



Making the EU Taxonomy work for the European Rail Supply Industry

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About UNIFE

Operating in Brussels since 1992, UNIFE, the *European Rail Supply Industry Association*, represents European train builders and rail equipment suppliers. The association advocates for more than 110 of Europe’s leading rail supply companies – from SMEs to major industrial champions – active in designing, manufacturing, maintaining and refurbishing rail transport systems (trains, metros, trams, freight wagons), subsystems and related equipment. UNIFE brings together national rail industry associations from 12 European countries. UNIFE members have an 84% market share in Europe and supply 46% of the worldwide rail production, representing more than 400,000 jobs in Europe.

What is the Sustainable Finance Taxonomy, and what is its purpose?

The European institutions have adopted a green finance rulebook, the [EU Taxonomy Regulation 2020/852](#). This rulebook, also called *EU Taxonomy for Sustainable Activities*, or EU Taxonomy, establishes a common language of what economic projects and initiatives are considered “sustainable”. To rephrase it, the EU Taxonomy is a European initiative to classify economic activities and direct public and private funding towards sustainable investments.

The EU Taxonomy will be essential to achieve the ambitious climate targets of 2030 and 2050 set by the *European Green Deal* and the *Sustainable and Smart Mobility Strategy*. It will inform investors about sustainable activities and guide decisions towards green investments. This means that over the coming years, the sustainability level of each economic activity will influence its access to private and public funding, e.g. investment, interest rates, loans or grants. It will affect the price of all the trains and rail components.

As the EU Taxonomy sets the legal framework for classifying environmentally sustainable economic activities, it also establishes the criteria for determining whether an economic activity qualifies as “environmentally sustainable”.

To be “sustainable”, an economic activity shall:

- make a “substantial contribution” to one or more of the EU Taxonomy Regulation’s six **environmental objectives**:
 - 1) climate change mitigation,
 - 2) climate change adaptation,
 - 3) sustainable use and protection of water and marine resources,
 - 4) transition to a circular economy,
 - 5) pollution prevention and control, and
 - 6) protection and restoration of biodiversity and ecosystems;
- do “no significant harm” (DNSH) to any of the Regulation’s six environmental objectives;
- be carried out with Minimum Social Safeguards (MSS).

Due to the EU Taxonomy Regulation, the European Commission adopted **delegated acts** to enforce the requirements and specify the **technical screening criteria** for the different economic activities.

The delegated acts, through the technical screening criteria, explain:

- **Why** a specific economic activity is environmentally sustainable;
- according to **which** parameters & thresholds; and
- based on **what** environmental calculation (i.e., the metrics) was performed.

The technical screening criteria are the “alphabet” through which the classification of sustainable activities must be read:

- They identify the most relevant potential “substantial contributions” per environmental objective.
- They specify the minimum requirements that need to be met to avoid “significant harm” to any of the relevant environmental objectives.
- To apply the EU Taxonomy to a rapidly evolving business environment, the Regulation broadly categorises “sustainable” activities. Then, the European Commission guides companies and investors in interpreting these economic activities through notices and delegated acts. These delegated acts can be amended, if needed, due to technological and economic developments.

