

To: European Commission, DG Energy

Nordenergi fully supports the 90% emissions reduction target for 2040

Nordenergi is the collaboration between the Nordic energy associations Finnish Energy, Green Power Denmark, Renewables Norway, Samorka and Swedenergy.

Key messages

- Nordenergi fully supports an ambitious EU climate target and the intermediate 2040 target of 90 percent emission 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 2050.
- The target will lay the foundation for the development of an ambitious, cost-effective and supportive policy framework for the EU by 2040. A strong EU ETS is a key instrument for the emissions reductions.
- Reaching the target will require all zero and low carbon energy solutions (including renewables, nuclear, energy efficiency, storage, CCS, CCU, carbon removals, geothermal and hydro-energy, sustainable bioenergy and all other current and future net-zero energy technologies), reduce import dependencies
- Nordenergi agrees that any use of international credits needs to be based on a thorough impact assessment and on the development of Union law resulting in strong and ambitious integrity criteria and standards and on the establishment of conditions regarding the origin, timing and use of such credits. Only credits of high quality and clear additionality should be accepted. However, the use of international credits must not be at the expense of the price signal within the EU ETS.
- Nordenergi believes that a separate indicative target is needed for industrial carbon capture for removals (negative emissions) and utilization. Scaling up carbon removals is necessary for reaching both a 2040 target and to reach climate neutrality by 2050.
- Nordenergi agrees that a certain amount of flexibility both between sectors and between Member States leads to a more likely and more cost-effective achievement of targets, as the different Member States have different starting points and energy systems.
- Public acceptance and support for climate change mitigation policies is key to reaching the targets.

Nordenergi supports the 90% emissions reduction target for 2040

Nordenergi fully supports the proposed climate target by 2040 of a 90% reduction in net greenhouse gas emissions (emissions minus removals) compared to 1990 levels. The target can be considered in line with the Paris Agreement's objective of keeping the global temperature rise well below 2°C and pursuing efforts to limit it to 1.5°C.

Climate change is the greatest challenge of our time. Global warming is a threat to humanity. In the past year, extreme weather events amplified by global warming have led to deaths, extensive damage and huge costs. The work to limit climate change must accelerate and the EU should be a pioneer, as increased global warming in line with what the Earth is heading towards will be extremely costly. The cost of climate change is significantly higher than the cost of reducing emissions.

Efforts to limit climate change must be accelerated. The 2040 target will pave the way for the EU's climate neutrality target by 2050. It is valuable that the emission reduction between 2030 and 2040 takes place faster compared to the period 2040 to 2050, as the last remaining emissions will be more difficult and more expensive to reduce. In addition, the accumulated emissions will be lower compared to a linear reduction from 2030 to 2050.

An ambitious and robust 2040 target provides transparency and trust, creates stronger incentives for companies and industries to adapt, strengthens competitiveness and increases security through increased domestic energy production. Furthermore, European energy security, resilience and competitiveness will benefit because Europe has small domestic fossil resources. Hence, prices for fossil fuels will be higher than in the rest of the world.

Policy framework for EU 2040

A full and swift implementation of adopted but not yet fully implemented legislation, such as the Fit-for-55 package, is a cornerstone for achieving the 2040 target. To ensure long-term regulatory stability for businesses, it is necessary that adopted legislation is not fundamentally changed as it creates an unsustainable situation where Europe does not know what the future direction will be like.

The 2040 target lays the foundation for the development of an ambitious, cost-effective and supportive policy framework for EU 2040. However, the policy framework needs to focus on setting ambitious targets and avoid detailed and prescriptive legislation that is often poorly adapted to varying national circumstances. Nordenergi advocates a limited revision of relevant legislation within the Fit-for-55 package, including the ETS Directive, to ensure that the EU meets the 2040 target and to give Member States, citizens and industry time to implement and ensure consistency. The focus should be on harmonizing regulations and removing obstacles to rapid reductions in greenhouse gas emissions, not on watering down or overturning decisions. Changes to legislation must be based on thorough impact assessments and take a just transition into account to create acceptance.

The policy framework must have a technologically neutral approach that includes all zero and low carbon energy solutions (including renewables, nuclear, energy efficiency, storage, CCS, CCU, carbon removals, geothermal and hydro-energy, sustainable bioenergy and all other current and future net-zero energy technologies) and strive to reduce import dependencies.

Sustainable bioenergy plays a crucial role in Europe as an energy source. Sustainable bioenergy is essential for heat production and serves as an energy source for bio-CHP (combined heat and power) plants during the winter season. Criteria for bioenergy sustainability are defined in the Renewable Energy Directive. Carbon dioxide being of biogenic origin will be also increasingly important as raw material for fuels for challenging-to-electrify uses. Legislation and the operating environment must be enabling.

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.

International credits must not be at the expense of emission reductions

Nordenergi agrees that any use of international credits needs to be based on a thorough impact assessment and on the development of Union law resulting in strong and ambitious integrity criteria and standards and on the establishment of conditions regarding the origin, timing and use of such credits. Only credits of high quality and clear additionality should be accepted.

However, the use of international credits must not be at the expense of emission reductions within the EU or the price signal within the EU ETS. Nordenergi believes that if an inclusion of international reduction units in the EU carbon market is later considered, only permanent negative emissions of very high quality and environmental integrity should be allowed.

Separate target for permanent removals is needed

Nordenergi, as well as the European Scientific Advisory Board on Climate Change, believe that a separate target is needed for industrial carbon capture for removals (negative emissions) and utilization. The target could be indicative and it should be EU-wide. The removal targets can be formulated as targets for specific years, target trajectories, accumulated negative emissions or a combination. The main reason is that it reduces the risk of delayed emission reductions, delayed removal efforts or that investments are diverted from emission reduction activities.

Another important reason is that relatively large volumes of removals will be necessary to compensate for hard to abate emissions and to achieve net negative emissions after 2050. To achieve these volumes of negative emissions, a steady and predictable increase will be a robust strategy, since technologies for carbon capture and permanent removals take time to scale up for both technical and regulatory reasons. This also benefits the climate as accumulated negative emissions grow over time. The target should reflect the specific characteristics of permanent and temporary removals.

Carbon removals will play an indispensable part in reaching the EU's climate neutrality goal for 2050. Hence it is urgent that carbon capture for utilization and removals is 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 permanent removals (BECCS, DACCS) could be incentivized by a linkage with the ETS-system as proposed in the climate law proposal, but the decision to apply BECCS/DACCS must remain voluntary, and the companies need to have freedom of choice to decide what to do with the certificates received and to which party to offer them.

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.

Flexibility in target achievement between Member States and sectors

Nordenergi agrees that a certain flexibility both between sectors and between Member States means targets will be met in a more cost-effective way, as different Member States have different starting points and energy systems. Member States' targets and efforts for the period after 2030 should therefore be guided by cost-effectiveness and solidarity and consider national circumstances.

However, in addition to the above Nordenergi would like to point out that all Member States should have reached climate neutrality in 2050. This means that those that have reduced emissions less than the average must approach the average by 2040.

It is also important to ensure a fair and cost-effective distribution between ETS1, ETS2, ESR and LULUCF and that all sectors contribute to the targets. The precise ambitions for ETS2, ESR and LULUCF need to be carefully analyzed, taking into account, among other things, cost-effectiveness and public acceptance.

Public acceptance and/or support for climate change mitigation policies is key

As we move towards more ambitious targets, climate change mitigation policies will be tightened. Public support or at least 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.

We remain available for further discussions.

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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.