

Nordenergi supports increasing the EU's Climate ambitions

Climate change poses a fundamental threat to our planet. The electricity sector is therefore committed to lead the way in decarbonising the European economy. Nordic electricity supply is already well underway towards climate neutrality before 2030. Further utilisation of carbon free electricity will be a cornerstone in decarbonisation of transport, industry and heating.

Summary

- Nordenergi supports the European Commission and the European Parliament's ambition for net-zero carbon emissions in the EU by 2050.
- As soon as agreement is reached, the 2030 climate target should be aligned with 2050 climate neutrality in line with what has been proposed by Commission President elect, Ursula von der Leyen.
- The EU Emissions Trading Scheme (ETS) should be further strengthened to deliver a meaningful carbon price that drives electricity and industry decarbonisation, and further widening of the scheme should be explored.
- Ensure a well-functioning, fully integrated power market and develop a European electrification strategy.
- Promote smart integration of energy systems and energy efficiency
- Ensure that the assumptions made in the preparatory modelling work is based on accurate and updated data.

Detailed views

New and more ambitious climate targets for 2050 and 2030.

The global climate agreement from December 2015, sets out a clear obligation to keep global temperature rise well below 2 degrees Celsius and to pursue efforts to 1.5 degrees. For Europe to contribute fairly to this ambition, a net-zero carbon EU by 2050 must be pursued. After a thorough analysis of all sectors of the European economy, the Commission presented a vision of a carbon neutral European economy by 2050. Nordenergi warmly supports the European Commission strategy for a net-zero carbon society well before 2050. This will require significant efforts in both the energy sector, industry, buildings, transport and regarding land use and land use change.

In the interest of cost-efficient decarbonisation, focus should be on early actions. At the same time, maintaining economic competitiveness and ensuring a just transition during the decarbonisation of the European economy is vital for the EU. Nordenergi supports an increased ambition towards a 55% target GHG reductions by 2030 in order to be in line with the Paris Agreement.

Strengthening of the EU ETS is needed

This new climate push will give the EU Emissions Trading Scheme (EU ETS) an even more central role. Although, no silver bullet will deliver an ambitious 2050 strategy, the EU ETS remains the main climate

Nordenergi is the joint-collaboration between the Nordic associations for electricity producers, suppliers and distributors. Members are Danish Energy, Energy Norway, Finnish Energy Industries and Swedenergy. Overall, Nordenergi represents more than 800 market actors (member companies), most of them active in the electricity sector, but also in other areas such as district heating, gas and services.

policy instrument. The EU ETS should be the main tool for ensuring cost-effective and flexible emission reductions in the industry and energy sectors. It is harmonized across the EU and works well together with the internal energy market. Despite recent increases in the allowance price, which to a large extent can be referred back to the ambitious line of the European Parliament in recent ETS negotiations, the ETS will at current prices not deliver the transition to a net-zero carbon society on its own. Hence, the European Commission should regularly monitor the effect of the EU ETS and if necessary take measures to strengthen the system in order for ETS to have the guiding effect as intended. The alternative to EU ETS is a patch work of national policies which would be much less cost-efficient.

To further strengthen the EU ETS:

- Extend the 24 % intake in the market stability reserve to 2030, or if necessary increase the level even further.
- Better assess the impact of overlapping policies on the functioning of the ETS. 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.
- Align the linear reduction factor with the 1.5 degrees pathway agreed in the Paris agreement.
- Explore the possibility of extending ETS to new sectors, such as heating and transport. Bearing in mind Electrification of new sectors as gateway to incorporate other sectors in the EU ETS. i.e. replacing their fuel consumption with electricity, as electricity production is already fully covered by the ETS.

Electricity market design needed to provide price signals

The climate transition will require significant investments over the next decades. Well-functioning, fully integrated energy markets are needed to provide strong short and long-term price signals. Member States should implement the Clean Energy Package in proper time, and the enforcement of these rules by national regulators and the European Commission is of high importance.

Further, proper regulatory conditions for the deployment of renewable energy needs to be promoted by strengthening EU ETS, increasing regional cooperation and better national planning processes.

As demand side flexibility, storage, electric vehicles, individual heating and decentralized production progresses, the need for robust grids and stable framework conditions becomes more prevalent. DSOs will play a key role as market facilitators in this context and should be given the flexibility to pursue innovative solutions under a forward-looking regulatory framework.

Develop a European electrification strategy

Substantial electrification will be of key importance. In the Commission's 2050 analysis it is stated that:

"This analysis shows that the most important single driver for a decarbonised energy system is the growing role of electricity, both in final energy demand and in the supply of alternative fuels, ..."

Electrification will be a key enabler for decarbonisation in many sectors, notably in transport, heating and cooling as well as industrial processes. However, electrification should be based on carbon neutral energy sources.

As electrification will be a key component in decarbonisation, investments in clean energy, grids and demand side solutions will be needed. An overall strategy to address these issues at European level should be developed. The strategy should assess barriers to wide-scale electrification and suggestions to remove these.

Also the potential and market barriers for indirect electrification (power-to-x), where carbon neutral electricity is used to produce green gas or green fuels should be assessed in the strategy.

Smart integration of energy systems and energy efficiency

Digital solutions should be encouraged to be developed and implemented enabling Europe to cost-efficiently, making the transition to 2050 with a smart grid, possibility for flexibility products and a customer oriented and user-friendly digitalised market.

Coupling the growing electricity and district heating and cooling sectors will allow to integrate heat storage, recycled heat, renewable fuels, hydrogen and biogas, large-scale heat pumps, biofuelled combined heat and power with carbon capture and demand side flexibility into a smart system. New energy services will be at the core of circular economy, green mobility and smart cities of the future.

Energy efficiency measures should be designed to maximise CO₂ mitigation, by focusing on heating and transport based on fossil fuels. Electrification can play a significant role in both increasing efficiency and removing GHG emissions from heating and transport.

Conditions for expansion of fossil-free district heating and combined heat and power should be improved to reduce emissions and take advantage of resources that would otherwise have been lost e.g. waste streams and waste heat.

Assumptions made in the preparatory modelling work must be based on accurate and updated data

The 2050 strategy will be a key driver for future policy design preferences in the European Union. It is therefore of crucial importance that the assumptions made in the preparatory modelling work ahead of new legislative proposals is based on accurate and updated data.

During the negotiations on the recently adopted Renewable energy directive, cost assumptions for renewable energy in the Commission modelling was heavily criticized for being too high. This issue should be carefully assessed and addressed regularly.

The Nordic region is already leading in Europe in low-cost, carbon free electricity. With ambitious climate targets that role could be further enhanced to the benefit of the Nordic region and Europe as a whole. Nordenergi look forward to taking part in a constructive debate on how to achieve the new targets and remain at your disposal for any questions you may have.