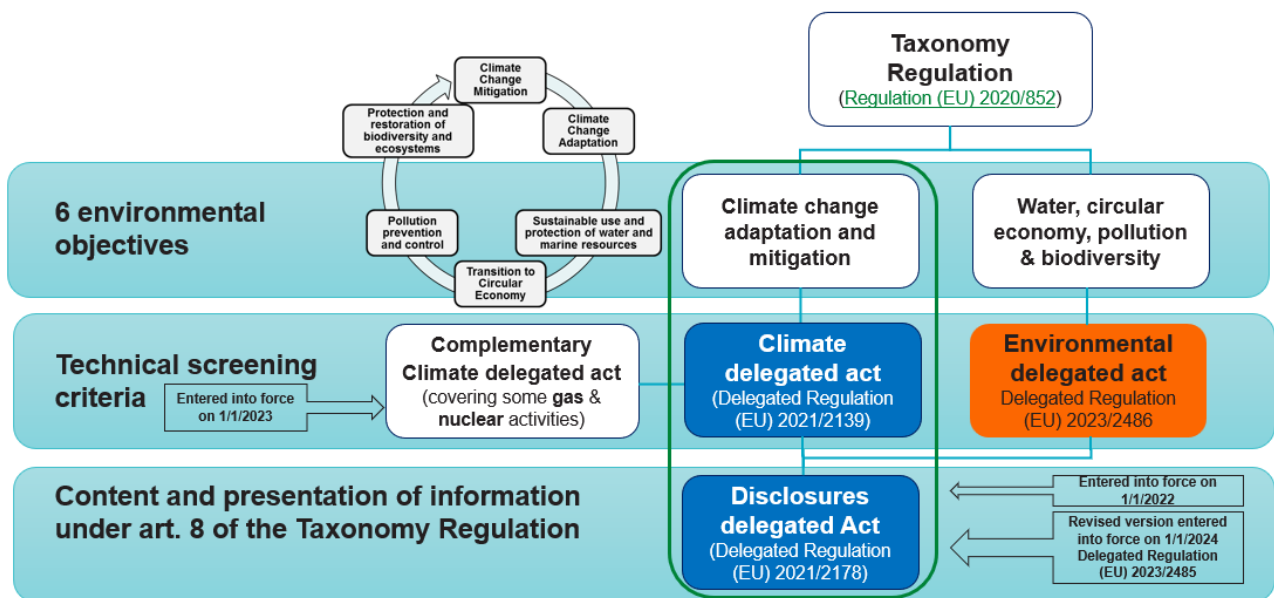


Figure 1: The legal framework most relevant to the rail manufacturing industry is circled in green.

An economic activity included in the EU Taxonomy is **eligible**. However, eligibility is not an indicator of sustainability. **Alignment** is when an economic activity meets all the criteria of the EU Taxonomy.

What is the UNIFE Members' contribution? What are their sustainability practices?

UNIFE members' economic activities proved to fit into **the EU Taxonomy Regulation**, especially under the **transport** and **manufacturing** thematic areas:

- **Transport** is considered a “**climate mitigation activity**” for its potential to “increase clean or climate-neutral mobility”.
- **Manufacturing** is considered a “**climate mitigation activity**” for its potential to “enable greenhouse gas emission avoidance and reductions in other sectors of the economy”.

UNIFE members' economic activities have been contributing to climate change mitigation as they comply with the following general requirements:

- Contribution to stabilising greenhouse gas emissions by avoiding or reducing them.
- Contribution to hold the increase in the global average temperature to well below 2°C and pursue efforts to limit it to 1,5 °C above pre-industrial levels as specified in the Paris Agreement in 2015.

In the *Climate Delegated Act*, the following economic activities have been identified as the most relevant for UNIFE members:

- **Economic activity 3.3:** Manufacture of low-carbon technologies for transport;
- **Economic activity 3.4:** Manufacture of batteries;
- **Economic activity 3.6:** Manufacture of other low-carbon technologies;
- **Economic activity 3.19:** Manufacture of rail rolling stock constituents;
- **Economic activity 6.1:** Passenger interurban rail transport;
- **Economic activity 6.2:** Freight rail transport;
- **Economic activity 6.3:** Urban, suburban and road passenger transport;
- **Economic activity 6.14:** Infrastructure for rail transport;
- **Economic activity 6.15:** Infrastructure enabling low-carbon road transport and public transport;
- **Economic activity 8.2:** Data-driven solutions for GHG emissions reductions;
- **Economic activity 9.1:** Close to market research, development and innovation.

UNIFE welcomes clarifications brought in in the last few years by several notices and delegated acts¹.

Yet, UNIFE members identified the following main clarification needs and related proposed solutions.

¹ *Climate delegated act (Delegated Regulation (EU) 2021/2139) and its amendment Delegated Regulation (EU) 2023/2485 and Disclosures delegated Act (Delegated Regulation (EU) 2021/2178).*

1) Single path principle: avoid contradictions & duplication

Once an undertaking verifies the eligibility and alignment of its economic activities against the criteria of a *Delegated Act*, it should not be required to qualify additionally for another economic activity (under the same or another *Delegated Act*). Reporting should be done only versus one set of criteria. Indeed, the six environmental objectives are covered in the *Climate Delegated Act* through substantial contribution and *Do No Significant Harm* (DNSH) criteria. If possible, companies should opt for a single path per activity, the most simple as possible.

