

Brussels, September 2021

## **CPEA Position: Draft Taxonomy Circular Economy / Biodiversity**

### **Background**

According to EU Commissioner Miguel Arias Cañete (2018), approximately € 175bn – 290bn in annual investments until the year 2050 are needed for a transition to a Paris-conform European economy. It is private investors who are going to have to cover the lion's share of these investments. Recent years have seen a significant rise in investments that carry the adjectives “green”, “sustainable”, or “ESG” in their name. However, up until very recently, there were no principles and metrics for the assessment of the sustainability of certain economic activities. The gap is now being addressed by the European Commission's sustainable finance activities. The Climate Positive Europe Alliance (CPEA) AISBL welcomes the establishment of the Taxonomy as a standard for such activities.

### **The Taxonomy**

The Taxonomy defines criteria for a broad range of economic activities, according to which a substantial contribution to one of six specific environmental objectives can be made. Moreover, it defines so-called *Do No Significant Harm* (DNSH) criteria for the remaining five objectives. If a specific investment can show to make a substantial contribution to one of the objectives and not to do significant harm in the other objectives, it can be considered to be in alignment with the Taxonomy.

In April 2021 the EU Sustainable Finance Platform (SFP) published the first set of technical screening criteria (TSC) in a delegated act. These considered the environmental objectives of climate change adaptation and climate change mitigation. CPEA founding members actively participated in the consultation and put these first TSC to the test in a [market-readiness study](#).

### **Current status**

In August 2021, the SFP published a draft of criteria for a substantial contribution to the transition to a circular economy and to the objective of biodiversity. In view of their undeniable impactfulness, activities of the construction and real estate sector are also part of the Taxonomy. CPEA, as well as CPEAs founding members again actively participated in the consultation. We would like to present here the most important aspects of the common position on the draft criteria that was jointly developed by the CPEA partners. As European non-profit-organization, we welcome the work of the Commission in establishing the first ever system to reliably assess and report investments in view of their ecological impact. We gladly partake in the consultation processes and invite the EC and the SFP to share in the expertise of our combined networks.

### **Transition to a Circular Economy**

Regarding the proposed criteria for a substantial contribution to a circular economy, we strongly argue in favor of prioritizing the reuse of materials versus recycling of materials. In the current draft, both principles are presented as equal options in both new construction and renovation as well as for deconstruction/demolition of buildings and other structures. However, at the moment, recycling rates are much higher than reuse rates and recycling infrastructure is also much more widely established than that for reuse. Having a joint target will not adequately promote reuse of materials. Therefore, we

recommend that the criteria for reuse and recycling should be treated separately. Moreover, the draft does not clearly define “reuse” or “recycling”. At CPEA we therefore argue that similar to the established Taxonomy for Climate Change Mitigation and Climate Change Adaptation, the Taxonomy for the transition to a circular economy should reference the European Construction and Demolition Waste Protocol. Furthermore, the EU-waste hierarchy considers composting as a form of recycling. For this reason, we believe the Taxonomy for the transition to a circular economy should also explicitly entail the use of bio-based materials (e.g. clay, straw, hemp, wool, etc.). If the building is to be erected on a brownfield site with either an existing building or building material still in situ, materials from the demolished building should be reused for the new building where feasible, unless they contain substances of high concern and/or asbestos.

For the evaluation of contents’ embodied carbon, we recommend that the methodology for calculating should be further elaborated. We believe it should be mandatory to disclose LCA results to investors and clients in order to be considered Taxonomy eligible. Such LCA should also highlight aspects of circularity referencing the LCA modules. The documentation/digital tools that support the building documentation, should include information on demolishing and recycling potential of the building. This information should be available on demand.

Regarding the boundaries of the activities covered in the draft, CPEA favors considering demolition and construction together as one activity. As it stands, the division of deconstruction and construction might lead to very limited deconstruction in accordance with the taxonomy requirements, because as an investor, the costs for deconstruction make up a much smaller, almost negligible part of the spending when compared to the costs of construction. At the same time, in terms of impact, deconstruction weighs about as heavy as construction and is absolutely crucial in order to create the material base needed for the transformation towards a circular economy. As an alternative to combining both activities, deconstruction prior to new construction could be required to be taxonomy aligned for the investment in new construction/renovation to be considered taxonomy conform. Moreover, the current proposal for circular economy does not put forward criteria for acquisition and ownership of real estate. This is not in line with the delegated act for climate change mitigation and adaptation and the proposed criteria for the environmental objective biodiversity. We therefore recommend that criteria are developed for the acquisition and ownership of real estate assets. This would also allow going beyond the current proposed system boundaries which mainly cover new construction measures, whereas by considering ownership the use of waste heat during operation could also be included. The process of “wrecking”, on the other hand, should be categorically excluded from the taxonomy.

Lastly, a circular economy Taxonomy should also enhance criteria that promote circular design techniques such as disassembly potential, or resource efficiency. It would be desirable to introduce quantitative and not only qualitative requirements for these criteria, or at least to give them more importance. This is in line with a circular economy vision that designs out waste, from the design itself. Requirements should be tightened in this regard, rather than solely focusing on waste treatment.

