

Swedenergy's position paper on the EU climate ambition for 2030 and the design of certain climate and energy policies of the European Green Deal

Swedenergy collects and gives voice to around 400 companies that produce, distribute, sell and store energy. Our goal is to develop the energy industry – for the benefit of all, based on knowledge, an overall view of the energy system and in cooperation with our environment.

Summary

- Increase EU's 2030 climate target to at least 55 percent greenhouse gas (GHG) reductions. The linear reduction factor (LRF) should be adjusted to the revised 2030-target and take effect as soon as possible after the new EU ambition has been decided.
- Further promotion of climate-friendly electricity, heating and cooling is an indispensable path for the EU, since reducing GHG emissions requires urgent and far-reaching action.
- Extend the EU ETS to cover more sectors, inter alia by including the entire heating sector.
- The Market Stability Reserve's (MSR) intake rate should remain at 24 percent, i.e. not return to 12 percent after 2023 as currently stipulated by the ETS directive.
- Develop a European strategy for electrification, address the capacity issue and improve the investment climate for electricity networks. Electrification of transport, industrial processes and building often involve both energy efficiency and at the same time reduction of emissions.
- Create conditions for expansion of fossil-free district heating and combined heat and power since it both reduce emissions and take advantage of resources that would otherwise have been lost.
- Improve the conditions for research, development and demonstration projects within the energy field to facilitate and accelerate the transition to a fossil-free society.

Detailed views

Increase EU's 2030 climate target to at least 55 percent

Swedenergy supports the long-term vision of a climate-neutral EU economy by 2050 as set out in the Commission's communication "A Clean Planet for All", and later agreed by the European Council in December 2019. However, to achieve this, concrete and binding intermediary climate targets need to be set. More specifically, it requires a formalisation of the 2050 target in a climate law, as well as an increase of the EU's climate targets for

2030 in line with the proposed European Green Deal and the 1.5 °C target of the Paris Agreement. Swedenergy supports the 55 percent CO₂ reduction target but could also support a higher target.

For the power sector, Swedenergy strongly believes in the EU ETS framework as a driver to create carbon neutrality. While Swedenergy strongly supported the revision of the EU ETS directive agreed in 2017, the current EU ETS needs to be further reformed to better reflect the Paris Agreement's goals and to achieve the necessary carbon mitigation.

The EU Emissions Trading System (ETS) should be further strengthened

The new EU climate target should have a tightening effect on the EU ETS, with an increase of the current linear reduction factor (LRF) that should take effect as soon as possible after the adoption of the new target. If the adjustment is delayed, then the risk is that the LRF needs to be set disproportionately high to reach the same GHG emissions reduction by 2030, but in a much shorter timeframe. Such a disruptive shape of the ETS allowance cap trajectory would be clearly unfavourable since an early adaptation will create more predictability and a more cost-efficient reduction pathway.

The Market Stability Reserve's (MSR) main aim is to ensure a stable and significant ETS price. The intake rate should therefore remain at 24 percent after 2023 to maintain the MSR's current ability of preventing any new over-supply in the ETS market and a resulting collapse of the CO₂ price in the future. Furthermore, the effects of overlapping policies must be monitored. It should be secured that e.g. national decisions on decommissioning fossil fuel fired power plants lead to a withdrawal (cancellation) of a corresponding amount of ETS allowances.

It would also make the EU ETS more robust if more sectors were included in the system, as foreseen in the Green Deal. For the heating and cooling sectors, further measures are needed to make the sector carbon-neutral by 2050, by e.g. including the entire heating sector in EU ETS or by exposing individual heat boilers to an adequate CO₂ price through other means. This is important to ensure that all sectors contribute, and that the EU's climate strategy is cost-effective on the whole. When including small scale heating installations in EU ETS, an upstream approach for monitoring, reporting and verification should be implemented to maintain the cost-efficiency of the system.

