

Nordenergi calls for an ambitious EU 2040 climate target of 90% emissions reduction

Key messages

- Nordenergi fully supports an ambitious EU 2040 climate target in line with the 1,5-degree target set by the Paris Agreement. Efforts to limit climate change must accelerate and the 2040 target will pave the way toward the EU goal of climate neutrality by 2050. A 90% emission reduction by 2040 compared to 1990 is needed.
- A strong EU ETS is a key instrument for the emissions reductions.
- Scaling up carbon removals is necessary for reaching both a 2040 target and to reach climate neutrality by 2050.
- Public acceptance and support for climate change mitigation policies is key to reaching the targets.
- CBAM must not harm industry that use clean energy.

An EU 2040 climate target in line with the 1,5-degree target set by the Paris Agreement

Climate change is the biggest challenge of our time. Efforts to limit climate change must accelerate and EU should be a forerunner. Green evolution will also create business opportunities.

Nordenergi fully supports an ambitious EU 2040 climate target in line with the 1,5-degree target set by the Paris Agreement. Efforts to limit climate change must accelerate and an intermediate 2040 target before climate neutrality 2050 is needed for the foresight of EU business.

Nordenergi recommends setting a target of 90% emission reductions by 2040 compared to 1990, which implies a higher ambition than a linear trajectory from 2030 to 2050. The reasoning is that the last emission reductions will be the hardest and most expensive to abate, and we cannot afford a delay in reductions in the final decade towards 2050. Furthermore, the accumulative emissions will be lower compared to a linear reduction.

The 2040 target will pave the way toward the EU goal of climate neutrality 2050. Furthermore, the investor community will get more clarity and confidence about the EU's decarbonisation path ahead. It should also lay the foundation for the development of an ambitious, cost-effective, and highly supportive EU 2040 policy framework. However, the policy framework should focus on setting ambitious and binding targets and avoid detailed and prescriptive legislation that often is ill-adjusted to varying national circumstances.

A strong EU ETS is a key instrument for the emissions reductions

The EU Emissions Trading Scheme, ETS, remains the most important tool for cutting emissions, and we are in favor of a strong ETS including new sectors. Such expansion must be based on a thorough assessment of the current barriers to render the ETS trading system efficient. The planned changes should also be introduced transparently, in order not to jeopardize the visibility needed for investment in electricity generation, district heating and industrial decarbonization.

Scaling up carbon removals is necessary already now to reach a 2040 target and to reach climate neutrality by 2050

Carbon removals will play an indispensable part in reaching the EU's climate neutrality goal for 2050. Hence it is urgent that carbon removals are incorporated in the EU 2040 climate target and fully

supported by the policy framework that will be developed in the next step. At the same time, achieving negative CO₂ emissions by carbon removals must not in any way replace or reduce the efforts to mitigate emissions by phasing out fossil fuels. The EU climate policy framework must continue to incentivize the pursuit of greenhouse gas emissions abatement through cost-effective and market-driven solutions, including electrification, promoting district heating and cooling in combination with policies for reduction in use of electricity for heating and cooling demands where district heating/cooling is available, phasing out of fossil fuels and deployment of clean and renewable generation capacities.

The 2040 framework must have focus on and encourage carbon capture, both for benefiting captured carbon as raw material (CCU) as well as permanent carbon removals as they will ensure climate benefits due to the very stable and long permanence compared to e.g., carbon farming.

Nordenergi encourages policymakers to analyze what flexibility that should be permitted for permanent negative emissions towards ETS, LULUCF and/or ESR.

We also welcome a deeper assessment of the use of negative carbon emissions trading. Tradable assets for negative emissions, for example from waste incineration or bioenergy, could provide good investment incentives in these areas. There are good examples of projects going in this direction in the Nordic countries.

Public acceptance and/or support for climate change mitigation policies is key to reaching the targets

As we move towards more ambitious targets, climate change mitigation policies will be tightened. Public support or at least an acceptance for these policies is vital. Regulations with negative social consequences must be followed by measures ensuring a just transition. Otherwise, there is the risk of a severe backlash when targets are questioned or even reduced.

CBAM must not harm industry that use clean energy

When introducing the Carbon Border Adjustment Mechanism (CBAM), care should be taken not to harm existing European industry that use clean energy. As long as the EU's main international trading partners do not make equivalent efforts to price CO₂ in order to reduce GHG-emissions, carbon leakage remains an important issue. However, industrial actors are key for the electricity sector and for European value creation. Thus, their competitiveness must be safeguarded through the correct utilization of carbon leakage measures. Special indirect cost compensation is today given to those sectors documented to be at risk of carbon leakage. This compensation scheme may remain necessary to preserve the competitive position of Europe as a location for such energy-intensive industries.

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Nordenergi is the joint-collaboration between the Nordic associations for electricity producers, suppliers and distributors. Members are Swedenergy, Finnish Energy, Renewables Norway, Samorka, and Green Power Denmark. Overall, Nordenergi represents more than 2,600 market actors (member companies), most of them active in the electricity sector, but also in other areas such as district heating, gas, and services.