As an illustration, regarding economic activities related to “sales of spare parts”, assessment and disclosure can be done in two delegated acts: the *Climate Delegated Act* and the *Environmental Delegated Act*. However, to avoid duplication and inconsistency, only one of these two should be chosen. UNIFE recommends including “sales of spare parts” under economic activity 3.3 as defined in the [Complementary Climate Delegated Act](#). It is not relevant to assess and disclose these activities according to the *Environmental Delegated Act*, annexe II “Circular Economy”, economic activity 5.2 “sales of spare parts”.

UNIFE’s proposals:

- UNIFE members' eligible activities regarding the *Climate Delegated Act* should be assessed and disclosed according to the *Climate Delegated Act* only.

2) Eligibility of rail elements and constituents: need for a consistent approach

UNIFE welcomes that **rail elements and constituents can be explicitly classified as eligible** with the amended *Climate Delegated Act*.

UNIFE follows the classification defined in Point 2 of Annex II to Directive (EU) 2016/797 *on the interoperability of the rail system* (TSI).

Rail elements and constituents are considered in the following economic activities and reported if sold on their own and not if included in systems:

- Rail constituents under chapter 2.7 of the TSI are included in economic activity 3.19 of the *Climate Delegated Act*;
- Rail constituents under chapters 2.2 to 2.6. are included in economic activity 6.14 of the *Climate Delegated Act*;
- Assembled railway track fixtures are included in economic activity 6.14 of the *Climate Delegated Act*. Besides special trackwork like turnout systems, crossings, rail expansion joints, and related signalling, economic activity 6.14 also includes further activities of the rail supply industry, like the manufacturing of track elements and constituents, rails, sleepers, and fixation.
- The related description of economic activities 3.19 and 6.14 refers in a broad economic activity scope to the manufacture, installation, technical consulting, retrofitting, upgrade, repair, maintenance and repurposing of products, equipment, systems and software related to those rail elements and constituents.
- Constituents used for maintenance activities should be classified as related to the subsystem they belong to.

Table 1: Eligibility classification for constituents by subsystems of “[Point 2 of Annexe II of Directive \(EU\) 216/797 on the interoperability of the rail system](#)”

Subsystems	Economic activity 3.3	Economic activity 3.19	Economic activity 6.14
2.1 Infrastructure	No	No	Yes
2.2 Energy	No	No	Yes
2.3 Trackside control-command and signalling	No	No	Yes
2.4 On-board control-command and signalling	No	No	Yes
2.5 Operation and traffic management	No	No	Yes
2.6 Telematic applications	No	No	Yes
2.7 Rolling stock	No	Yes	No
2.8 Maintenance	No	Yes	Yes

Despite the improvements achieved, there are still topics that should be further specified:

- In economic activity 6.15, constituents are not included, which contradicts the approach of including constituents in economic activity 6.14.
- Inconsistency between approach for rail vehicle constituents versus rail infrastructure constituents, i.e. UNIFE recommends integrating economic activity 3.19 into economic activity 3.3, similarly to the inclusion of rail constituents criteria in economic activity 6.14.

UNIFE’s proposals:

- Include constituents also in economic activity 6.15.
- Align approach for constituent eligibility and single economic activity, e.g., economic activity 3.3 versus inclusion in economic activity 6.14.

3) Technical screening criteria on “fit for use” in economic activity 6.14 Infrastructure for rail transport

The amended *Delegated Regulation (EU) 2023/2485* and the *Climate Delegated Act* did not change the existing technical screening criteria of economic activity 6.14 regarding substantial contribution to climate change mitigation. UNIFE welcomes the additional expansion of digital tools in point 1, point (d).

The technical screening criteria of sub-points (a), (b), and (c) under point 1 and of point 2 for the substantial contribution to climate change mitigation for economic activity 6.14 remain unchanged and include the following under (a), (ii):

“New and existing trackside infrastructure and associated subsystems where there is a plan for electrification as regards line tracks, and, to the extent necessary for electric train operations, as regards sidings, or where the infrastructure will be fit for use by zero tailpipe CO₂ emission trains within 10 years from the beginning of the activity [...]”

Therefore, UNIFE emphasises the corresponding assessment of taxonomy alignment in economic activity 6.14 in the last UNIFE Taxonomy position paper, “*Key aspects for a successful Taxonomy implementation in the rail sector*”, from June 2022² to support unified taxonomy reporting in the rail supply industry.

