital transformation of economic activities was covered only in a limited way in the first delegated act on climate (sections 8.1-8.2). For the upcoming delegated act, we therefore call on the European Commission to make sure the taxonomy is well-aligned with its pledge for a green and digital twin transition by recognising the key role of digital solutions and electronic and electrical equipment in the EU taxonomy, both their enabling role and substantial contribution to the environmental objectives of the taxonomy.

In this statement, we would like to point out five key principles for the upcoming publication of the European Commission's second Delegated Act on the remaining four environmental objectives.

## 1. Digital technologies as enabling activities for the environmental objectives

- ▶▶ In the call for feedback organised by the PSF in August 2021, the draft report included sections on enabling activities for the environmental objectives (i.e., manufacture of machinery, equipment and solutions - sections 2.11-2.14 - and provisions of data-driven solutions – sections 6.6-6.7). These sections are no longer part of the final recommendations of the PSF. Therefore, the recommendations no longer recognise the enabling role of digital technologies, while end-use sectors using the same technologies are included. From buildings to transport, farming, energy, data-driven insights are helping the private and public sectors to substantially improve their material and energy efficiency, while cutting waste.
- ▶▶ DIGITALEUROPE recommends including former sections 2.11-2.14 and 6.6-6.7 on enabling technologies in the European Commission's second Delegated Act, with adequate and clearly defined TSC that recognise the role of digital solutions for the four environmental objectives. Our members remain available to provide expertise on product specificities and further elaborate on the practicalities and added value of recommended criteria.

## 2. Aligning legislation for the transition to a circular economy

- ▶▶ The PSF acknowledges that the substantial contribution as part of the transition to a circular economy is the most challenging environmental objective because it is a relatively new concept. The EU has developed policies and legislation to support sustainable product development for the past 20 years. While it continues to develop the next generation legislation, the focus should be on increasing the transparency of products to provide more information to consumers and users of ICT equipment. An increased transparency needs to be based on a detailed and future-proof classification system. At the same time, the criteria must be realistic and feasible to be effective today and in the future. This would avoid frequent legislative changes and therefore improve predictability for companies aiming to develop their sustainable businesses.
- ▶▶ The EU Taxonomy TSC should be aligned with upcoming new legislation such as the Ecodesign for Sustainable Products Regulation (ESPR) and the Empowering Consumers for the Green Transition Directive. The ESPR will require the development of calculation methodologies to measure the durability of a product. As part of the revision of the Methodology for the Ecodesign of Energy related Products (MEErP), a draft methodology is under consideration as a function of reliability and repairability. These initiatives should be in line with the TSC for the transition to a circular economy. We would recommend that calculation of lifetime improvement under the Circular Economy TSC reflects the calculation

methodologies developed for years in consultation with technical experts under the eco-design regulation.

### **3. Creating requirements based on potential future regulations is questionable**

- ▶▶ Complex EU legislation is the result of in-depth processes and scientific evidence. For example, as the RoHS Directive is being reviewed and amended, EU institutions are taking into consideration the need for exemptions or derogations for uses of substances for which there are no alternatives yet. Such considerations are part of extensive research and investigations. Letting go of this principle, as it was done in the report from the PSF, undermines the diligent process of chemical legislation and the science-based approach. Also, products are not likely to be able to meet the TSC and therefore will make the criteria irrelevant for the applicable economic activity.
- ▶▶ The review of the existing exemptions under the RoHS Directive and the need to keep or extend them is still ongoing. It would therefore be premature to base the TSC on the current status. A more complete review of the exemptions is necessary to be able to establish whether there are alternatives available for each and every exemption.
- ▶▶ Moreover, the improvement in resource efficiency by upgrading, re-using and recycling materials will also be seriously hampered by stricter substances requirements going beyond legal and regulatory requirements developed under Better Regulation principles.

### **4. Balancing the application of general criteria with multiple and specific product characteristics**

- ▶▶ A “one-size-fits-all” approach in all cases when it comes to TSC may fail to capture the specificities of the Electronic and Electrical Equipment (EEE). EEE covers a broad and varied scope of products, each having its unique requirements and different environmental impacts on different phases of the lifecycle, for example in terms of lifespan, servicing, recycled materials and availability of spare parts.
- ▶▶ Regrettably, the PSF did not take on board DIGITALEUROPE’s recommendation to also allow for multiple Type 1 eco-labels that cover a broader set of products than the EU Ecolabel or EU Green Public Procurement (GPP) criteria. The uptake of the EU Ecolabel for the ICT sector has been limited, whereas other Type 1 eco-labels have been very successful in encouraging the production and consumption of greener products. Many products from multiple brands have been certified in at least eight different product categories versus two product categories for the EU Ecolabel. The final report does not do justice to the full scale of products that are currently covered by several internationally accepted Type 1 eco-labels.

- ▶▶ Furthermore, GPP criteria apply different levels of criteria. They distinguish between core criteria and comprehensive criteria, as well as awarding criteria and technical specifications, leaving options to meet the criteria partly or in full and being valued accordingly. As such for TSC 2.3 Option A to require compliance with GPP comprehensive criteria seems disproportionate given that the objective of GPP is to be more ambitious than legal requirements. GPP core criteria are already aligned with the EU Taxonomy's objective to incentivise more sustainable activities.

## **5. Acknowledging current business practices and circular economy models**

- ▶▶ Many businesses work with partners and the activities are delivered indirectly, through a distributor, service provider or vendor. However, the product, service or technology is owned and developed by the manufacturer. We recommend the TSC take such common practices into account.
- ▶▶ In the final PSF report the economic activity to repair, refurbish and remanufacture products (section 2.10) has been limited to repaired, refurbished and remanufactured products that are sold to consumers by referencing Directive (EU) 2019/771. That excludes the mature repair and refurbishment market of products sold for professional use and in the context of a business-to-business sale, which have contributed directly to circular economy objectives and the creation of green jobs in the European Union
- ▶▶ Not included in the final PSF report as an economic activity is the manufacture of durable electrical and electronic equipment (section 2.6 of the draft report). This leaves a gap in the translation of circular economy principles. Similarly, the upgradeability of equipment is an essential business segment in the commercial domain and fully in line with circularity principles, but not included in the recommendations from the PSF.
- ▶▶ The description of activities also appears to be too limited to be future proof, as many circular business models are still new or yet to be invented. The definition should also include existing and emerging circular business models such as aftersales, offering product functions rather than products (e.g., selling copies rather than printers) or product-sharing services.

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## About DIGITALEUROPE

DIGITALEUROPE represents the digital technology industry in Europe. Our members include some of the world's largest IT, telecoms and consumer electronics companies and national associations from every part of Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital technology companies. DIGITALEUROPE ensures industry participation in the development and implementation of EU policies.

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