

## Swedenergy's position paper on the European Commission's 2050 climate strategy

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 supports the EU's emission reduction target to 2050 but given the objectives of the Paris agreement we propose that the climate targets must be tightened further. Swedenergy therefore calls upon the European Commission to propose a sharpening of the 2030 target and propose new target levels in line with the Paris agreement for 2040 and 2050.
- Swedenergy proposes a tightening of the linear reduction factor in EU ETS by at least 2,6% per year for the whole period between 2020-2050.
- The effect of the market stability reserve and overlapping policy measures should regularly be analysed and if necessary, changes should be proposed to strengthen the EU ETS for ETS to have the guiding effect as intended.
- Ensure a well-functioning fully integrated electricity market that gives correct price signals for investments by creating long-term sustainable stable rules.
- 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.
- Increase investments in research, development and demonstration projects within the energy field to facilitate and accelerate the transition to a fossil-free society.

### Detailed views

#### *The EU's climate target should be tightened*

Swedenergy supports the EU's emission reduction target to 2050, but given the objective of the Paris agreement to make efforts to limit the temperature increase to 1,5 °C above pre-industrial level we consider that the European Commission should propose a tightening of the 2030 target and also propose new target levels that are in line with the

Paris agreement by 2040 and 2050 for both sectors covered and not covered by the ETS. It is important that the EU shows leadership in the climate challenge and set goals that are in line with EU's commitments in the Paris Agreement. Swedenergy wants to develop an in all parts sustainable energy system and we support Eurelectric's goal of becoming climate neutral in a good time by 2050.

The Swedish energy sector has made a powerful transformation and is on its way to become climate neutral. A total of 98 percent of electricity generation in Sweden is fossil free and over 90 percent of all district-heating delivered is renewable or recycled. Swedenergy's members have high ambitions to contribute to our national, European and global climate goals. Swedish energy companies can serve as an example that a transition to decarbonised energy production is possible and can also contribute with valuable knowledge and experience. We see great opportunities for how a decarbonized energy sector can contribute to the decarbonization of transports, industry and buildings, to the introduction of new industry in Europe such as data centers and to make use of more waste heat, residues from forests and waste streams in district heating.

### ***Strengthening of the EU ETS is needed***

EU ETS is a cost-effective instrument for reducing greenhouse gas emissions, which stimulates competitiveness and socio-economic efficiency. The EU ETS works well together with the energy markets. The EU ETS should therefore be the primary instrument for reducing emissions in the sectors covered by the ETS. Swedenergy proposes a sharpening of the linear reduction factor in the EU ETS to at least 2,6 percent per year for the entire period between 2020-2050. The sharpening is needed to limit the temperature increase to 1,5 °C above pre-industrial level.

The effect of the market stability reserve should be analysed on a regular basis and if necessary, changes should be proposed. Furthermore, the European Commission should regularly monitor how other legislation in the field of energy affects the demand of emission allowances and if necessary take measures to strengthen the EU ETS in order for ETS to have the guiding effect as intended. Complementary emission reducing measures outside the EU should be credited in accordance with internationally agreed rules. Some flexibility is needed to achieve the climate target as cost-effective as possible.

### ***Measures for emission reductions in the non-ETS sector***

Swedenergy considers that carbon dioxide tax is an effective instrument for the non-ETS sector. Despite the difficulties within the EU to agree on environmental taxes, Swedenergy still urges the European Commission to consider a carbon tax. Instruments for the non-ETS sector aimed at achieving the agreed targets need to be based on an overall view that balances the dimensions of security of supply, competitiveness and sustainability.

### ***The importance of international agreements***

Europe cannot solve the climate challenge on its own. The EU therefore still needs to take a leading position in pursuing high ambitions regarding the targets and implementation within the framework of international climate agreements.

### ***Electricity Market design to achieve the climate targets***

Ensure a well-functioning fully integrated electricity market that provides accurate price signals for investment. The conversion of the European energy sector will require tremendously large investments by 2050. The energy sector builds and manages long-term society-critical infrastructure with high capital requirements. It is therefore crucial to create long-term sustainable stable rules for reducing market risk to provide the right incentive for investments that are in line with the climate targets. To create a well-functioning electricity market, we want to point out the benefits of regional cooperation. The Nordic electricity market can serve as an example with an integrated market and strong transmission links both within the Nordic region and with the surrounding countries.

### ***Electrification strategy, power supply and power grid***

The Swedish energy industry's biggest contribution to reducing carbon dioxide emissions is as an enabler for other industries to reduce their emission through direct or indirect electrification and utilisation of recourses that otherwise would have been lost in district heating operation. Electrification has a great potential in reducing the carbon dioxide emissions in the transport-and industry sectors, but also in buildings. Therefore, a European electrification strategy may be needed, which should contain proposals to eliminate potential barriers to electrification.

In order to achieve the ambitious climate targets a large part of electricity generation in Europe is likely to come from renewable weather-dependent sources of energy. It creates challenges to meet the demanded 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.

### ***Research and development***

Increase efforts on research, development and demonstration in the energy field to facilitate and accelerate the conversion to a decarbonised EU. For instance, we make the assessment that more research is needed on storage of energy, fuel in the transport sector, carbon capture and storage of both fossil (CCS) and renewable (BECCS) carbon dioxide emissions and research in innovative nuclear power.

#### **For more information**

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