

**European companies, NGOs and think tanks warn against potential shortcomings of
future-carbon footprint calculation rules for new batteries**
ECOS, DUH, IDDRI, Renault Group, The Shift Project, T&E and Verkor

Dear Members of the Commission/ Members of the Parliament/ JRC,

In December last year, EU policymakers reached an agreement on the new Battery Regulation. As part of the new rules, battery manufacturers who want to sell in Europe will have to calculate and report their product's entire carbon footprint, from mining to production to recycling. This data will then be used to establish different performance classes, and ultimately set a maximum CO₂ limit for batteries coming into and produced in Europe.

While the EU has made a clear commitment to green batteries, the devil remains in the detail of how the carbon emissions of batteries will be calculated. The work ongoing by the JRC and European Commission to prepare the upcoming delegated act on the methodology for calculation and verification of the battery carbon footprint is of vital importance and must ensure a reporting framework consistent with the objectives of the Battery Regulation and that does not incentivise greenwashing.

We would like to highlight two areas of concern raised by the latest draft report of the JRC on battery carbon footprint calculation rules.

First, **the Carbon Footprint Functional Unit could perversely incentivise bigger, heavier vehicles with higher energy consumption.** As it stands, the draft JRC report proposes to use 'energy provided over the service life' based on 'battery durability' and 'energy consumption of the vehicle'. There is a risk, however, that this will incentivise the production of larger batteries and high energy consuming vehicles, which will show a lower carbon footprint. Not only is this at odds with the environmental intentions of the Battery Regulation, but it will undermine and confuse the performance classification and maximum thresholds for the battery carbon footprint: a battery could have a better carbon footprint performance class just because the vehicle it is used in has a higher energy consumption per km under WLTP.

The Functional Unit will be used for communication, classification and threshold limit, and therefore must not favour high energy consuming (heavy or energy inefficient) vehicles. The following countermeasures would eliminate this adverse effect:

- It is proposed that service life be based on a fixed consumption for M1 vehicles, defined by the JRC based on market data (e.g.: 3 years average consumption of all M1 vehicles sold) to avoid distortions due to vehicle energy efficiency.
- The absolute battery carbon footprint (not divided by a functional unit) should also be made available for each battery put on the market, to supplement the relative information provided by the carbon footprint functional unit.

Second, the **rules shall incentivise investment in new renewable energy generation to lower the carbon footprint of production**. When calculating their carbon footprint, battery makers can always choose to use the average grid emissions of the country where their batteries are produced. Alternatively, they can use plant specific values, but the rules of how to calculate these - whether based on a physical connection or some sort of contractual agreement - will be crucial to the credibility of those claims.

The current draft report provided by the JRC would allow companies to base their green energy claims on the purchase of Guarantees of Origin (GOs) throughout the entire EU market and over a 12-month period. This could be a problem as the current GO system does not account for real-time energy sourcing or actual energy feeds between consumption and production and therefore cannot demonstrate cleaner battery production in the real world. Under the proposed rules, there is significant risk that battery makers would set up new production facilities in regions with a carbon intensive energy grid and then buy their way to an artificially low carbon footprint through renewable energy certificates with no temporal or geographical link to the production site, instead of incentivising investments in low carbon energy production facilities in those countries.

We therefore call on policymakers to include additional requirements to strengthen the credibility of renewable energy claims based on GOs, including :

- A stricter time consistency criterium between energy generation and use than the 12 months period proposed in the draft JRC report to ensure coherence between renewable electricity that is being produced and consumed.
- a stricter geographic link between the energy generation and use, including that the battery producing plant be located in and connected to the same bidding area or adjacent interconnected bidding areas, or in the same country as the energy generating plant.

Besides on-site dedicated production and direct use of renewable energy, the following two types of renewable electricity procurement could be exempted from the above-mentioned stricter time consistency criterium, under strict control of the energy actually delivered to the plant:

1. Electricity supplied from a production asset connected to the energy using plant by means of a direct and dedicated connection to the using plant itself
2. Power Purchase Agreements covering the procurement of renewable electricity and corresponding certificates and complying with the following conditions:
 - Long-term (min. 10 or 15 years) commitment from the client to purchase a certain amount of renewable electricity from the producer on a take-or-pay basis, thus providing the producer with the required visibility on future incomes to invest on new renewable electricity production facilities
 - Commitment from the energy producer to create new renewable electricity production facilities with a capacity at least equivalent to the committed renewable electricity procurement volume (on an annual basis)

It is also essential that ambitious rules apply uniformly for all actors, both within and outside the EU. For batteries, materials or components produced outside the EU, renewable energy

certificates and their impact on the battery carbon footprint should be controlled and validated by an authorised EU accounting or control organisation based on the same criteria as for production sites located within the EU.

The agreed Battery Regulation is admirable in its ambitions and intentions to reduce the environmental impacts of batteries over their lifecycle. However, this objective may be undermined if the above-mentioned concern regarding the current draft battery carbon footprint rules is not properly addressed by effective countermeasures.

From

ECOS

DUH: Deutsche Umwelthilfe

IDDR: Institut Développement Durable et Relations internationales

Renault Group

T&E: Transport & Environment

The Shift project

Verkor