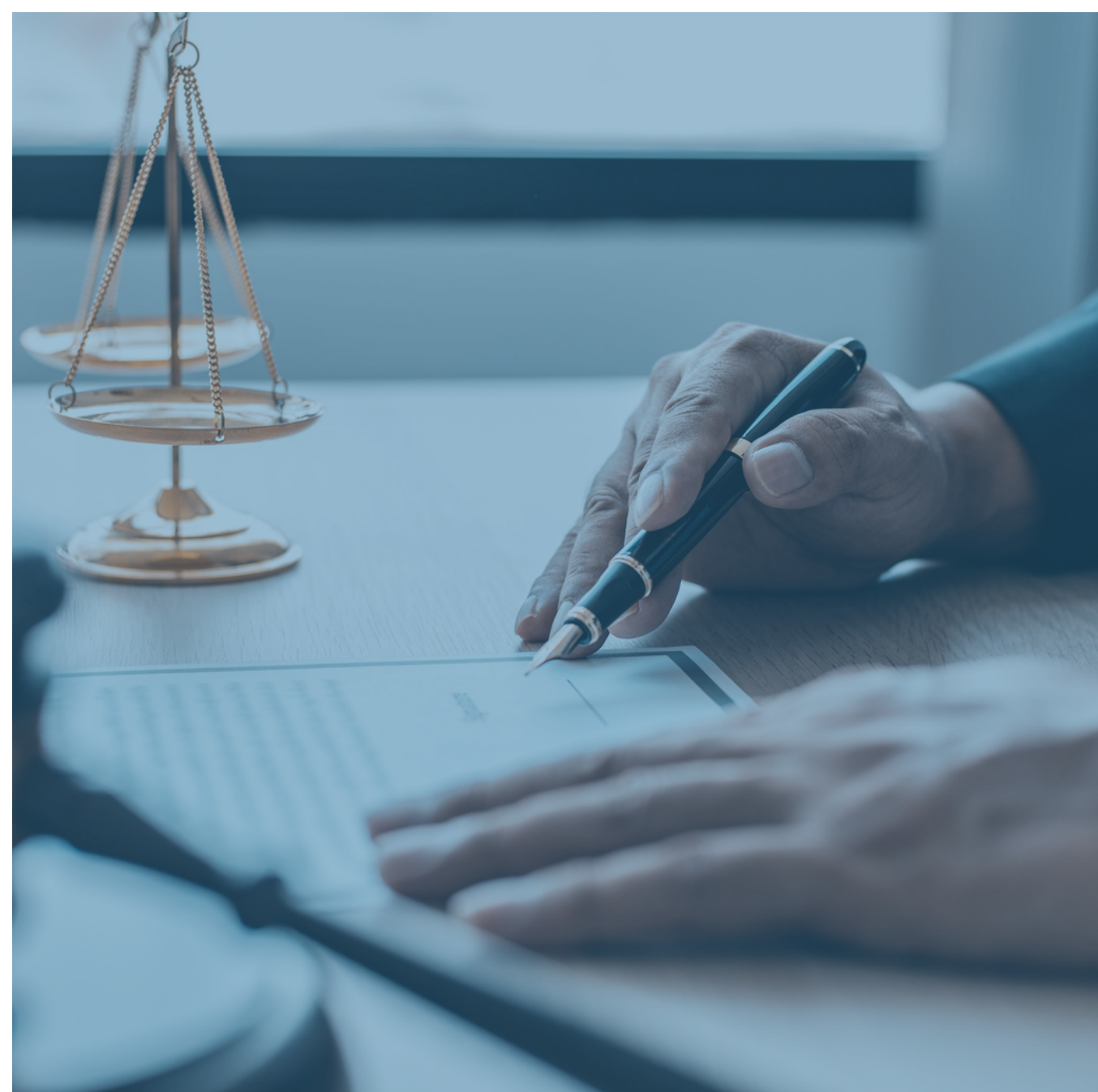




#FairTaxonomy

For a Swift Mobility Transformation



What is the Sustainable Finance Taxonomy and its purpose?

Looking at the objectives of the Green Deal, the European Commission published a **green finance rulebook**¹, that establishes a common language of what economic projects and initiatives are considered sustainable.

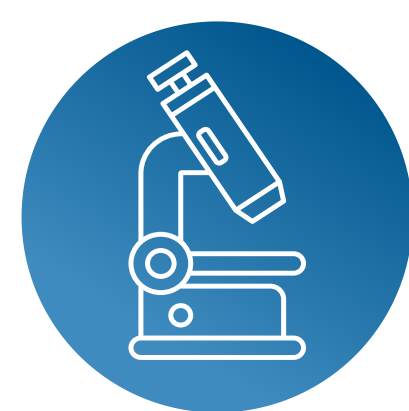
With this and other measures, the European Commission aims to **direct investments towards sustainable commercial activities**. This means that over the coming years, the sustainability level of each business activity will influence its access to funding.

Why is taxonomy important for automotive suppliers and the mobility transformation?

Providing **over 70%** of a vehicle's value, **automotive suppliers are at the core of the transformation towards sustainable mobility**. Despite ongoing challenges, such as access to materials, rising energy costs and tight profitability margins, suppliers deliver a huge contribution to e-mobility:



90% of the cost to produce each electric vehicle comes from its components.²



Automotive suppliers are responsible for **58%** of total R&D investments in e-mobility.³

To conduct necessary investments in production equipment, plants, R&D and reskilling, most suppliers partially rely on external financing from investors. These investments allow for substantial improvements of vehicles in terms of safety, material use (both substitution and circularity) and are also essential to re- and up-skilling workers to help protect jobs.

