

European Rental Association Position Paper on **EU taxonomy for sustainable activities**

Executive summary

The rental model is, at its core, an inherently sustainable one. As described in the ERA [Manifesto on the environmental benefits of rental](#), rental fulfils all the principles of the circular economy.

It is vital for the EU transition to the circular economy to recognise the contribution of the equipment rental industry to this transition by including the rental model in the EU Taxonomy delegated acts.

In response to the Platform on Sustainable Finance Report with recommendations relating to the technical screening criteria for objectives 3 to 6 of the Taxonomy Regulation ([Report](#)), **ERA – European Rental Association – calls on the European Commission to take into account, in the remaining Taxonomy delegated acts, the following requests:**

- 1) To enlarge the product coverage of the among the list of products covered in the Product as a service and other circular use- and result-oriented service models, by including all non-road mobile machinery and other frequently rented items**
- 2) To include equipment rental activities in the Taxonomy without further substantial contribution criteria, as the applicability conditions of substantial contribution criteria proposed for activity 2.13 in the Report would be unenforceable.**

Introduction – how is rental beneficial for the environment and the economy

In 2020, the European equipment rental industry generated a total turnover of more than EUR 25.2 billion and employed more than 160,000 people.

The equipment rental sector serves many different industries (construction, logistics, industry, events, etc.) by providing a wide range of products, including construction machinery, power and temperature control equipment, powered access machines, forklifts and telehandlers, modular and sanitary space, and hand tools.

The European equipment rental industry is rapidly taking on the twin challenge of sustainability and the digital transition. Rental companies, as part of the wider construction value chain, are contributing significantly to the decarbonisation and digitalisation of the construction industry, which is known to be behind in the transition in comparison with other industries.



ERA is the representative association of the European equipment rental business. It represents over 5,000 companies, either directly or through national rental associations.

The ERA [Manifesto on the environmental benefits of rental](#) describes the ways in which rental companies are fulfilling the potential of the sector and the business model to help the environment. This is reflected in 5 core principles established in the Manifesto, that reflect the circular economy principles: shared usage, reparability of equipment, optimised resource use, reusability and recyclability.

Many customers using one piece of well-maintained and safe equipment as part of a sharing economy is better for the planet which results in the manufacture of fewer assets and use of fewer natural resources. Rental also supports more efficient use of assets as the optimal machine is used for a customer's job, lowering emissions and fewer assets reaching end of life and therefore requiring disposal. Moreover, rental companies' asset management leads to a more frequent, hence more efficient, use of equipment.

Maintaining rental equipment to the highest standards and investing in the newest, cleanest and most eco-efficient technology reduces emissions further during its use and extends equipment life. At the end of its rental service life, the equipment has many years of use remaining and, as such these are sold into the secondary market.

To make equipment more repairable, interchangeable and eco-designed, the rental sector also actively works with the manufacturers on equipment features and standards. For example, the ERA Technical Committee is working with equipment manufacturers on an industry standard for a universal fast charger for electric equipment.

Rental companies also collaborate with supply chain partners on the circular design and use their bargaining power to demand manufacturers invest more in R&D to limit the use of non-recyclable materials. Rental companies also take responsibility for the end-of-life of equipment by collecting, reusing or recycling the equipment.

With shared use, reduced resource use, maintenance and repair, and recycling into the secondary market, rental meets many of the principles of a circular economy.

Furthermore, [an independent study on the carbon footprint of construction equipment](#) concluded in 2019 that the rental business model stimulates efficient use of the equipment¹ and, depending on specific user practice, this can lead to significant reductions of carbon emissions, in the range of 30% and sometimes up to 50%.

¹ The rental model stimulates efficient use of equipment according to 4 key parameters, among which are the intensity of use, [maximising the utilisation rate](#) of equipment reduces the overall amount of equipment required, and systematic maintenance, allowing for an [extended lifetime](#).

Detailed comments:

ERA has analysed the Platform on Sustainable Finance Report with recommendations relating to the technical screening criteria for objectives 3 to 6 of the Taxonomy Regulation.

ERA welcomes the fact that rental and leasing activities (NACE code 77) are recognised in the Report (under Product as a service models, activity category 2.13) as economic activities with a substantial contribution to the transition to a circular economy.

However, in order to fully realise the potential of the rental contribution, it is necessary to rectify the limitations placed on the Taxonomy alignment of this activity, both in the product scope and in the substantial contribution criteria, as explained below.

1. Limitation of the product scope

Having recognized rental as an inherently sustainable model, ERA considers limiting the taxonomy applicability of this economic activity to only limited number of products unsubstantiated.

