

EU Taxonomy in Equinor

NORSK OLJEREGNSKAP- OG SKATTESYMPOSIUM

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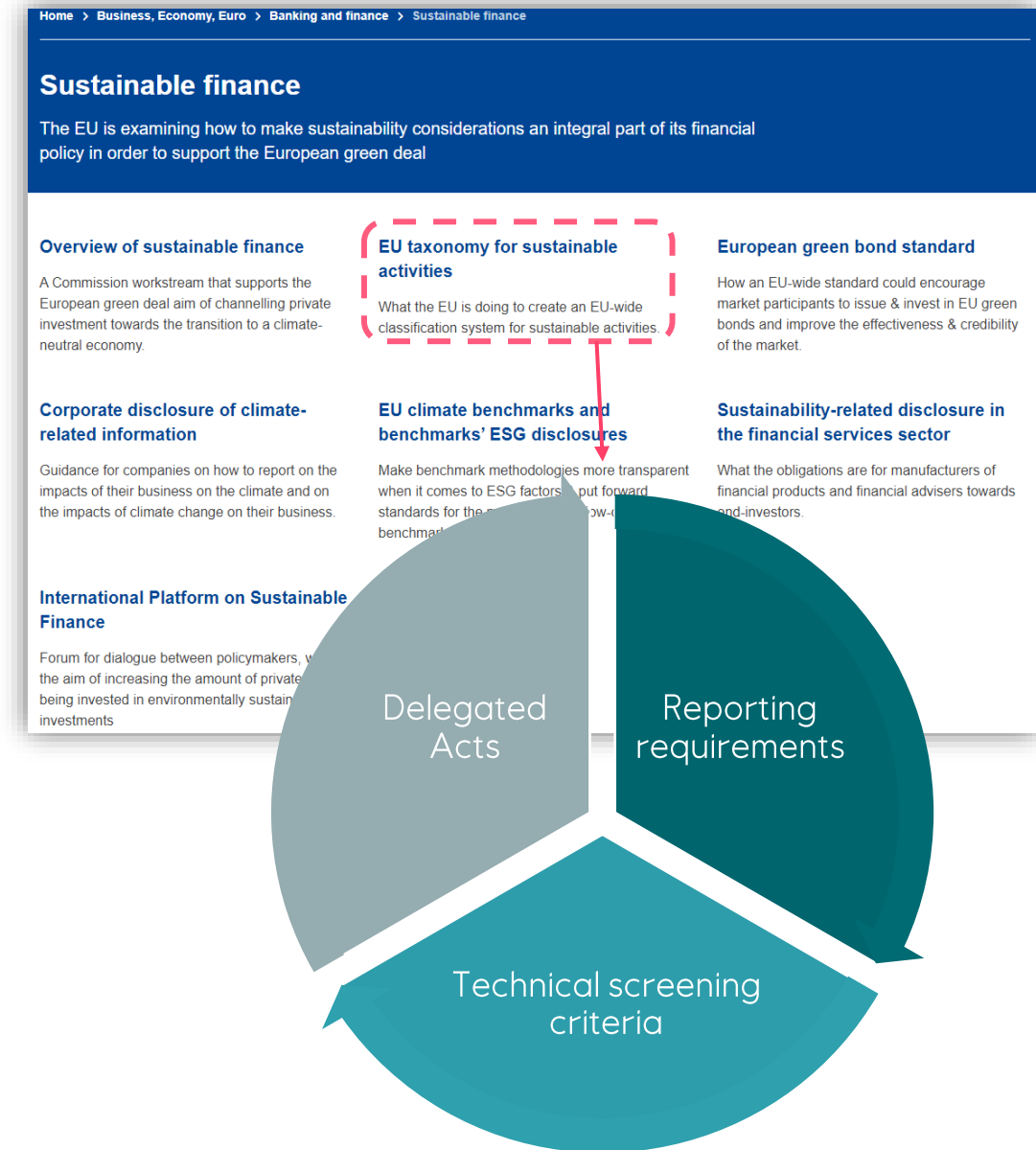
[Home](#) > [Business, Economy, Euro](#) > [Banking and finance](#) > [Sustainable finance](#) > [EU taxonomy for sustainable activities](#)

EU taxonomy for sustainable activities

What the EU is doing to create an EU-wide classification system for sustainable activities

