



# NORDIC BUSINESS FEDERATIONS' VISION

FOR A POST-2030 ENERGY AND CLIMATE FRAMEWORK

Why and how the EU must ensure decarbonisation  
and competitiveness go hand in hand?



# Nordic business federations' vision

## for a post-2030 energy and climate framework

We need a Clean Industrial Deal that supports a business case for European companies to meet their net zero goals without jeopardising their global competitiveness. The future competitiveness will only be achieved through a clean and resilient industrial backbone. Therefore, the forthcoming post-2030 climate architecture including the 2040 climate targets should be integral to the Clean Industrial Deal.

### **Main considerations for a post-2030 framework:**

- European competitiveness and ambitious climate policies must be coherent and mutually reinforcing – we cannot have one without the other.
- Scaling down ambitions on the clean transition is not an option. The EU's transition to climate neutrality is our best strategy to create long-term prosperity in Europe with a resilient, competitive and well-prepared industrial base.
- The Clean Industrial Deal must support the agreed commitments to climate neutrality, and simultaneously support the coming 2040 climate target, the revision of the European Climate Law and the post-2030 framework.
- The EU must set an ambitious climate target by 2040 and prepare the climate policy architecture beyond 2030. The Nordic business community stands united behind ambitious efforts to ensure climate neutrality nationally.
- We must move the focus from regulation to implementation – in order to reach the 2040 target, we must first reach the 2030 target. The toolbox is set and agreed upon; now is the time to deliver.

# The task: A climate-neutral and competitive EU

The EU needs a clear route to climate neutrality, which enshrines energy and resource security, competitiveness as well as long-term commitments to climate resilience and biodiversity. Hesitation will impact businesses with stranded assets and create barriers for investments. The EU's competitiveness must be strengthened. The solution is not to scale back on our climate and energy policies to achieve a short-term economic relief for some sectors. The long-term consequences of slowing down will lead to further loss of competitiveness and a failure to fulfil our climate obligations. We should highlight industries that have made the necessary investments to transition and continue to incentivise and inspire those who are lagging behind. We cannot risk postponing our climate and energy transition to protect the EU's competitiveness – it is an interlinked challenge with a common solution

The EU needs to make bold decisions now and deliver on our policies to ensure decarbonisation and competitiveness go hand in hand. **We support that the net reduction target for 2040 should at least follow the average trajectory between 2030 and climate neutrality in 2050, or even higher depending on the functionality of the whole framework and measures.**

To succeed in the EU's efforts to become a climate-neutral and competitive union in line with the EU Commission's recommended 90% 2040 climate target, we ask European leaders to:

- 1 **Implement the Fit-for-55 and pre-2030 frameworks**
- 2 **Decarbonise industries and sectors that have not decarbonised yet**
- 3 **Support technology neutral and cost-efficient decarbonisations**
- 4 **Close clean investment gaps**
- 5 **Design ETS for a post-2030 framework**
- 6 **Improve CBAM to avoid carbon leakage of European industries**
- 7 **Strive towards a global price on CO<sub>2</sub>**
- 8 **Fast-track permitting for clean technologies**
- 9 **Acknowledge the pivotal role of energy infrastructure**

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## Implement the Fit-for-55 and pre-2030 frameworks

The immediate step in the efforts to support European industrial decarbonisation and competitiveness, should be to implement existing legislation under the Green Deal. Finalisation of the secondary legislation should be prioritised to reduce legal uncertainty for companies. Furthermore, the Fit-for-55 package, including the Renewable Energy Directive, Energy Efficiency Directive, Energy Performance of Buildings Directive, both ETSs and CBAM, should be implemented in national legislation in all Member States.

The EU should take advantage of the upcoming Governance regulation reform to better recognise Member States' capacity to achieve their climate objectives by using their expertise, resources, and technologies to the fullest, respecting national competencies regarding the energy mix. The National Energy and Climate Plans must be delivered by Member States according to deadlines and ensure the delivery of the overall European net-zero objectives.

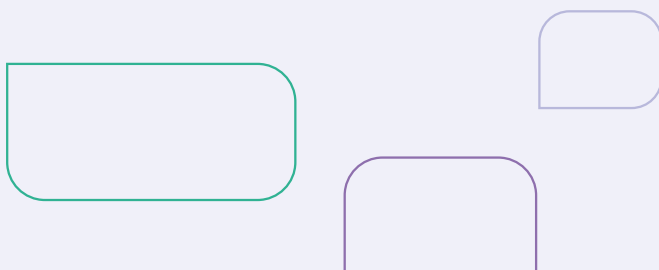
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## Decarbonise industries and sectors that have not decarbonised yet

The EU must ensure competitive framework conditions for the decarbonisation of our industries, targeting especially the hard-to-abate industries and sectors that have not been decarbonised yet. We need a strong Clean Industrial Deal followed by initiatives such as the Industrial Decarbonization Accelerator Act that supports investment planning, efficient and transparent permitting processes and decision to decarbonise value chains. The EU must pursue a market based and technology neutral approach that harnesses the innovation potential of the different technologies and help build markets, e.g. through public procurement and level the international playing field to competitive decarbonisation.