The present EU ETS Directive is implemented differently in EU Member States regarding the inclusion of waste incineration plants. The rules on the possible inclusion of waste incineration plants within EU ETS must be clarified and harmonised.

We would also suggest that the Commission looks at the variety of different taxes to see how they interact with the EU ETS to create a level playing field within the EU between different sectors and between sectors included in the EU ETS and non-EU ETS sectors. A revised EU energy taxation directive adapted to increased climate ambitions would be instrumental in creating increased harmonisation across Europe. Such a revision should include a carbon component to tackle the higher ambitions and inclusion of more non-trading sectors in the climate mitigation work.

Renewable energy and energy efficiency

In the European Green Deal roadmap, a revision of the recently adopted renewable energy and energy efficiency directives is anticipated before June 2021. Swedenergy

believes that target levels of the 2018 directives should be maintained and that the increased climate ambition should be borne by the climate legislation, i.e. the Effort Sharing Regulation (ESR) and the ETS. Renewable energy is highly competitive today and needs no further support. Swedenergy believes carbon pricing to be the most efficient tool to foster energy efficiency and renewable energy. To ensure a stable regulatory framework for market actors, the provisions of the recently adopted RES and EE directives should not be re-opened for the time being.

Despite strong climate targets and carbon pricing as the principal tool to drive energy transition, support for R&D and market introduction of immature technologies might still be needed to achieve carbon neutrality in the energy sector and promote an increased share of renewables in both the power sector and for heating and cooling (as well as the technology leaps needed in the industry). Besides developing carbon-neutral energy sources, system-supportive technologies such as flexibility solutions and plannable RES capacity will be key instruments. Incentives are also needed for biomass-CCS (BECCS) to promote the negative CO₂ emissions that are needed to reach a “net-zero” goal, bearing in mind that the EU ETS does not, per definition, give any incentives to reduce GHG emissions below zero. Maintaining or increasing the high level of EU expertise in low-carbon technologies is also an important aspect to consider when deciding on where to direct EU funding.

Heating and cooling in buildings and industry accounts for about 50 percent of the EU’s total energy use. Energy efficiency measures in the building sector should be technology-neutral to the choice of efficient heating and cooling sources and focus on efficient climate-shells in buildings. To a large extent, heating in Europe is based on individual boilers with low efficiency that also cause air pollution and health problems for citizens. Also, there are many large-scale inefficient thermal power plants in many European countries. Instead, the share of high-efficient combined heat and power production needs to increase, as well as waste heat and the use of renewable fuels, such as forest residues, residues from industries or residual waste remaining after collection, re-use and material recovery. More efficient use of primary energy in small- and large-scale plants should be addressed in all legislation. Also, the positive health aspects of co-generation of electricity, heating and cooling in large scale plants should be considered. Securing indigenous sustainable sources is essential if climate targets are to be met. Consequently, the risk-based approach towards sustainability of forest-based biomass, that was established through the recently revised renewable energy directive, must be safeguarded also in the future.

As for transport, the clean mobility packages will bring new and tightened CO₂-standards and public procurement requirements for light and heavy vehicles. However, the levels are generally too low to deliver on the Paris commitments. The future legislative framework also needs to take a stronger well-to-wheel perspective than is the case with the current separation of vehicles and fuels as well as an integration of an electrified transport sector in the energy system.

Electrification strategy, power supply and power grid

Electrification has a great potential in reducing the carbon dioxide emissions in the transport and industry sectors, as well as in buildings. Therefore, a European electrification strategy may be needed, which should contain proposals to eliminate potential barriers to electrification, such as grid constraints.

To achieve the ambitious climate targets a large part of electricity generation in Europe is likely to come from renewable weather-dependent (intermittent) sources of energy. It creates challenges to meet the demand of power at all times of the year. This should be specifically addressed and any obstacles to demand flexibility, flexible fossil-free energy generation, storage and expansion of power networks both nationally but also between countries should be eliminated.

For more information

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