¹ Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment and Commission Delegated Regulation (EU) 2021/2139 on climate change mitigation and adaptation
² World Electric Vehicle Journal, 3 February 2021, cost structure of current EV's
³ IHS Global Automotive R&D Survey, April 2021



What are the limitations of taxonomy as it currently stands?

In order to apply the EU taxonomy to a rapidly evolving economic environment, **the regulation provides a broad categorisation identifying sustainable activities**. The Commission provides guidance to companies and investors on how to interpret these categories through notices that can be amended, if needed, due to technological and economic developments.



The notice considers both the purchase of a zero-emission vehicle component and its installation in the car by a vehicle manufacturer as sustainable business activities, **but does not recognise the production of that very same component as sustainable**.

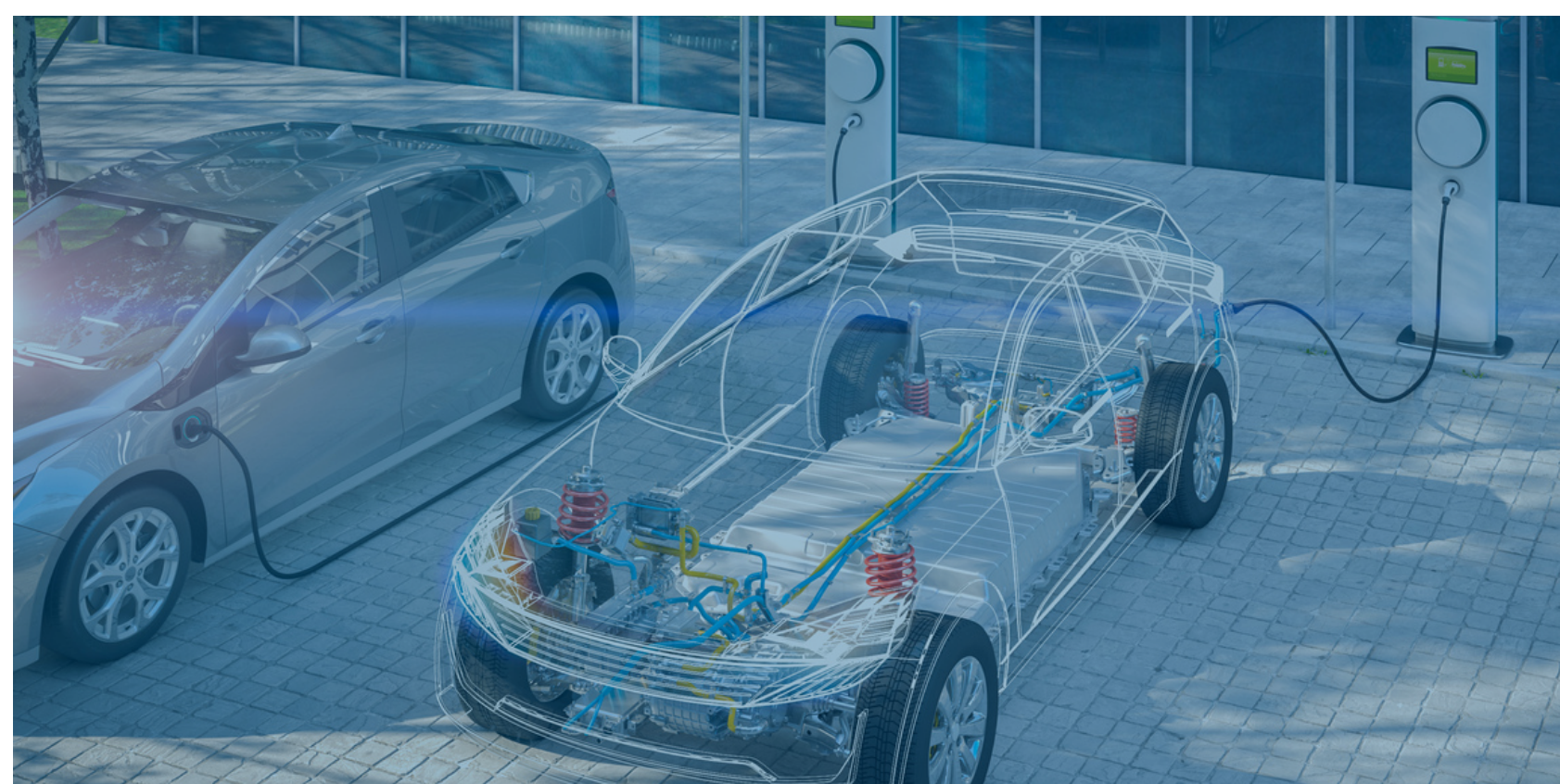
This approach will refrain investors from focusing on automotive supply companies, **risking their innovation capacity** in the midst of an unparalleled mobility transformation.



The EU sustainable investment rules recognise the assembly of a zero-emission vehicle as sustainable, **and should do the same for its components**.

How will a #FairTaxonomy enable a swift mobility transformation?

In order for automotive suppliers to be able to deliver sustainable solutions faster:



- The European Commission should amend its notice so that **economic activities related to component production are subject to the same conditions as the manufacturing or assembly of the final product**, if their use in a zero-tailpipe emission vehicle can be verified.
- **Additional measures** may also be needed for **enabling activities upstream** in the supply chain, which have a degree of separation but are **indirectly linked to the assembly** of the final product.

The transition to carbon-neutral mobility will not succeed without the contribution of the entire supply chain. Automotive suppliers are asking for a fair taxonomy that equally recognises sustainable activities within sectors and facilitates investments along the supply chain to ensure the success of the green transition.



For further information
Please contact communications@clepa.be