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

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

- Swedenergy fully support an ambitious EU 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 2050. Furthermore, the investor community will get more clarity and confidence about the EU's decarbonization path ahead. It should also lay the foundation for the development of an ambitious, cost- effective, and highly supportive EU 2040 policy framework.
- Swedenergy proposes that the emission reduction between 2030 and 2040 is more rapid compared to the period 2040 to 2050. The rationale is the fact that the last remaining emissions will be harder and more expensive to abate. Furthermore, the accumulative emissions will be lower compared to a linear reduction.
- Permanent negative emissions are needed for the EU to reach the goal of climate neutrality by 2050. This is because there will be emissions of greenhouse gases that are difficult, impossible and/or very expensive to mitigate. To reach net zero emissions these remaining emissions need to be compensated with permanent negative emissions. Hence, negative emissions and a robust and appropriate framework needs to be included in the EU 2040 framework.

A 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 as it will create immense business opportunities.

Swedenergy is a strong supporter of an ambitious EU 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. The 2040 target will pave the way toward

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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.

Swedenergy encourages EU policymakers to maintain the RePowerEU pace, which represents a speedier transition towards climate-neutrality than what could be achieved through the implementation of the 'Fit for 55' Package alone.

Taking cost effectiveness and carbon budget into account

Swedenergy proposes that the emission reduction between 2030 and 2040 is more rapid compared to the period 2040 to 2050. The rationale is the fact that the last remaining emissions will be harder and more expensive to abate. Furthermore, the accumulative emissions will be lower compared to a linear reduction.

Permanent negative emissions (PNE)

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 incentivise 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 heat 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 should focus and encourage on permanent carbon removals (BECCS and DACCS) as they will ensure climate benefits due to the very stable and long permanence compared to e.g., carbon farming. Therefore, Swedenergy proposes establishing separate targets for GHG emissions reductions, naturebased removals, and permanent industrial removals. Such tailored approach would prevent hampering the functioning of proven decarbonization tools, like the Emissions Trading System, until the uncertainties regarding the accuracy and scalability of removals is proven.

Permanent negative emission flexibility

Swedenergy encourages policymakers to analyze what flexibility that should be permitted for permanent negative emissions to have towards ETS, LULUCF and/or ESR. However, negative emissions should not be used to compensate the nothard-to-abate fossil emissions.

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A framework for reporting, claiming and accounting of permanent negative emissions (PNE) is needed

A robust regulatory framework for PNEs is needed to achieve the fastest and most cost-effective development of BECCS projects. In practice, the regulations need to enable an efficient trade in certificates from PNEs to be carried out between companies on the one hand and between nations (Member States) on the other, and to enable co-financing between the national and corporate actors of actual BECCS projects. BECCS projects must be able to become profitable through revenues from the market for large scale PNEs to be realized.

Swedenergy therefore urges the Commission to propose a framework that lays the foundation for trade in certificates of PNEs. Such a framework for PNEs at both national and company levels has four dimensions that all need a solution:

1. In which of the EU sector targets (LULUCF, ETS, ESR, or a new separate sector) should PNEs be accounted
2. Reporting of the physical PNEs
3. Accounting, *i.e.*, which claims different parties can make
4. Public registries of the certificates. A standardization of what information a PNE certificate should carry.

Permanent negative emissions should be reported in a separate sector in the EU's regulatory framework

There are clear benefits with BECCS and DACCS being reported in the same sector. The rational is that quantification of captured carbon dioxide can be done

with high accuracy and the underground storage of the carbon dioxide is permanent. Furthermore, it differs compared to the storage of carbon dioxide in forests and land, which have a shorter lifespan and have significantly greater risks of leakage.

PNEs have no natural place in either the LULUCF, the ETS or the ESR sector. Therefore, Swedenergy recommends that a new separate sector (a new “pillar”) should be created. The sector should have its own target trajectory corresponding to the PNEs needed to compensate for the greenhouse gases that are technically difficult/impossible to mitigate and the emissions that are too expensive to mitigate. The target trajectory is built up by summing up each Member State target trajectory for PNEs.