

Taxonomy Guidelines for the EU Plastic Pipes and Fittings industry: Executive summary

Note to the reader: Please refer to ANNEX A for a brief list of the key concepts and definitions.

Overview of the European Taxonomy and main principles.

The European Taxonomy is a classification system that defines what constitutes an environmentally sustainable economic activity in relation to climate change mitigation and adaptation and other four environmental objectives (Sustainable Use and Protection of Water and Marine Resources, Transition to a Circular Economy, Pollution Prevention and Control, Protection and Restoration of Biodiversity and Ecosystems).

For an economic activity to be considered environmentally sustainable, it must meet the following principles:

- **Substantial Contribution:** The activity must make a substantial contribution to at least one of the six environmental objectives.
- **Do No Significant Harm (DNSH):** The activity must do no significant harm to any of the other environmental objectives.

The main regulations establishing the European Climate Taxonomy are Regulation (EU) 2020/852 (the Taxonomy Regulation) and Commission Delegated Regulation (EU) 2021/2139 (the Climate Delegated Act). The EU Taxonomy Tax04 (or Environmental) Delegated Regulation (2023/2486) has been published in the OJEU on 21/11/2023 and will apply as from 1/1/2024. The present analysis was performed on the adopted version of 27 June 2023.

The EU Taxonomy regulation also includes disclosure obligations for **non-financial reporting**. The indicators to be disclosed are: Turnover, CAPEX and OPEX.

Please refer to ANNEX B for a brief summary of the European Legislation in place.

Analysis of TEPPFA members' activities and their potential eligibility/alignment.

TEPPFA members primarily engage in the “manufacturing of plastic plates, sheets, tubes, and profiles” activity. This activity (and the generated Turnover) is not currently classified as **eligible** or **aligned** with the **EU Taxonomy**, which includes the Climate Taxonomy and the Environmental Taxonomy.

However, there are opportunities for TEPPFA members to align CAPEX and OPEX indicators with the EU Taxonomy through complementary activities. For instance, they could invest in a photovoltaic plant, construct or renovate buildings in alignment with the **technical screening criteria (TSC)**, or **conduct research and development for low carbon solutions**. These activities, and the related expenditures, could **be classified as eligible under the Climate Taxonomy**.

Moreover, while plastic pipes are not explicitly mentioned in the Climate Taxonomy or Environmental Taxonomy, **they are key components for many other eligible activities**. Therefore, if plastic pipes can demonstrate that they meet certain properties listed in the TSCs, **they may provide a competitive advantage for clients performing eligible activities**.

In summary, while the present core activities of TEPPFA members are not currently classified as eligible under the EU Taxonomy, there are opportunities for alignment through complementary activities and business model innovation.

ANNEX A – Key Concepts and Definitions

List of the key concepts and definitions used:

- **EU Taxonomy for Sustainable Finance:** A classification system for environmentally sustainable economic activities developed by the EU.
- **Environmental objectives:** Six goals that the EU Taxonomy aims to support, such as climate change mitigation, adaptation, and protection of water and marine resources.
- **Technical screening criteria:** Criteria that determine whether an economic activity qualifies as environmentally sustainable based on its environmental performance and impact.
- **Non-financial reporting:** The disclosure of information on a company's policy, risks, and performance related to environmental, social, and governance issues. The EU Taxonomy Regulation requires certain companies to report on their alignment with the taxonomy. Specifically, large public interest entities with over 500 employees, which include listed companies, banks, and insurance companies, are required to disclose certain non-financial information. The Corporate Sustainability Reporting Directive (CSRD) has enlarged the scope to include all the listed companies.
- **Turnover, CAPEX, and OPEX:** Key performance indicators (KPIs) that measure the proportion of a company's revenue, capital expenditure, and operating expenditure derived from or allocated to environmentally sustainable activities.
- **Substantial contribution and do no significant harm:** Principles that guide the classification of economic activities in the EU Taxonomy. "Substantial contribution" refers to an activity's positive impact on one or more environmental objectives, while "do no significant harm" refers to an activity's avoidance of significant negative impacts on other environmental objectives.
- **Transitional and enabling activities:** Types of economic activities that support the transition to a low-carbon economy. "Transitional activities" are those that reduce greenhouse gas emissions but do not yet meet low-carbon benchmarks, while "enabling activities" are those that directly enable other activities to make a substantial contribution to environmental objectives.

ANNEX B - Brief summary of the European Legislation in place.

Key European Regulations and Acts regarding the topic:

- **Regulation (EU) 2020/852** (Taxonomy Regulation): A regulation that establishes a framework to facilitate sustainable investment by providing a classification system for environmentally sustainable economic activities.
- **Commission Delegated Regulation (EU) 2021/2139** (Climate Delegated Act): A delegated act that specifies the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.
- **Commission Delegated Regulation (EU) 2021/2178** (Disclosure Delegated Act): A delegated act that specifies the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities and specifies the methodology to comply with that disclosure obligation.
- **Directive (EU) 2022/2464** (Corporate Sustainability Reporting Directive or CSRD): A directive that amends existing rules on sustainability reporting and requires companies to report according to European Sustainability Reporting Standards (ESRS).
- **The Sustainable Finance Package** adopted in June 2023 by the European Commission: A package of measures that includes delegated acts for economic activities that contribute to the other four environmental objectives of the EU Taxonomy, as well as amendments to add or revise some activities for climate-related objectives. Further to the scrutiny of EU Parliament and EU Council, the **EU Taxonomy Tax04 (or Environmental) Delegated Regulation (2023/2486)** has been finally published in the OJEU on 21/11/2023.

About TEPPFA

TEPPFA is the European Plastic Pipes and Fittings Association founded in 1991 with headquarters in Brussels. TEPPFA's 14 multinational company members and 15 national associations across Europe represent 350 companies that manufacture plastic pipes and fittings. TEPPFA members' final products have an annual production volume of 3 million tonnes directly employing 40,000 people with €12 billion combined annual sales. TEPPFA positions itself as polymer neutral. TEPPFA members' final products are subdivided into two application groups: above ground systems for hot and cold water, surface heating and cooling, waste water discharge and rainwater drainage, and below ground systems for sewers, stormwater and drainage, drinking water and gas supply and, cable ducts.

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