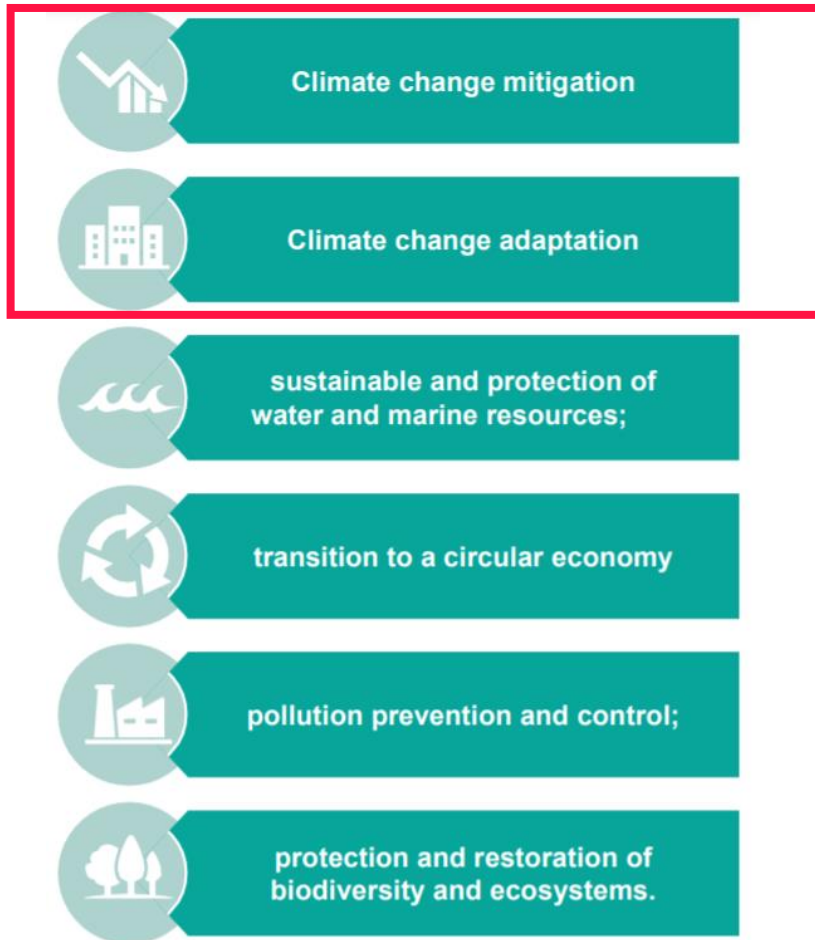
The purpose of the EU Taxonomy

	Agriculture and forestry
	Manufacturing
	Electricity, gas, steam and air conditioning supply
	Water, sewerage, waste and remediation
	Transport
	Information and Communication Technologies (ICT)
	Buildings



Outline of the EU Taxonomy

The Taxonomy sets performance thresholds for economic activities which:

