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To: European Commission, DG Energy

Nordenergi calls for market-based measures to accelerate industrial decarbonisation through electrification and hydrogen

Nordenergi is the collaboration between the Nordic energy associations Finnish Energy, Green Power Denmark, Renewables Norway, Samorka and Swedenergy. Nordenergi welcomes the initiative on the Industrial Decarbonisation Accelerator Act (IDAA).

Key messages

- Electrification and the use of clean hydrogen are the main solutions to accelerate the decarbonisation of the European industry.
- Increased flexibility, production and consumption should mainly be incentivised through price signals in the market.
- Carbon pricing through EU-ETS should be strengthened in accordance with a 90% CO₂-reduction goal for 2040.
- Predictability for electricity prices can be improved through increased use of market based PPAs.
- Investments in power grid need to be sufficiently incentivized and their permitting processes streamlined.
- The operation of the European Decarbonisation Bank should focus on immature technologies for the most cost-efficient ways to replace fossil fuels with electrification in the heavy industries.
- Creating lead markets is essential to promote uptake of clean industrial products and creating demand for clean hydrogen.
- Clean product labels are important for voluntary emission reduction market. EU regulation is needed to harmonize the metrics for emission reductions for products.

Electrification

Industrial decarbonisation is most efficiently done through electrification and use of clean hydrogen, as this both reduces the use of fossil energy and increases energy efficiency. Increased use of district heating and industrial excess heat will also contribute. These technologies must be based on renewable and other clean energy. System integration and efficient use of all energy carriers is needed to speed up the emission reductions.

Increased flexibility, production and consumption should mainly be incentivised through price signals in the market in addition to targeted support for uprisng technologies. Carbon pricing through the European Emissions Trading systems (ETS1 and ETS2) remains the primary instrument to incentivize electrification, the use of hydrogen and increased production of renewable and clean energy. These measures should be strengthened in accordance with a 90% CO₂-reduction goal for 2040.

Access to affordable energy

Access to affordable energy requires competitive energy markets and strong energy networks. While the electricity spot prices may be volatile, the predictability for electricity prices can be improved through increased use of market based PPAs, with the producers and buyers of clean electricity enter into long-term agreement. The planned establishment of a guarantee-mechanism with the European Investment Bank (EIB) to lower counterparty risks could foster PPAs and further new clean electricity generation and industries benefiting clean energy.

Energy grids are the backbone to provide energy for clean industries. Investments in power grid need to be sufficiently incentivized and their permitting processes streamlined. Simplification of administrative burdens in environmental legislation (Omnibus) should aim at streamlining especially electrification projects as well as upgrading the electricity grids.

Subsidies should mainly be given to boost the transformation of industries with the highest abatement costs at a European level. The operation of the European Decarbonisation Bank should focus on immature technologies for the most cost-efficient ways to replace fossil fuels with electrification in the heavy industries. National subsidies to reduce power prices distort the market and reduce incentives for decarbonisation.

Boosting markets for low carbon products

Production technologies for near zero carbon energy-intensive products such as steel, cement fertilizers, chemical industry intermediate products, glass and ceramics are well known and ready for commercialization. However, they are not yet competitive against fossil-based products. EU should be a global leader in climate neutral industry, to achieve emissions reduction target of 90 % by 2040. This should be done by strengthening the domestic demand and avoiding the fossil-based imports. Balancing clean transition and global competitiveness is delicate however, and de-industrialization must be avoided. Political market creation is required to achieve the ambitious goal of decarbonizing the heavy industry. Clean product labels is an important tool for voluntary emission reduction measures for individual companies.

We remain available for further discussion.

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Nordenergi is the collaboration between the Nordic associations for electricity producers, suppliers, and distributors. Members are Swedenergy, Green Power Denmark, Renewable Norway, Finnish Energy and Samorka. Overall, Nordenergi represents more than 2,000 market actors (member companies), most of them active in the electricity sector, but also in other areas such as district heating, gas, and services. For more information regarding Nordenergi please visit www.nordenergi.eu. EU Transparency register number: 85161125283-02.



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