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Commodities

EU drafts plan to label gas and nuclear investments as green

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Steam rises from cooling towers of the Electricite de France (EDF) nuclear power plant in Belleville-sur-Loire, France October 12, 2021. REUTERS/Benoit Tessier

**Summary**

European Commission drawing up green investment rules

Draft proposal labels nuclear, some gas plants as green

Countries disagree on the fuels' green credentials

EU advisors said gas not compatible with climate goals

Jan 1 (Reuters) - The European Union has drawn up plans to label some natural gas and nuclear energy projects as "green" investments after a year-long battle between governments over which investments are truly climate-friendly.

The European Commission is expected to propose rules in January deciding whether gas and nuclear projects will be included in the EU "sustainable finance taxonomy".

This is a list of economic activities and the environmental criteria they must meet to be labelled as green investments.

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By restricting the "green" label to truly climate-friendly projects, the system aims to make those investments more attractive to private capital, and stop "greenwashing", where companies or investors overstate their eco-friendly credentials.

Brussels has also made moves to apply the system to some EU funding, meaning the rules could decide which projects are eligible for certain public finance.

A draft of the Commission's proposal, seen by Reuters, would label nuclear power plant investments as green if the project has a plan, funds and a site to safely dispose of

radioactive waste. To be deemed green, new nuclear plants must receive construction permits before 2045.

Investments in natural gas power plants would also be deemed green if they produce emissions below 270g of CO2 equivalent per kilowatt hour (kWh), replace a more polluting fossil fuel plant, receive a construction permit by Dec. 31 2030 and plan to switch to low-carbon gases by the end of 2035.

Gas and nuclear power generation would be labelled green on the grounds that they are "transitional" activities - defined as those that are not fully sustainable, but which have emissions below industry average and do not lock in polluting assets.

"Taking account of scientific advice and current technological progress as well as varying transition challenges across member states, the Commission considers there is a role for natural gas and nuclear as a means to facilitate the transition towards a predominantly renewable-based future," the European Commission said in a statement.

To help states with varying energy backgrounds to transition, "under certain conditions, solutions can make sense that do not look exactly 'green' at first glance," a Commission source told Reuters, adding that gas and nuclear investments would face "strict conditions".

EU countries and a panel of experts will scrutinise the draft proposal, which could change before it is due to be published later in January. Once published, it could be vetoed by a majority of EU countries or the European Parliament.

The policy has been mired in lobbying from governments for more than a year and EU countries disagree on which fuels are truly sustainable.

Natural gas emits roughly half the CO2 emissions of coal when burned in power plants, but gas infrastructure is also associated with leaks of methane, a potent planet-warming gas.

The EU's advisers had recommended that gas plants not be labelled as green investments unless they met a lower 100g CO₂e/kWh emissions limit, based on the deep emissions cuts scientists say are needed to avoid disastrous climate change.

Nuclear power produces very low CO₂ emissions but the Commission sought expert advice this year on whether the fuel should be deemed green given the potential environmental impact of radioactive waste disposal.

Some environmental campaigners and Green EU lawmakers criticised the leaked proposal on gas and nuclear.

"By including them... the Commission risks jeopardising the credibility of the EU's role as a leading marketplace for sustainable finance," Greens president Philippe Lamberts said.

Austria opposes nuclear power, alongside countries including Germany and Luxembourg. EU states including the Czech Republic, Finland and France, which gets around 70% of its power from the fuel, see nuclear as crucial to phasing out CO₂-emitting coal fuel power.

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