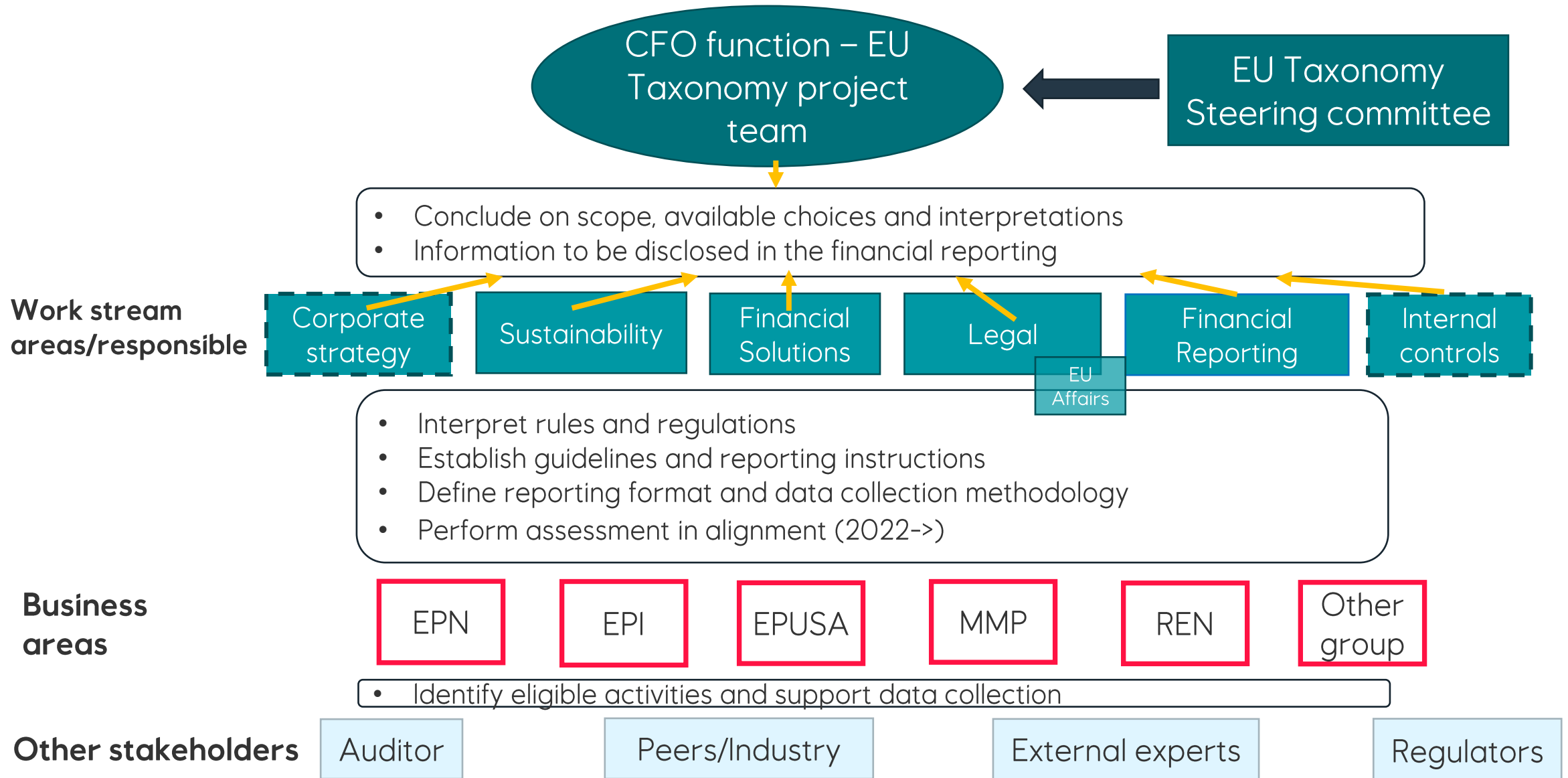


Large companies who are already required to provide a non-financial statement under the Non-Financial Reporting Directive; and



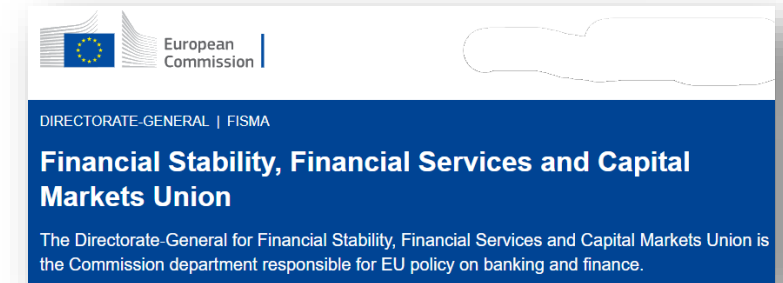
Financial market participantsⁱ offering financial productsⁱⁱ in the EU, including occupational pension providers;

Project structure



Understanding the requirements - Where are we and where are we going?

- Establishment and education of project team and steering committee
- Interactions with regulators
- Initiated and participated in peer group working groups / discussions
- Information meetings with expected stakeholders and different functions
- Identifying eligible activities and potential eligible activities
- Working on how to extract required data and methodology choices needed to be made



Reporting requirements

Delegated Act on Taxonomy Disclosures (Article 8)

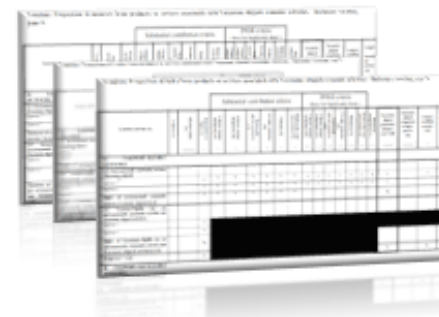
2022 – Financial year 2021

- For climate change mitigation and adaptation activities
- Disclose the **share** of Taxonomy-eligible and Taxonomy non-eligible activities in total activities and **related qualitative information**

