

## The EU ETS should be the main driver for the decarbonization

Climate change poses a fundamental threat to our planet. The electricity sector is therefore committed to lead the way in decarbonising the European economy. Nordenergi calls for the following aspects to be taken into account when preparing the amendment of the EU Emissions Trading System (Directive 2003/87/EC).

**Ambitious climate policy requires all energy sources to be available.** Nordenergi supports the EU's net-zero carbon emissions goal by 2050 and an increased ambition towards at least a 55% target GHG reductions by 2030. Nordic electricity supply is already well underway towards climate neutrality before 2050. Nordic ambitious climate policy relies on all carbon-neutral energy sources. Therefore, the **EU must support all carbon-neutral power production** as well as a well-functioning, fully integrated power market in the implementation of the energy system integration strategy.

**The EU ETS should be the main driver for the decarbonization and consequently the EU ETS has to be strengthened.**

- **The current Linear Reduction Factor (LRF) has to be aligned with the new 2030 target and must be brought into force as soon as possible.** The Commission should continue to strengthen the EU ETS to deliver a meaningful carbon price that drives electricity and industry decarbonisation. The EU ETS creates a market signal for industrial electrification. Electrification is the industry's main means of reducing emissions. Adjusted LRF will create a market signal for industry and new electricity generation investments.
- **A strong market stability reserve (MSR) is needed to make the ETS resilient for policy overlaps and unforeseen external events.** Negative impact of overlapping policies should be minimized. Nordenergi calls for the Commission to **assess the impact of overlapping policies** on the functioning of the ETS. The Commission should monitor how other legislation proposals in the field of energy affects the demand of emission allowances.
- **Emissions trading should be extended to other sectors.** The planned changes should be introduced transparently, in order not to jeopardize the visibility needed for investment in electricity generation, district heating and industrial decarbonization.