## **Protection and Restoration of Biodiversity and Ecosystems**

First and foremost, we feel that the proposed level of ambition for the environmental objective biodiversity is not in line with the level of ambition for climate mitigation. This may lead to “Taxonomy cherry-picking”, because if market participants perceive it easier to achieve Taxonomy alignment under the biodiversity criteria then there is a real danger that this might undermine the objective of the EU Taxonomy to address climate mitigation.

One example of low ambition is the specification of individual insect hotels, which is too general and simplistic, as they are of no use without suitable flower strips and other plants providing food for the insects. Therefore, measures must ensure that the surrounding environment actually supports insect populations. Moreover, when installing any man-made structures these must be suitable (e.g. strong-smelling or chemically treated wood should be avoided). Another example is the lack of additional quantitative criteria ensuring development prioritizes green infrastructure with high biodiversity. This could include explicit targets for planting of trees or making a distinction between planted areas with different biodiversity quality as is the case in the proposed draft update to EN 15978. Taxonomy regulation and the standard should thusly be aligned in future. In addition, it is crucial to ensure habitat connectivity and the introduction of dedicated protection of stepping stone biotopes. However, the connectivity of (micro-) habitats is currently not taken into account, including the questions whether the construction measure may lead to overdeveloped areas or whether important and necessary stepping stones are being created/secured as part of the development. Another focal point should be placed on habitats which are only used temporarily, e.g. resting places for migratory species, rutting and mating sites, nesting colonies etc.

Regarding the proposed 60% of the external horizontal surface area being dedicated to natural habitat or biotopes, we recommend to increase this to 100% of the sealed area (the facade can also be taken into account) and 100% and not only 80% of the rainwater should either seep away, be used or evaporate, etc. We welcome that an increase in biodiversity must be demonstrated. In this context, a dedicated green space factor method should be developed for the Taxonomy that does not merely look at green infrastructure and surface areas, but also measures biodiversity loss or gains in those areas.

Moreover, we recommend to allow solar panels to be considered as part of the areas designated to green roofs, especially in urban areas. Not only do they represent a renewable source of energy and support efforts to reduce CO<sub>2</sub> emissions, but studies<sup>1</sup> have shown that there are also additional positive symbiotic cross-impacts between green roofs and PV.

Concerning the scope of the taxonomy for biodiversity, we recommend to define criteria for a substantial contribution to this objective in the context of the demolition of building and structures. Furthermore, criteria for new constructions, renovations and the acquisition and ownership of buildings should be expanded to preventive measures for larger glass surfaces in buildings, thus avoiding undesired impacts on insects and birds. Similarly, the envisaged biodiversity management plan should be more specific about light pollution which is not elaborated (e.g. intensity and light colour). Distorting

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<sup>1</sup> see: <https://www.climate-service-center.de/imperia/md/content/csc/report30.pdf>

natural day-night cycles modifies nocturnal habits of many species, including reproduction and migration and has thus a substantial impact on biodiversity loss. By the same token, we recommend that the biodiversity strategy should also consider endemic species, especially with regards to genetic diversity, i.e. ensuring that a habitat supports enough individuals from one species to create and maintain a wide enough gene pool for that specific species to flourish. Lastly, we also strongly advise that the biodiversity strategy makes reference to the impact of introducing of invasive species and encourages the use of native, climate change-resistant plants, referencing “Regulation (EU) No 1143/2014 on the prevention and management of the introduction and spread of invasive alien species”.

### **Outlook**

As European non-profit-organization, the Climate Positive Europe Alliance (CPEA) AISBL applauds the Commission for establishing the first ever system to reliably assess and report investments in view of their ecological impact. We gladly partake in the consultation processes and invite the EC and the SFP to share in the expertise of our combined networks. Taking into focus the topics of climate change mitigation/adaptation first, and biodiversity and circularity a close second, proves the ECs and the SFPs awareness of the largest challenges the globe is facing in the near to mid-future.

However, while the agenda setting is laudable, we would like to diligently urge the EC and the SFP to dare setting more ambitious targets at the beginning, as well as pre-define at the outset a clear roadmap for increasing the required level of ambition. Such a roadmap creates predictability for users and investors, limiting the risk of stranded assets and misallocation of funds.

Furthermore, the ambition of the substantial contribution to the different environmental objectives and their respective DNSH criteria needs to be roughly equal in order to prevent cherry-picking. Failure to ensure this will likely lead to steering effects towards one or two objectives and counteract the reasoning behind the establishment of the Taxonomy.

## POSITION



### **CLIMATE POSITIVE EUROPE ALLIANCE (CPEA), AISBL**

The Climate Positive Europe Alliance (CPEA), AISBL is a non-for-profit membership-based think tank based in Brussels. Our core mission and that of our members is to collaboratively accelerate market transformation towards more sustainable market practices by facilitating cross-sectoral dialogue and providing sectoral insights and tangible solutions for the most pressing challenges faced by the construction and real estate stakeholder community. CPEA works with a bottom-up, market-focused capacity building approach. All activities and projects are based on extensive, first-hand experience in the area of the sustainability certification of individual buildings and districts. Based on the common European DGNB methodology this data-driven and fact based approach covers the whole range of life-cycle-assessment, life-cycle costing and building material requirements and aspects of indoor air quality and comfort aspects.

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