2021	Revenue	Capex	Opex
EU Taxonomy			
Eligible activities	xx	xx	xx
Non-eligible activities	xx	xx	xx
Total	xx	xx	xx

2023 – Financial year 2022

- All six environmental objectives
- **Tabular form (template)**
- Granular information
- **KPIs**
 - Turnover
 - CapEx
 - OpEx
- Disclosure accompanying KPIs
 - Accounting policy
 - Contextual information of KPI



REVENUE



■ Aligned ■ Not aligned ■ Not categorised

CAPEX



■ Aligned ■ Not aligned ■ Not categorised

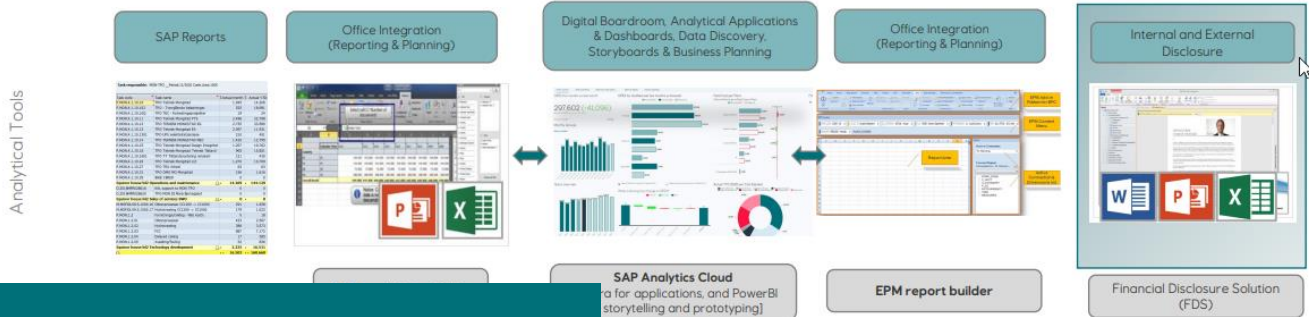
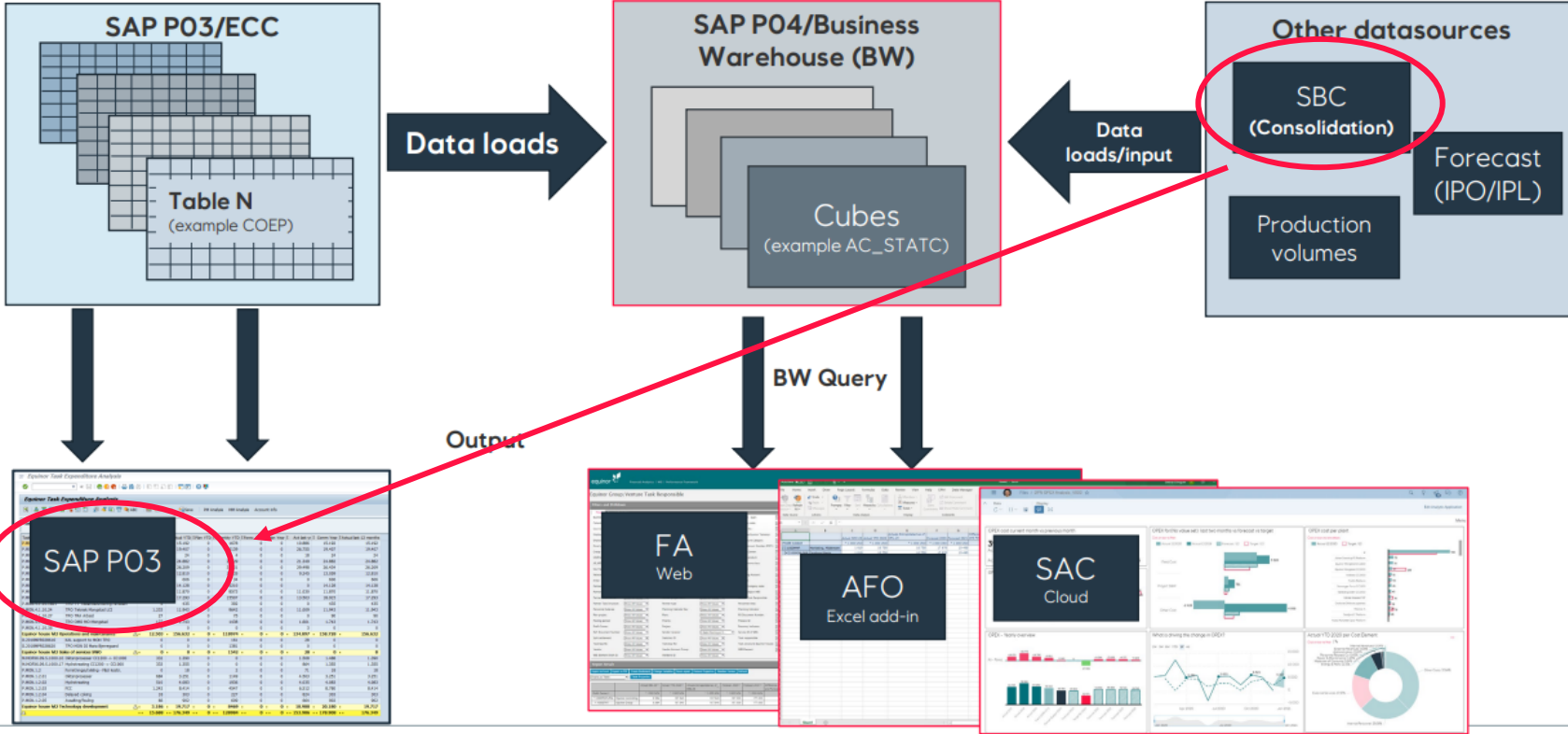
OPEX



