ETNO response to the Call for feedback by the Platform on Sustainable Finance on the draft report on preliminary recommendations for technical screening criteria for the EU taxonomy

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ETNO response

1. Introduction and general remarks

The European Telecommunication Network Operators' Association (ETNO) welcomes the ongoing work by the Platform on sustainable finance and its relevant role in providing advice on the further development of the EU taxonomy. We thus appreciate the opportunity to provide feedback on the draft report on preliminary recommendations for technical screening criteria.

ETNO fully supports **the role of the EU taxonomy as an essential facilitator of the EU Green Deal. Channelling investment flows towards environmentally sustainable projects and activities will be crucial to meet the EU's climate and energy targets for 2030** and beyond. Therefore, the EU taxonomy urgently needs to provide the right investment incentives, both when it comes to economic activities with the highest negative environmental footprint as well as economic activities that can support the green and circular transition.

Digital solutions are a pre-requisite for achieving the EU Green Deal's goals across different sectors of the economy and society. The enabling potential has a contribution across all sectors of the economy, including manufacturing, transport, buildings, healthcare and public administration, that can only achieve carbon neutrality by accelerating their digital transformation. For example, the recent ETNO BGC report[1] quantified this enabling potential measuring up to 15% of emission reductions resulting from full digitalization (including smart cities and buildings, transportation, industry IoT and blockchain applications, and energy).

Against this background, ETNO is concerned that the EU taxonomy has so far missed the opportunity to adequately address the role of the ICT sector in the technical screening criteria adopted as part of the Climate Delegated Act and in the preparation of the next set of technical screening criteria, which are the subject of the present consultation. The **EU Taxonomy urgently needs a stronger emphasis on ICT sector's "greening of" and "greening by" activities**, which have a much deeper and broader impact across sectors of the economy and of the society.

In this regard, **the EU taxonomy has in particular failed to reflect the crucial role of the telecommunications sector, which is the infrastructure necessary for digitalization**. Telecommunication companies have invested and continue to invest heavily in the build-out and upgrade of energy efficient and high-speed network infrastructure and data centres, as well as in the development and deployment of ICT services. This results in increased energy efficiency in the provision of mobile and fixed services. As indicated in the 2021 ETNO State of Digital Communications[2], the carbon intensity of ETNO companies decreased in 2019, with emissions at 27 grams per EUR earned as opposed to 29 grams in 2018. **ETNO companies also reduced their use of non-renewable energy** by 23% and increased their use of renewable energy by 24% in one year.

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[1] "Connectivity and Beyond: How Telcos Can Accelerate a Digital Future For All" https://etno.eu/library/reports/96-connectivity-and-beyond.html

[2] https://etno.eu/component/attachments/attachments.html?task=download&id=7973

In 2019, ETNO companies deployed 70.9% of the total network investment in Europe. At the same time, and despite telecom operators' large investments, the **EU faces an investment gap for digital infrastructure**. Once built, 5G and fibre networks will have cost Europe around €500 billion.

A **clear framework for access to long-term and sustainable funds through EU taxonomy** can prove crucial for efforts to include all European regions in the Gigabit Society and for the transition towards energy-efficient networks such as 5G and fibre.

2. Feedback on the draft report

ETNO focuses its comments on the technical screening criteria (TSC) and criteria for "do no significant harm" (DNSH) for ICT activities in the current consultation template.

Topic/reference in the draft report or Annex	ETNO comments
Third party verification Technical screening criteria (TSC) for activities 6.6. and 6.7. ("Provision of data-driven solutions enabling…circular economy/efficient treatment of water resources", p637 – 641, Annex[3]) as well as further activities demand for third party verification.	• Third party verification is **extremely costly and time consuming while it does not contribute directly to the taxonomy's ambition** to "green" the economy. • With the **CSRD as EU-wide reporting framework**, EU taxonomy reporting will be a mandatory element of corporate reporting – and thus be subject to external third party verification. Thus, in ETNO's opinion, no additional third party verification should be anchored in the criteria.
Life-Cycle Analysis (LCA) DNSH criteria for activities 6.6. and 6.7. ("Provision of data-driven solutions enabling…circular economy/efficient treatment of water resources", p637 – 641, Annex[3]) demand for life-cycle analysis (LCA) of products/solutions, partly with the ambition to prove an advantage over the next best solution. It also demands for third party verification.	• In ETNO's view, this provision does not match the EU taxonomy's aim – **rather TSC are the relevant means to link taxonomy alignment especially to efficient/innovative technologies**. DNSH should only have the purpose to secure environmental safeguards – as, so far, rightly established in the first delegated act • LCA method is a **highly specialized, complex, and time/resource-consuming approach.** There is not yet an EU-wide established and coherent methodological approach to LCA. Again here, while a LCA can be a TSC requirement to prove taxonomy alignment, it **should not be in the DNSH criteria**. • As mentioned above, a third party verification in addition to this requirement resulting from CSRD should not be anchored in the taxonomy's criteria – especially not in any DSNH criteria.
ICT solutions presented in the TSC Annex (6.1 to 6.5) Activity & TSC for "Digital solutions exploiting space-based earth observations enabling …"	• ICT solutions, as reflected in 8.2 of EU Taxonomy, are bigger number of services than the "space-based" solutions reflected in the TSC Annex.

