

Vattenfall's view on the regulatory framework for sustainable Batteries

Policy Paper

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Vattenfall's policy position in a nutshell:

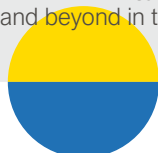
The increasing use of batteries should be guided by a European regulatory framework that promotes the sustainability of batteries and minimizes the impact on environment. A European regulatory framework considering the whole value chain will be a driver for sustainability of batteries, that allows Europe to benefit from the potential of growing demands in batteries.

- Sustainable batteries, EV batteries as well as stationary batteries, need a sustainable value chain.
- The circular use of resources and material crucial for battery manufacturing is key for a competitive battery industry within Europe.
- The carbon footprint methodology for batteries is a very good incentive for increasing the sustainability of batteries throughout the value chain.
- It should be uncomplicated to prove the end-of-waste status of a battery and therefore the second life.
- There should be clear rules on the transport of batteries cross border, especially when importing batteries from outside of the EU.

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Vattenfall is a European energy company with approximately 20,000 employees. For more than 100 years we have electrified industries, supplied energy to people's homes and modernized our way of living through innovation and cooperation. Our goal is to make fossil-free living possible within one generation. Everything we do and the decisions we take shall lead to this goal. This is the basis of Vattenfall's strategy, and we advocate for a regulatory environment that makes this transition possible – in the energy sector and beyond in transport, industry etc.



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Background

Batteries are an essential part of Vattenfall's future portfolio, in the area of e-mobility as well as stationary batteries. We believe that there is a big potential for batteries used for energy shifting in combination with renewable energy installations. This can contribute to a stable energy transition. The need for battery storage installations are expected to increase to a large extent by 2025. The use of the batteries is an example of an economically useful second life application of established values from electric vehicles.

Vattenfall welcomes the proposed Batteries Regulation by the European Commission in order to create a sustainable battery value chain within Europe, that will deliver on the EU Green Deal. Batteries sustainability over their life cycle are key to achieve climate neutrality, sustainable competitiveness of the industry, green transport and clean energy.

The new **regulation** will facilitate creating a level playing field within Europe, building a competitive and harmonized EU internal market as well as reducing differences among national markets. Modernized legislation should be designed in a way to be flexible enough for allowing market developments and innovation.

Sustainable batteries need to have a **sustainable value chain**. A sustainable value chain starts with responsible sourcing of materials. Vattenfall strongly supports including the OECD due diligence guidelines on human and labour rights when sourcing materials and subcomponents for battery production.

Moreover, the EU should reduce its dependency on imports of material of strategic importance for battery production. Sourcing should take place within the EU and should include sourcing of secondary raw materials from waste batteries.

Vattenfall welcomes the **approach of the new batteries regulation to contribute to circular economy**. Targets on material recovery, recycling efficiency and content of recycled material used are crucial to develop a circular product. The circular approach will help to reduce the carbon footprint of batteries. However, targets should be set cautiously and should be incentivised in order for the market to adapt. The cost of batteries production should remain competitive and differences between battery types should be taken into account. It is very important that targets are technically and economically feasible.

New **recycling efficiency** targets should be set according to battery type and technology used, to avoid rising costs. Also, recyclers should be granted the flexibility to prioritise their targets or achieve higher specialisation. This flexibility would enable innovation.

The availability of **secondary raw material** is expected to remain low for several years, especially for the growing demand of lithium batteries. Recycled content used in a battery should not counteract the performance of a battery type.

Recycling and repurposing are two options given by the proposed regulation. We support that the proposed regulation does not stipulate preferences between both options in order for the market to decide on the relevant and cost-efficient alternatives. It should be uncomplicated to prove the end-of-waste status of a battery and therefore the **second life**, for a new purpose or use of a batteries. Repurposed batteries shall be eligible for Green public procurement tenders.

Introducing a **carbon footprint** methodology for batteries is a very good incentive for increasing the sustainability of batteries throughout the value chain. The production

efficiency, the raw/secondary material use and the choice of energy source have a huge impact on the CO₂-emissions. The recycling of batteries will grow and will further improve the carbon footprint from battery production.

However, enforcement is key and needs to be fine-tuned. Before introducing the carbon footprint methodology, product category rules should be well developed for all battery types. So far, it is only available for lithium batteries for mobile applications. The obligations should be in line with the announced legislation on Product Environmental Footprint.

Performance and durability criteria should be introduced on a voluntary basis to act as a benchmark. The market will stir this development. At a later stage, it can be assessed if mandatory targets are needed. It can be expected, that improving the carbon footprint of batteries will also improve performance and durability of batteries.

Labelling should be set in a way to be easy understood by the consumer. The information requirement to a label or a battery passport should be limited, not to become an administrative burden. Vattenfall is in favour of the introduction of a battery management system, so that it is easy for a secondary user to get information on state of health and expected lifetime of the battery. The label should also include transparency and traceability of the sourced material in order to ensure sustainability of the battery

There should be clear rules on the **transport of batteries** cross border, especially when importing batteries from outside of the EU. A robust certification and enforcement process is needed for batteries imported from outside the EU. The EU battery industry should be protected from unfair competition by clarifying the enforcement of criteria for imported batteries in the regulation. The regulation should be in line with the Waste Shipment Directive.

Along with the proposed regulation, several **secondary legislation acts** are proposed to be developed at a later stage. Vattenfall is in favour of the three-stage approach, starting with a declaration and then developing performance classes and thresholds, to have the regulation guiding the way for industry and consumers in a cautious way but without delaying the development. Looking at the amount and related content of delegated acts to be developed, we propose a regular revision of the regulation every 4 years. This would ensure that all stakeholders are involved and can share their opinion on proposed changes in the legislation. Also, battery innovation of new types of batteries can be included in the scope of the regulation, e.g. sodium- based batteries development matures. Delegated acts should be reserved for technical details. All other issues should be primary legislation.