■ Aligned ■ Not aligned ■ Not categorised

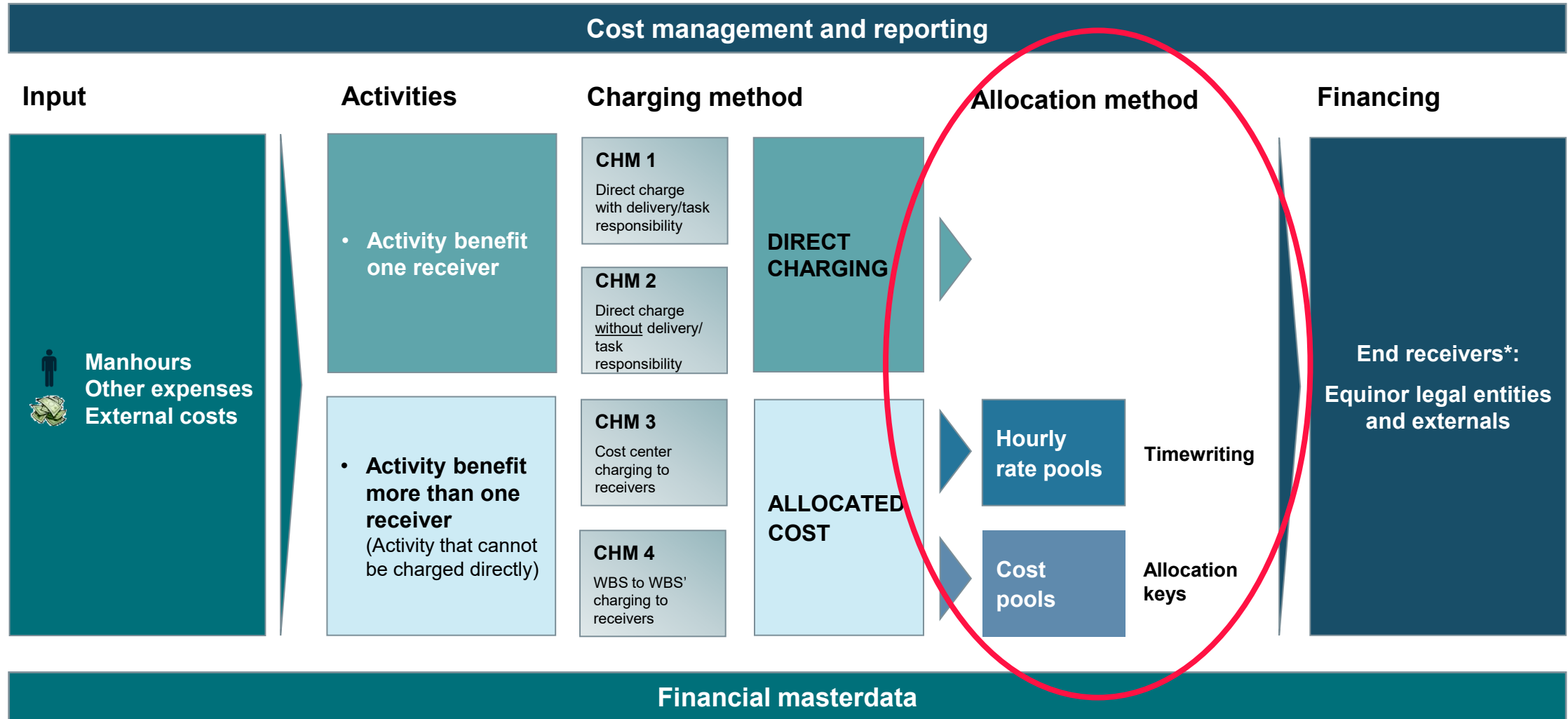
Data flows in the reporting systems

Data flow (Simplified)



How to link turnover/CapEx/Opex to EU Taxonomy activities?

Equinor's charging and allocation model



*) If receiver wbs (cost center) is an allocation wbs (C.) the cost will be included in further allocation of cost to final end-receiver

Mapping of Equinor's eligible activities

- ✓ ☐ STAT - Equinor Group (7364)
 - > ☐ EPI - EPI Exploration & Production International (2546)
 - ✓ ☐ REN - Renewable Energy (725)
 - > ☐ RENBD - REN Business Develop (10)
 - > ☐ RENCBD - REN corporate BD (5)
 - > ☐ RENRES - Renewable Solutions (12)
 - ✓ ☐ RENPOM - Power and Market (214)
 - > ☐ PLONS2 - Polar Solar companies Small (120)
 - > ☐ PLONS1 - Polar Solar companies Large (42)
 - > ☐ WENTO - Wento Sp. z o.o. (1)
 - > ☐ POMADM - Power & Market Adm (18)
 - ✓ ☐ POMESD - Energy Storage Devel (8)
 - > ☐ BATWIND - Batwind (1)
 - ✓ ☐ ENS - Energy Storage (5)
 - ☐ 1200ENS - 1200 Energy Storage
 - ☐ 1200WALCENS - 1200 Energy Storage
 - ☐ 1277ENS - 1277 Energy Storage
 - ☐ 4041ENS - 4041 Energy Storage
 - ☒ 9306ENS - 9306 Energy Storage