The evaluation of technical screening criteria remains that any railway line that is (currently) operated with diesel traction is also “fit for use” by electrically powered vehicles (battery/hydrogen).

This shall enable unified reporting throughout the whole rail industry to improve comparability and avoid misinterpretations.

Except for specific cases where the [Rail Facilities Portal](#) (RFP) states that the rail transport infrastructure is dedicated to the transport or storage of fossil fuels, in most cases, the infrastructure is not dedicated to this usage. When assessing infrastructure activities, it is assumed that the activity is aligned with the technical screening criteria on “substantial contribution to climate change mitigation” point 2.

² <https://www.unife.org/wp-content/uploads/2022/07/Key-aspects-for-a-successful-Taxonomy-implementation-in-the-rail-sector.pdf>

The construction and maintenance of buildings shall be qualified under the “building activities” and not the target activity, according to the [section in the EU Taxonomy](#) on “infrastructure for rail transport”. Building or maintaining additional activities, such as shops in a railway station, shall not be considered eligible for the EU Taxonomy.

UNIFE’s interpretation:

- Railway lines are considered more sustainable and environmentally friendly than traditional road, air and water transport options. Any electrified railway infrastructure is considered fully taxonomy-aligned as long as it is not dedicated to transporting and storing fossil fuels. Any railway line that is (currently) operated with diesel traction is also “fit for use” by alternatively powered vehicles (battery/hydrogen).

4) Alignment, Do No Significant Harm criteria – economy activities 6.14 and 6.15

The European rail supply industry is committed to continuously improving its products and services' environmental compatibility and safety, for instance, by financing the research and development for green technologies with [Europe's Rail Joint Undertaking](#), its [Environmental Product Declarations](#) (EPDs), its [Railways Industry Substance List](#) (RISL) and its [Material and Substance Declaration Template](#). These good practices are crucial for the sector's sustainability and support its alignment with the EU Taxonomy.

Application on stand-alone product level

In economic activity 6.14, the updated DNSH criteria for constituents shall be applied to the level of the stand-alone products, e.g. signalling and point machines. It should not apply to all single components used in a project, e.g., screws for installation.

DNSH Pollution

Infrastructure activities can generate noise and vibration during construction or use stages, while the noise and vibration resulting from electronic equipment (signalling) are negligible. This is why signalling equipment should be considered aligned with the DNSH pollution criterion.

DNSH Circular Economy

Infrastructure operation requires signalling solutions that generate a negligible volume of waste compared to other subsystems. For installing electrical signalling equipment (generally strapped on wooden pallets), waste type is limited to the packaging of that electronic equipment. This is why it is proposed that signalling equipment should be considered aligned with the DNSH circular economy criterion.

5) Alignment, *Do No Significant Harm* criteria and economy activity 3.3 - Appendix C: stick to the existing legal framework

The European rail supply industry has raised concerns about aligning economic activities in the EU Taxonomy with the *Do No Significant Harm* (DNSH) criteria on “pollution prevention and control regarding the use and presence of chemicals”.

The requirements for substances of concern appear to go beyond the current scope of restriction by referring only to the **definitions** of the applicable regulations without replicating the current **restriction** perimeter (e.g. scope and exemptions). Therefore, implementing the DNSH criteria goes beyond the current scope of restriction.

The EU taxonomy criteria should be based on a risk-based approach, as per regulatory provisions on the use of chemicals. Consistency between the Taxonomy DNSH criteria and the perimeters of restrictions in existing regulations must be ensured.

UNIFE’s proposals:

- **No change should be made to the substance legislative framework via EU Taxonomy** unless following the legal EU regulatory risk management and decision-making process for substances of concern.

Most critical are the following topics.

DNSH criteria Pollution prevention and control - Appendix C on chemical substances: point (f) and the paragraph after point (f)

In detail, this means point (f) and the paragraph after point (f) should be reviewed to improve the EU Taxonomy. Although Appendix C defining the DNSH “criteria for pollution prevention and control” has been modified, the new text leads to the following issues:

- The auditability requirements are not met due to the absence of a harmonised list of substances specifying the substances in scope of this criteria globally (paragraph after point f).
- Operability is not proved given the number of potential substances to be considered (more than 100,000) (paragraph after point f).

- Proportionality is not verified because the same importance is given to the substances contained in a mixture and those present in the final article (paragraph f).
- The relevance of including a new indicator applicable in 2024 is unclear. It could change the compliance assessment with the DNSH pollution from one year to the next. It would lead some companies out of the scope of aligned activities without modifying their economic activities.

