



To:  
European Parliament, Rapporteurs  
and Shadow Rapporteurs

Permanent Representations of  
Member States to the EU

European Commission, DG FISMA

Brussels, 31 October 2019

## Recognition of the crucial role of electricity distribution networks to achieve the environmental objectives of the Sustainable Finance (Taxonomy) Proposal

Distinguished Members of the European Parliament,  
Distinguished Permanent Representatives and Deputy Representatives,  
Distinguished Director Mario Nava,

Representing European electricity distribution system operators, E.DSO, Eurelectric, and Geode acknowledge that the right investments are necessary to enable the transition towards a sustainable society, including a climate-neutral European energy system.

In view of last Monday's vote by Parliament to enter into trilogue negotiations on sustainable finance, please allow us to reiterate the electricity distribution grid operators' perspective on sustainable finance: **We believe the achievement of Europe's decarbonisation targets is unattainable without appropriate investments into medium and low voltage electricity distribution networks, including their digitisation.** These are crucial to connect active customers and to enable an electrified European energy system that will have to adapt to more complex electricity flows due to growing distributed generation, and accommodates millions of electric vehicles and connected electric heat pumps.

The proposed Regulation recognises climate change mitigation as an environmental objective (Art.5(1)) and mentions generation and use of renewable energy as an activity substantially contributing to this objective (Art.6.1(a)). We welcome that both Parliament and Council also expressly included *distributing of renewable energy* and recognized the role of smart grids technologies and distribution grid infrastructure for the decarbonisation of the energy system (Art.6(g)) into their Proposals. We also support Council's decision to include *necessary reinforcement or extension* of the grid.

However, we believe that the emphasis on electricity networks, specifically the investment needs in the distribution grid which connects approximately 90% of renewables in Europe, should be further detailed therefore suggesting amending Article 6(1) (a) (Council version) as follows:

*generating, transmitting, storing, distributing or using renewable energy in line with Directive (EU) 2018/2001 or climate-neutral energy (including carbon-neutral energy), including through using innovative technology with a potential for significant future savings or through digitisation of the grid (including necessary associated IT investments to develop the Distribution System Operator's capabilities to manage renewable and distributed generation and new loads) or through necessary reinforcement or extension of the grid for electrification purposes;*

Networks will be indispensable for a successful energy transition. Grid investments are necessary to achieve the further electrification of different sectors of society (such as transport, building) and enable the expected growth of renewable and carbon neutral energy by 2050. The EU power sector has a proven track record of continuous emissions reductions and has pledged to become carbon neutral well-before mid-century. Due to the meshed nature of the European electricity grid and its physical and market reality it is difficult to clearly track the origin of electricity. As electrification is broadly recognized as a key tool to decarbonise the economy, strengthening electricity networks does support the transition. As a result, all electricity distribution infrastructure or equipment should be considered as eligible.

Distribution lines also have a key role to play in the climate change adaptation objective (Art 7(1)). They should be taken into account in this category as well (for instance prevention with water level sensors, adaptation of cables in relation to temperature increases ...). A new distribution line which contributes to a more meshed power network or additional integration of renewables improves resilience and adaptation of all economic activities within that network.

If you have any further questions, we remain at your disposal.

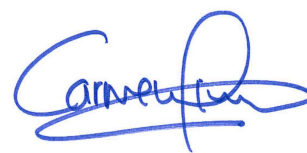
Yours sincerely,



Roberto Zangrandi,  
Secretary General,  
E.DSO



Kristian Ruby,  
Secretary General,  
Eurelectric



Carmen Gimeno,  
Secretary General,  
GEODE