Article 45 of the Taxonomy Regulation states that equality of treatment between activities of the same sector should be guaranteed if the activities contribute equally to the environmental objective. The non-inclusion of important rental product such as non-road mobile machinery rental does not ensure equality of treatment, even though the business model (and thus the environmental contribution of that model as demonstrated above) is the same as that for rental of other equipment.

The list of products manufactured by activities classified under certain NACE codes in chapter 2.13 of the Report already includes important rental products such as lifting and handling equipment and power-drive hand tools.

However, for the rental industry to obtain full Taxonomy alignment, construction machinery such as non-road mobile vehicles, and a few other additional products such as modular containers, must be included in the list of NACE codes presented by the Report.

Construction machinery constitutes sometimes up to 80% of equipment rental volumes in some European countries, with non-road mobile machinery representing a substantial part of that rental activity.

The Report states as a reason for not including motor vehicles in the product scope of activity 2.13 that they have already been included in the first delegated act related to climate change. This however is only true for some categories of motor vehicles and non-road machinery rental, such as construction and civil engineering machinery, are clearly missing from the first delegated act on climate change.

Therefore, ERA calls on the European Commission to include, in addition to products already proposed, the following NACE codes of products in the list of eligible products:

- C25.1.1 Manufacture of metal structures and parts of structures (modular containers)
- C28.9.2 Manufacture of machinery for mining, quarrying and construction



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C28.30 Manufacture of agricultural and forestry machinery
C28.13 Manufacture of other pumps and compressors
C28.12 Manufacture of fluid power equipment
C29.20 Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semitrailers
C28.29 Manufacture of other general-purpose machinery n.e.c

2. Substantial contribution to the transition to a circular economy criteria

ERA agrees with the conditions of supply of the Product as a service, as proposed by the Report: (an obligation for the provider of the service to take back the used product at the end of the contractual agreement; an obligation for the customer to give back the used product at the end of the contractual agreement; the provider of this service remains the owner of the product and the customer pays for access to and use of the product).

However, the criteria related to extended lifespan and/or increased use intensity of the product as suggested by the Report are both not workable in practice and unnecessary.

- Lack of definitions

There are no standardised definitions to determine lifespan and use intensity, either in the industry or EU regulations². The lack of common concepts or an agreed methodology makes these indicators difficult to compare between companies and between products.

Unless definitions for lifespan and use intensity and comparison methodology are standardised by the European Commission, the actual criteria do not allow for comparability within the sector. At the same time, the wide variety of equipment on the market would make it impractical to set such standards for each type or category of equipment, with obligatory differentiation between B2C and B2B contracts.

In addition, there are no data or benchmarks available in the industry that would allow the calculation or estimation of an EU average of a lifespan or EU average use intensity of a piece of equipment, making the criteria even more unworkable.

Another difficulty with tracking the overall lifetime of equipment is that it is hard to trace a product once it is sold on a second-hand market (which is often the case for rental companies). The absence of a

² For instance, the equipment lifespan can be understood as total years since first use (duration in standby as well as operation, or as total years of first technical life or as total hours of use an object offers). Use intensity can be determined by, for example, hours during which the equipment is switched on, hours during which it is operating or consuming fuel, or hours during which it is in use on site, etc.

common standard for use intensity reflects the subjective nature of utilisation from the rental client's perspective³.

Besides, any currently available data on the usage of equipment, enabled for example through telematics installed on the equipment by the OEM, are always product-specific, not category specific.

- No need for additional criteria as rental is circular by definition

Having explained why additional substantial contribution criteria based on lifespan and use intensity are not workable and enforceable, ERA suggests replacing them with no additional criteria.

The EU Commission's JRC recognises⁴ generic approaches to determine substantial contribution criteria for "Circular use" related activities. This framework allows for the possibility of no need for substantial contribution criteria, in case the nature of the activity itself includes only circular activities.

We demonstrated above how the rental model stimulates efficient use of equipment by supporting shared usage, repairability of equipment, optimised resource use, reusability and recyclability. This environmental performance ensures a substantial contribution of the rental business model to circular use.

Moreover, the EU Taxonomy recognises certain activities as having a substantial contribution to the climate change mitigation and adaptation objective without any specific criteria. For example, the manufacture of renewable energy technologies or the installation, maintenance and repair of energy efficiency equipment (activities 3.1 and 7.3). In total, 14 activities have been identified for which the EU Taxonomy does not require any specific criteria to contribute substantially to the climate change objectives.

For these reasons, ERA calls on the European Commission to include equipment rental activities in the EU Taxonomy without further substantial contribution criteria related to lifespan and use intensity.

³ For example the availability of equipment on site might have a value for a client and is therefore reflected in the utilisation even if the equipment is not actually working.

⁴ See [Development of the EU Sustainable Finance Taxonomy – A framework for defining substantial contribution for environmental objectives 3-6](#)