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To:

Frans Timmermans, Executive Vice-President for European Green Deal
Mairead McGuinness, Commissioner for Financial services, Financial stability and Capital Markets Union
Kadri Simson, Commissioner for Energy

Rue de la Loi / Wetstraat 200
1049 Brussels
Belgium

Cc:

Diederik Samsom, Head of Cabinet of Frans Timmermans
Peter Power, Head of Cabinet of Mairead McGuinness
Stefano Grassi, Head of Cabinet of Kadri Simson

**Nordic region urges the EU Commission:
Take account of climate conditions in individual Member states and EES
countries when drafting delegated acts regarding climate change
mitigation and adaptation supplementing Regulation (EU) 2020/852
(Taxonomy regulation)**

Dear Sirs,

We are four associations for real estate in Sweden, Norway, Denmark and Finland representing property owners (commercial premises and housing), builders & developers and property investors. We have all contributed with our views on the recent open consultation (closed on the 18TH December) on the Commission draft delegated regulation supplementing the Taxonomy regulation.

In this note we urge the Commission, in the continuation of the work to define the green economy for the EU, to take account of the following:

- We want to emphasize that climate change is indeed not only a problem in the EU but a global problem and must as such be fought on a global level. It is also a fact that climate change does affect different regions in the world differently. If the definitions used for the green economy do not become sufficiently flexible, the measures you take may become counterproductive.
- We urge the Commission to pay more attention to the differences in weather conditions linked to climate change and to variations in geographical and topographic conditions in

Europe. A water shortage in Athens cannot be met with the same action and requirements as flooding and landslides in the Nordic region for example. You should also take account of the climate work already started and on-going for many years in many countries, for example in the Nordic region.

- We recognize the need to create common standards for financial markets and industry to “speak the same green language”. However, more flexibility is needed and trust that countries will do their best, considering local conditions. If differences in climate conditions and socioeconomic and historic background are not taken into account in the work ahead there is a high risk that climate work will meet less public support.
- Therefore, the delegated acts must take account of the following facts:
 - **Defining green buildings on the financial market must be fair** On a world market basis, the Nordic region has pioneered the issuance of green bonds. The Nordic Investment Bank (NIB), a supranational, and Norwegian state bank KBN Kommunalbanken were among the very first to start issuing green bonds, both debuting in 2010.¹ For several years the criterion as formulated in the proposal by the Technical Expert Group (TEG) based on that the calculated energy performance of the building must be within the top 15% of the local existing stock, has been used as a basis for the Nordic green bonds market. By definition, this criterion establishes a specific proportion of the market as eligible and is therefore fairer and more transparent than relying on each Member State’s thresholds for Energy Performance Certificate (EPC) ratings. Furthermore, it is applicable both inside and outside EU Member States. In comparison with other parts of the EU the stock in the Nordic region in general outweighs the levels of energy performance in other European countries using the same principles for measurement.
 - **Local conditions for hydropower and water consumption** Norway and Sweden are two of the nations that use and produce the most hydropower in the world. On average, Norway produces 132 TWh of electricity from hydropower. The annual production in Sweden is normally 65.5 TWh on average. This is about 30 percent more than the entire Swedish industry’s electricity use per year.² Waterpower, which is amongst the cleanest energy sources on earth, should be recognised as a green energy alternative. In the Nordic region a sustainable combination of production of clean energy and care for nature and animals was implemented decades ago. This combination should be acknowledged and reflected in the delegated acts to come. Furthermore the actual availability of water for consumption in the Nordic region is very different from drier areas in the south of Europe. The technical screening criteria must take account of regional differences.

¹ Facts available in the report The Green Bond Market in the Nordics, 2018, Climate Bonds Initiative, <https://www.climatebonds.net/resources/reports/green-bond-market-nordics>

² <https://www.energiforetagen.se/> (Sweden energy)

- **Building on forest land** The Do-No-Significant-Harm assessment regarding the protection and restoration of biodiversity and ecosystems in connection to construction of new buildings and acquisition and ownership of buildings holds that the building should not or should not have been built on forest (or other wooded) land.

This requirement does not consider the environmental characteristics of the Nordic region: In Finland 73 % of all land is covered by forest. In Sweden this figure is 69 %, and in Norway 37 %. Practically, any land available for developments is covered by trees. Moreover, approximately 15 % of the land area in Finland is geologically classified as marshland, swamp or bog, where any construction activity would induce heavy GHG emissions as a consequence of extensive ground stabilization and pile-driving works. Thus, most buildings cannot comply with the requirement and would be excluded from obtaining green finance in the future.

Therefore, as an amendment, we propose that the application of this requirement should be limited to forest and wooded areas with locally or nationally significant natural values (i.e., areas already recognized by the local environmental agency or areas that have been accepted to the Natura network). In addition, the lost carbon sinks could be compensated by reforestation of nearby areas not suitable for construction. This applies for both the objectives of climate change mitigation and climate change adaptation.

Furthermore, the climate benefits of the Nordic forests³ must not be underestimated. Research shows that in the long run the use and management of the forest is better for the climate than leaving the forest unfelled. The more the forest grows, the more carbon is captured, and the more wood can be used for substitution.⁴ Constructing houses with the use of wooden and other eco-friendly building material, as well as managing our great forests in a sustainable way is an important focus in the property sector in the Nordic region since decades.

- We welcome the European commission's work in contributing to the development of a base for a climate friendly economy, but this must be done taking account of regional differences in weather, natural resources and other climate conditions. The risk is otherwise that the result will be counterproductive and further quicken climate change and global warming.

³ Of Europe's 211 million hectares of forest land (the whole of Europe except Russia), there are over 62 million hectares in these three nations. Denmark's approximately 600 000 hectares of forest also contribute to the fact that the Nordic region has 20% of Europe's wood stock. <https://nordicforestresearch.org/climatebenefit/>

⁴ Report from the Nordic Forest Research 2018, <https://nordicforestresearch.org/wp-content/uploads/2019/08/nytryck-eng-A4-1.pdf>

Yours sincerely,



Anders Holmestig

CEO

Fastighetsägarna Sverige



Jyrki Laurikainen

CEO

RAKLI, The Finnish Association of Property
Owners and Construction Clients



Tone Tellevik Dahl

Director general (CEO)

Norsk Eiendom, The Norwegian Property
Federation



Jannick Nytoft

CEO

EjendomDanmark, The Danish Property
Federation