Group
Business area
Business cluster
Business unit
Entity
Profit center

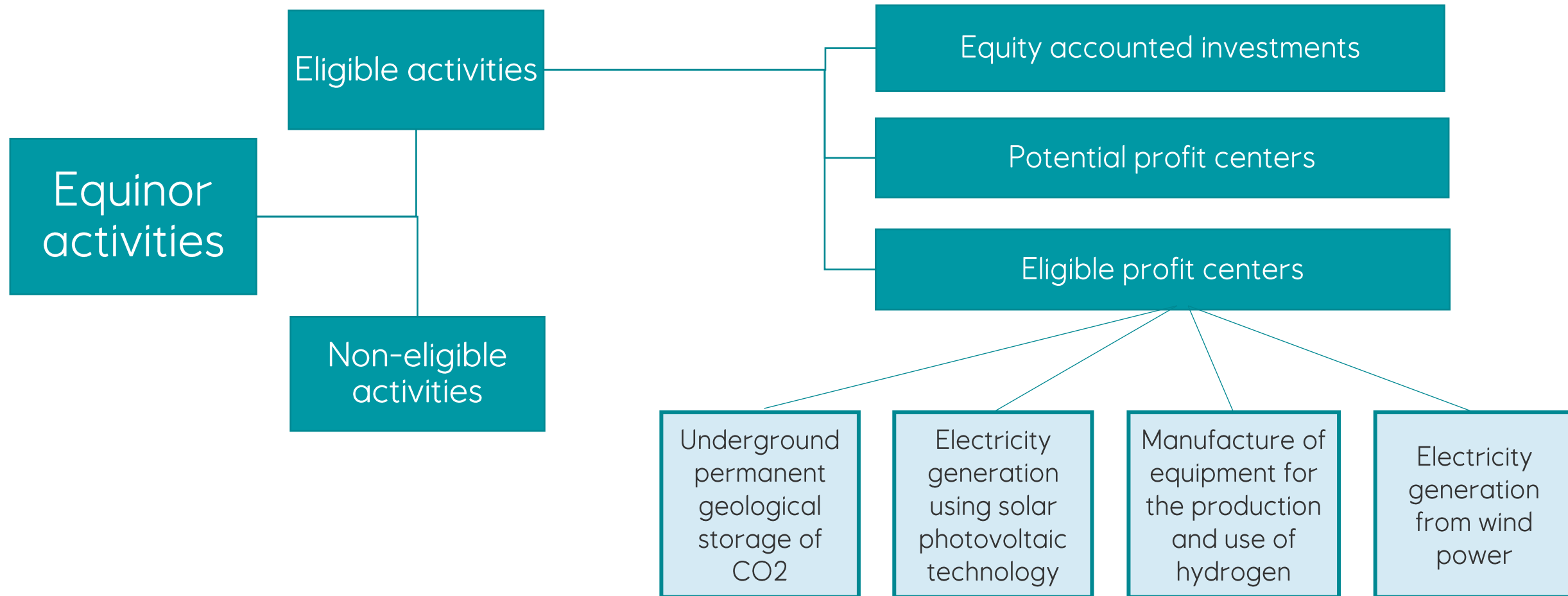
Entity	Property 2	Description
		300150
		Sales of electricity
SUBS		
SIGN	CAGRP	
2019	MMP	
2019DCUPLOAD	MMP	
