

Swedenergy's position on the proposed amendments to the EU Emissions Trading System (EU ETS) directive

Swedenergy is a non-profit industry and special interest organisation for companies that supply, distribute, sell, and store energy. Mainly electricity, heating, and cooling. Swedenergy monitors and promotes the interests of its members and the Swedish energy sector in general. The organisation has a total of 400 members, which includes state-owned, municipal, and private companies as well as associations within the energy sector.

Swedenergy's views can be summarised as follows¹:

- Swedenergy is a strong supporter of the increased 2030 ambition of 55 per cent. The expansion of climate-friendly electricity, heating and cooling is an indispensable path for the EU since reducing GHG emissions requires urgent and far-reaching action.
- Swedenergy supports the alignment of the **linear reduction factor (LRF)** and the one-time adjustment downward of the emission cap to reach the new 2030 ambition.
- We support the inclusion of the **maritime sector** in the EU ETS and that the **Market Stability Reserve (MSR)** intake remains at 24%. The measure to include a buffer system to reduce sharp threshold effects is also well justified.
- We are positive to including the **building and transport** sectors in the EU ETS, initially as a separate enclosed system which is evaluated before integrating it into the regular ETS-system. While the heat market in Sweden is practically fossil-free, buildings in Europe are predominately heated using fossil sources and the same goes for transport. The creation of carbon price signals is accordingly essential.

However, in the light of this expansion we want to stress the importance of analysing possible changes in related EU-instruments in order to achieve a cost-effective reduction of emissions. It is generally of outmost importance that the different proposals of the Fit for 55 package are coherent and mutually supporting. In this regard, Swedenergy regrets that the Energy Taxation Directive has more of a fiscal focus, and misses the opportunity to introduce a carbon tax component in the non-trading sectors.

- As advocates of clear incentives, Swedenergy opposes the introduction of a **threshold** of a maximum of **95 per cent bioenergy use** to qualify for free allowances. Such a restriction would in the Swedish case imply a negative incentive that could limit the phase-out of the final fossil percentage-points in district heating.

- Currently, only Sweden, Denmark and Lithuania include waste-to-energy installations in the Emissions Trading Scheme. In order to create a level playing field across Europe, Swedenergy would strongly advocate a **harmonised approach to the inclusion of waste-to-energy plants** into the EU-ETS system. Ideally, all plants should be included part in the EU ETS. If this cannot be achieved, all EU waste-to-energy plants should be excluded. Regardless of whether they are included in the system or not, a clear definition of waste-to-energy installations would be beneficial.
- Swedenergy opposes the requirement in article 10c for **energy efficiency mapping measures to have a payback time shorter than five years** in order to receive free allowances. In Sweden this would imply far-reaching consequences as most district heating facilities in Sweden will be covered by the proposal, given that the revised EED also proposes a lower threshold for which facilities should perform such mapping. Swedenergy believes that plant operators are better suited to take decisions on what measures are the most optimal. For instance, sometimes greenfield investments could be better from an environmental and economic perspective than an energy efficiency measure in an existing plant.
- The proposal on the **modernisation fund** is a welcome step in the right direction as projects involving fossil fuels will no longer be eligible for funding.

For more information

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