UNIFE's proposals:

- To guarantee the quality of information (comparable and auditable information) and proportionate to the objective of the European Taxonomy, **replace Appendix C, point (f) and the paragraph after point (f)** as written in the amended *Climate Delegated Act* (Commission Delegated Regulation (Eu) 2023/2485 **by the version below**:

“Substances, whether on their own, or in mixtures or in an article, in a concentration above 0,1 % weight by weight (w/w), and meeting the criteria laid down in Article 57 of Regulation (EC) No 1907/2006 and that were identified in accordance with Article 59(1) of that Regulation; and where the information according to Article 33 of Regulation (EC) No 1907/2006 is not available;

*Substances, whether on their own, or in mixtures or in an article, in a concentration above 0,1 % weight by weight (w/w) in the finished product and meeting the criteria laid down in Article 57 of Regulation (EC) No 1907/2006 and that were identified in accordance with Article 59(1) of that Regulation for a period of at least 36 months, except if it is assessed and documented by the operators that no other suitable alternative substances or technologies are available on the market, and that they are used under controlled conditions*1;*

**1 The Commission will review the exceptions from the prohibition from manufacturing, placing on the market or use of the substances referred to in point (f) once it will have published horizontal principles on essential use of chemicals.”*

Annex I - DNSH criteria Pollution prevention and control of economy activities 3.3 and 3.19

Without a clear definition of vehicles in the scope of criterion, “Where applicable, vehicles do not contain lead, mercury, hexavalent chromium and cadmium” in economy activities 3.3 and 3.19 of Annex I in the revised *Climate Delegated Act*, there is no explicit exclusion of rail vehicles any longer. The reference to [Directive 2000/53/EC](#) specifying vehicles in scope was deleted. As rail vehicles commonly contain these substances, e.g. lead, large parts of the rail portfolio cannot meet this criterion.

The criterion contradicts the clarification in the Notices related to RoHS (*Restriction of Hazardous Substances*) published in December 2022. The Notices confirm the current scope of RoHS should apply, and consequently, means of transport are excluded from the RoHS scope. In addition, it contradicts the revised pollution prevention criteria that allow, for instance, the use of lead for certain product groups if the absence of alternatives can be demonstrated. A reference to [Directive 2000/53/EC on end-of-life vehicles](#) would clearly define the vehicle types in scope for this criterion.

UNIFE’s proposals:

- **Replace Annex I economy activities 3.3 and 3.19 as written in the revised *Climate Delegated Act* (Commission Delegated Regulation (Eu) 2023/2485) with the version below:**

“Where applicable, vehicles in the scope of Directive 2000/53/EC do not contain lead, mercury, hexavalent chromium and cadmium.”

6) A level playing field addressing the sustainable mobility challenges

Despite the revision of the *Climate Delegated Act*, UNIFE continues to have concerns on the level playing field. The European Commission undermines its sustainable-finance investment criteria by including modes of transport in the EU Taxonomy that are not “*contributing substantially to climate change mitigation or adaptation*”. Moreover, the requirements presented in the delegated acts send a poor signal about the seriousness of the EU’s climate action.

The European Commission should instead incentivise investment and development in zero- or low-emission modes of transport, like rail.

UNIFE’s proposals:

- **Underlines the importance of a level playing field in the EU Taxonomy based on climate objectives, with equally stringent coverage for all transport modes.**

Conclusion

The EU Taxonomy should be easy to implement and make investing easier in sustainable sectors, first and foremost in the rail sector. There is still a long way to go!

UNIFE urges the European Commission to consider rail supply industry concerns while assessing the eligibility and alignment of rail-related economic activities.

The EU Taxonomy's regulatory framework must enable usable, fair, verifiable and reliable comparability between the different economic activities and promote investments towards projects and technical solutions, making a greener transition possible.

Furthermore, any potential contradiction preventing the rail vehicle and infrastructure manufacturers from aligning with the *Sustainable and Smart Mobility Strategy* and the EU Taxonomy must be avoided. This European strategy entirely relies on rail transport's crucial role.

The EU Taxonomy should not stifle the European rail sector but accelerate its growth. UNIFE members will continue to support the European Commission in ensuring its successful implementation in the rail sector.

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