Letter response to Non-Financial Reporting Directive

SolarPower Europe welcomes the initiative by the European Commission to review the Non-Financial Reporting Directive to encourage companies to develop a more responsible approach to business. The European Union has a unique opportunity to take action to achieve carbon neutrality by 2050. To successfully achieve this vision, the mobilisation of capital flows towards the operations, technologies and assets that will support Europe's carbon neutrality and industrial leadership in clean energy technologies will be paramount.

In this light, SolarPower Europe provides recommendations to increase transparency in reporting requirements that will allow for an increase in financial flows for sustainable investments to help meet EU's 2030 climate and energy targets and decarbonize our economy by 2050.

1. **Adopt a 2030-2050 EU-wide trajectory for greenhouse gas (GHG) emission reductions, to signal predictability to investors, facilitate long-term investment, and measure long-term progress.**

   Current guidelines on non-financial reporting[1] aim to contribute to create a low-carbon and climate-resilient economy. However, the EU Policy Reference framework for reporting –EU's 2030 climate and energy objectives– faces a misalignment with the long-term thinking of the proposal for the European Climate Law to write into law the goal of becoming climate-neutral by 2050. The adoption of a 2030-2050 trajectory for reporting is possible and we recommend being guided by achievable milestones as shown in SolarPower Europe's breakthrough report[2]. The report also shows that it is possible and cost-effective for Europe to bring GHG emissions down to zero even sooner, by 2040.

2. **Encourage reporting of renewable energy consumption through guarantees of origin (GOs) and renewable energy generation as a result of newly installed renewable energy capacities to showcase companies' contribution driving the energy transition.**

   Current guidelines on non-financial reporting related to energy consumption[3], hinder a transparent comparison of companies' contributions driving the energy transition. Therefore, we would encourage the reporting by companies of GOs signed linked to renewable energy sources, as this would increase transparency and traceability in terms of the companies' energy consumption. For this practice to be possible across Europe, GOs should be given to all renewable electricity producers irrespective of whether they benefit from a support mechanism (e.g. premium allocated via an auction). Additionally, national GO regulations must avoid breaking the link between the renewable energy production and the renewable electricity buyer, as stated in Art 15.8 of the Renewable Energy Directive. In tandem, companies should also consider reporting renewable energy consumed (MWh; %) from newly installed renewable energy capacities and on the newly installed capacities itself (MW), thereby providing proof of impact. In this context, companies are encouraged to report for the reporting year and for respective targets in the following year.

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[1] Refer to the recommended Key Performance Indicator GHG emissions in the Guidelines on non-financial reporting: Supplement on reporting climate-related information C/2019/4490.

[2] SolarPower Europe and LUT University (2020). 100% Renewable Europe. How to Make Europe's Energy System Climate-Neutral Before 2050.

[3] Refer to the recommended Key Performance Indicator Energy in the Guidelines on non-financial reporting: Supplement on reporting climate-related information C/2019/4490.

3. **Promote sustainability reporting requirements in line with a long-term sustainability trajectory to provide predictability to sustainable investors.**

   Current guidelines on non-financial reporting use the EU Taxonomy as the EU Policy Reference framework for reporting on products and services[4]. We welcome that companies report information on environmentally sustainable activities consistent with the EU Taxonomy Regulation, when such information in the Regulation becomes available. We encourage companies to report on products and services associated with activities that substantially contribute to mitigation of or adaptation to climate change, as defined by the EU Taxonomy, for the reporting year as well as for respective targets in the following year. The objective is to signal to investors the company's sustainability commitments, company's improvement trajectory and company's predictability.

4. **Require companies to report information using existing recognized standards and frameworks compliant with the EU Taxonomy, and ultimately prevent unnecessary duplication of standards.**

   At present, there are multiple standards and frameworks (Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), etc). If new reporting requirements are to be developed for the NFRD, they should be compliant under current NFRD rules and EU Taxonomy, and they should consider existing recognized standards and frameworks such as GRI, SASB, and TCFD; to aim for consistency and prevent unnecessary duplication of standards. In this context, reporting should be produced based on sector-specific elements as most sustainability impacts and risks are sector (or rather business-activity)-specific.

[4] Refer to the recommended Key Performance Indicator Products and Services in the Guidelines on non-financial reporting: Supplement on reporting climate-related information C/2019/4490.