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[3] Platform_on_Sustainable_Finance_-_Technical_Working_Group_-_Annex:_Full_list_of_technical_screening_criteria_August_2021 (europa.eu)

	• ETNO assumes that the "space-based" activities (6.1-6.5) are just examples of specific ICT solutions. • ETNO would appreciate the ICT sector to be represented with more clarity and wide-spread kind of services or innovating solutions based on ICT technology. • ETNO wishes to note that, while the "TSC Annex" includes examples of ICT solutions "enabling" two environmental objectives of the taxonomy, it seems this is not aligned with "Table 2: activities prioritised (ST6-ST10)", about the applicable objectives for ICT sector.
ICT solutions presented in the TSC Annex (6.6 & 6.7) Activity & TSC for "Provision of data-driven solutions enabling …. contribution to the circular economy / enabling the efficient use and treatment of water resources"	• ETNO wishes to highlight that all ICT activities listed in the consultation paper (data solutions for circularity/water) have been prepared without **input on ICT's enabling potential from the respective ICT sector team in the Platform on Sustainable Finance (ST7)**.
ICT solutions presented in the TSC Annex (6.6.) TSC Design specifically for "Provision of data-driven solutions enabling …. contribution to the circular economy"	• Current TSC in the draft state "The ICT solutions are *predominantly* used for the provision of data and analytics enabling circular economy" • The notion of "predominantly" is vague and unspecific. • ETNO suggests to adapt the wording to adequately reflect the reality of the design and use phase of enabling solutions and thus further leverage their relevance and potential in the real economy, i.e. *"The economic activity manufactures technologies that are aimed at and demonstrate contribution to a circular economy" OR "The solution has been developed and is being used with underlying purpose to contribute to the circular economy. The ICT activity has an enabling component and is making a relevant contribution to circularity."*
Platform Governance & Review Phase	• As all ICT activities (6.1.-6.7) have been prepared without **from the respective ICT sector team (ST7)**, ETNO encourages the Platform to consider the above-mentioned remarks in the upcoming review period. • The review of the ICT specific activities 6.6. and 6.7. ("Provision of data-driven solutions enabling…circular economy/efficient treatment of water resources, p637 – 641,

<table>
<tr><td></td><td>Annex[3]) based on consultation feedback **should be tackled in a joint approach by ST7 and the Platform's Enablement Task Force**. This also applies to all further criteria with respect to ICT's enablement impact. The ICT's industry enabling potential is highly relevant to succeed in the transition to a greener economy and digital society. The sector provides services to citizens and various verticals helping them to reduce their emissions and increase energy efficiency (enabling potential can go up to - 15% of the global CO_2 emissions[4]).</td></tr>
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	Annex[3]) based on consultation feedback **should be tackled in a joint approach by ST7 and the Platform's Enablement Task Force**. This also applies to all further criteria with respect to ICT's enablement impact. The ICT's industry enabling potential is highly relevant to succeed in the transition to a greener economy and digital society. The sector provides services to citizens and various verticals helping them to reduce their emissions and increase energy efficiency (enabling potential can go up to - 15% of the global CO_2 emissions[4]). - At this opportunity, ETNO would like to highlight **ICT's enabling potential especially with respect to the taxonomy's mitigation, adaption and circularity objective**. While the criteria for "enabling mitigation" in the first delegated act urgently need a review (to achieve a better distinction between eligibility and TSC for alignment), ICT also contributes strongly to climate change adaptation (i.e. smart solutions) and circularity (i.e. remote maintenance) in other sectors. - ETNO also asks the Platform to **consider its earlier consultation input** in its preparation for the second delegated act, especial in view of criteria for the climate change mitigation. We strongly encourage the Platform to add a new activity description aimed at fixed and mobile networks. **A new "8.3." should complement the 8.1. and 8.2 in the first delegated act[5] (page 179ff), to make sure that networks are included in the Taxonomy with fit-for-purpose alignment criteria. The aim is to enable telecommunications network providers to show their successful mitigation activities** with appropriate TSC. ETNO has already suggested possible TSC in earlier response to the consultation.[6]
Materiality	An **approach of materiality thinking** should be provided in the Taxonomy, to enable

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[4]BCG study for ETNO, 2021 "Connectivity and Beyond: How Telcos Can Accelerate a Digital Future For All" available here
[5] EUR-Lex - C(2021)2800 - EN - EUR-Lex (europa.eu)
[6] ETNO comments to the draft delegated regulation on criteria defining environmentally sustainable activities, available here

	companies to focus the analysis and alignment measures on their core business activities based on agreed thresholds and materiality process (i.e. based on CSRD's double materiality approach), thus enable a resource shift from reporting duties to really managing the transition to greener economy.
Horizontal Screening	• Within the EU Platform on Sustainable Finance, an institutionalized, **continuous horizontal screening of overlaps between activities** should be implemented.

3. Conclusion

As stated before, ETNO and our members have been vocal supporters of the work on the EU Green Deal as well as the EU digital strategy.

In March 2021, 13 European telecom CEOs (of which 11 are ETNO members/observers) became founding members of the European Green Digital Coalition[7], and pledged that their companies would be climate neutral by 2040 at the latest, to accelerate the European Commission's green ambitions.

Not only ETNO is active through its several Working Groups that gather our members' expertise on sustainability aspects, but it is also part of the Platform on Sustainable Finance with Silke Thomas of Deutsche Telekom in ST7.

In this context, we believe that such efforts should be reflected in **our sector's ability to access to long-term and sustainable funds**. ETNO encourages the Platform on Sustainable Finance to reasonably take into consideration our suggestions to add more clarity about applicable environmental objectives to the ICT sector.

ETNO is looking forward to closely collaborating with the Platform on Sustainable Finance, as the work to craft a future-oriented regulatory framework evolves further.

For questions and clarifications regarding this position paper, please contact **Sara Ghazanfari**, Public Policy Manager (ghazanfari@etno.eu).

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[7] https://etno.eu/news/all-news/702:telcos-egdc.html

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