4001GRP	MMP,EPI	
4001LRP	MMP,DPI	
4001MPRLRP	MMP,EPI	
4044	MMP	
4044DCUPLOAD	MMP	
LEGALGRP		

and/or
combined
with GL
account

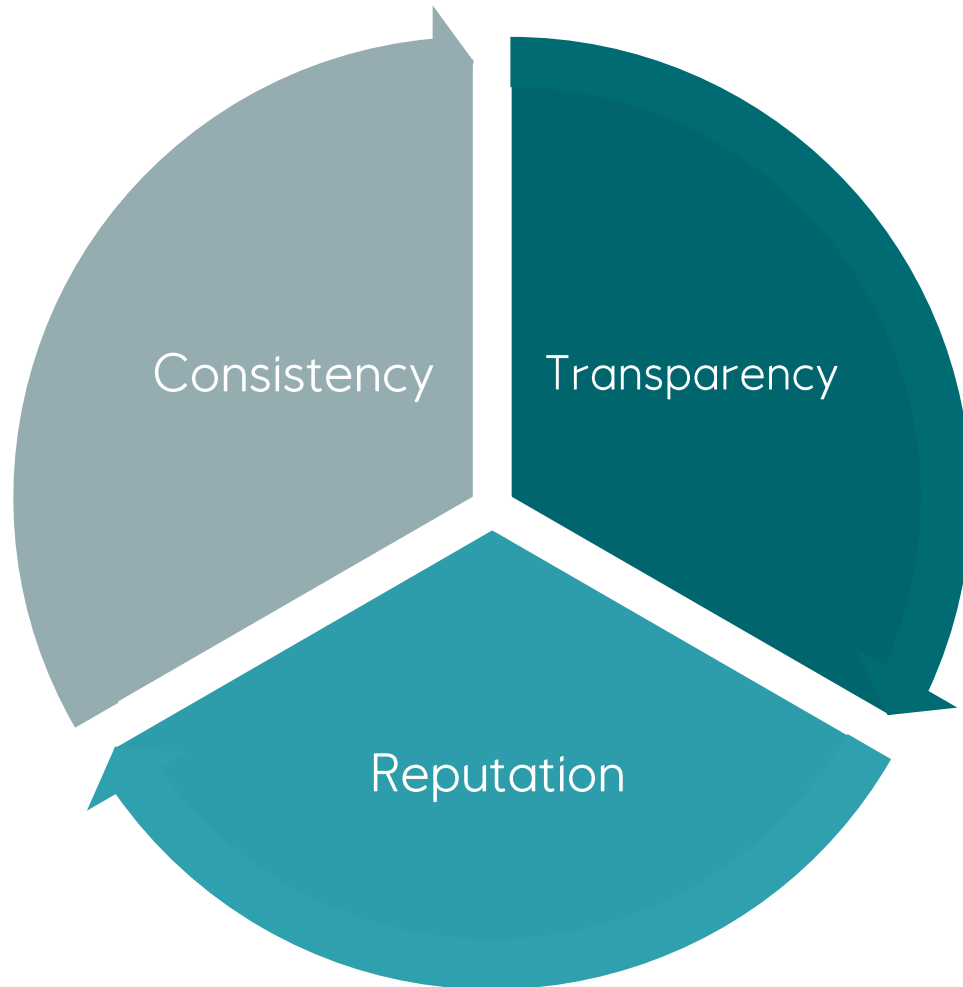
First reporting template used to identify eligible activities:

Profit center	Eligible activity Y/N	Activity	Description	NACE code	More than 1 activity? Y/N	If Yes, describe	Part of an equity accounted investment Y/N	If Yes, do we have access to detailed data Y/N?	If no access, may we get it? Y/N	Significant turnover/CapEx /OpEx numbers expected? Y/N
A	Y	Manufacture of equipment for the production and use of hydrogen	Early phase project related hydrogen production	E39.00	Y	Underground permanent geological storage of CO2	N			Y
B	N									
C	Y	Underground permanent geological storage of CO2	Carbon capture related business development	E39.00	N		N			N
D	N									
E	N									
F	N									

Equinor's eligible activities



Methodology challenges



- Enabling or transitional activities counted as eligible activities or not
- Equity accounted investments
- Exemption to not disclose Opex KPI
- Non-GAAP KPI
- Eligible natural gas activities to be included in KPI?

Example: Electrification of oil & gas activities



- The EU Taxonomy Regulation recognizes three types of activities (Art 10-11, 16 of Regulation 2020/852)
 - Activities that directly contribute to EU environmental objectives
 - Transitional activities
 - Enabling activities
- Lock-in effect: “does not lead to a lock-in of carbon-intensive assets, considering the lifetime of those assets” Article 10.2(c) (transitional activities) and 16(a) (enabling activities)
 - For certain activities (in the delegated acts) it is specifically detailed that in order to meet the DNSH criteria, the activity can't be dedicated to fossil fuels

Sea and coastal freight water transport, vessels for port operations and auxiliary activities

Do no significant harm criteria ^

Climate mitigation ^

The vessels are not dedicated to the transport of fossil fuels.

Electricity generation from wind power

Contributing to climate mitigation v

Contributing to climate adaptation v

The delegated act has for the activity «electricity generation from wind power» no such exemption

There are views that electrification of oil & gas production may not be regarded as a green activity based on the Taxonomy objective

How to define the Opex KPI

NUMERATOR

Direct non-capitalized costs that relate to:

- **Assets/processes associated with Taxonomy activities**
 - **CapEx-plan**
- **Purchase of output/individual measures to reduce GHG emissions...**

Direct non-capitalized costs that relate to:

- **R&D**
- **Building renovation measures/short-term lease**
 - **Maintenance and repair**
- **Any other direct expenses relating to the day-today servicing of PPE**

DENOMINATOR

Alternative 1: Broad approach

- All expenses included in Earnings before interest and tax (EBIT)

Alternative 2: Narrow approach: Subset of operating expenses

- Categories based on types of expenses as listed by the delegated acts
 - Need to link to cost categories in the reporting system (SAP, SBC etc)
- GL account level

How to allocate cost that support several activities or go into different cost allocation pools?

- Allocation keys

Way forward



Links to relevant sites

EU Taxonomy Climate Delegated Act

[Annex I: technical screening criteria – climate change mitigation](#)

[Annex II: technical screening criteria – climate change adaptation](#)

[Final report of the Technical Expert Group on Sustainable Finance](#)

[Technical Annex: Updated methodology & Updated Technical Screening Criteria](#)

Text of the final EU Taxonomy Article 8 Delegated Act

[Text of the Annexes 1-5 to EU Taxonomy Article 8 Delegated Act](#)

[Frequently asked questions](#)

[Text of the proposal for a Corporate Sustainability Reporting Directive](#)

[EU Taxonomy Compass](#)

[Technical Expert Group \(TEG\) resources](#)