To achieve this, the EU should leverage the strengths and technologies already proven to facilitate **decarbonisation cost-effectively;**

- a) Ensure supply of clean energy. Electrification of energy-intensive industries will be crucial for achieving both energy efficiency gains and integrating the industrial sector with the electricity grid.
- b) Continue efforts to optimize the energy use in collaboration with the business sector through adequate energy efficiency measures, taking into account other cost-efficient measures to reduce emissions and climate impact of operations.
- c) Support the scale-up of carbon capture, storage and utilisation technologies to achieve the final emission reductions in energy-intensive industries.
- d) Support circular economy technologies such as re-use and recycling to decarbonise across the value chain.



### 3

## Support technology neutral and cost-efficient decarbonisations

A technology neutral approach is essential to find the most cost-efficient alternatives to accelerate the decarbonisation of the European energy supply and industrial decarbonisation. We welcome the ambition of the new Commission to ensure that technology neutrality should be ensured in the EU's policy making. A concrete mechanism, could be for the EU to implement a 'technology neutrality-check' in the energy and climate framework so that all renewable and low-carbon energy sources are equally treated.

When policy and legislation are steering which current technologies, types of production and materials that should be supported, it risks disfavours other innovations and technologies that are equally important to reaching the EU's Net Zero Targets. We therefore support broad solutions that create competitive framework conditions for businesses in general, rather than selective measures and fast-track solutions for specific sectors, technologies or types of production.

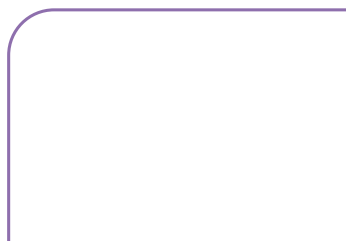
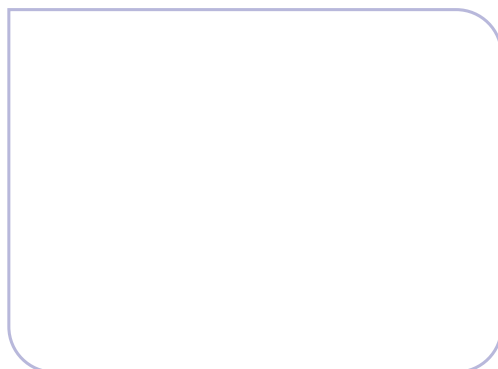


## Close clean investment gaps

The EU should play an active role in financing green competitiveness by reducing risks associated with private capital. According to Draghi, there is an investment gap of 800 bn EUR in the next five years to ensure European competitiveness. The EU budget will never be able to cover the gap alone, so it is key that the EU ensures competitive framework conditions that attract private capital.

Reducing financial risks can be achieved through various mechanisms, including guarantees, loan facilities, and risk-sharing instruments. EU financial institutions, such as the European Investment Bank, should play a key role in developing and implementing these risk-sharing and risk-reducing instruments. The use of the EU budget should go hand-in-hand with a strengthened European capital market union for private investors as well as an overall reduction of regulatory burdens.

When European funding is deployed, it should follow key principles in order to be used in the most cost-efficient way. These should adhere to the principle of excellence, so that the funding is directed to the best projects and innovations across the European region. Furthermore, the principle of impact should be integrated across European programs to ensure that projects funded will result in decarbonisation efforts across the value chain.



## Design ETS for a post-2030 framework

The use of carbon pricing should stay the main feature of the EU's post-2030 framework, and should be introduced in all sectors. The EU's Emission Trading System has proven to be key to the EU's climate change efforts. By 2030, the ETS1 and ETS2 will cover more than 80% of the EU's emissions by 2030. This means that the current structure (divided between ETS sector, effort sharing and land use sector) must be evaluated and made fit for the post 2030 purpose.

By around 2040, emission caps of both ETS1 and ETS2 are expected to reach zero. To ensure a stable investment framework, legislative adjustments need to be made at an early stage, to avoid liquidity problems and extreme price pressure. Negative emissions should be integrated into the ETS. This will allow new innovation and technologies such as carbon capture, utilisation and storage/usage (CCSUS) to flourish and prepare the ETS for climate neutrality.

We suggest revisions to allow negative industrial emissions by storing or use of captured CO<sub>2</sub> (for instance producing e-fuels, materials or feed) to be incentivized through ETS and other relevant mechanisms. This must be backed up by strong efforts on CO<sub>2</sub>-management and infrastructure as part of the EU's climate transition. In addition, the expansion of ETSs or the creation of a new ETS could be considered based on a proper impact assessment.

The energy and climate architecture beyond 2030 must pursue simplicity and efficiency. Overlaying complexities such as using both ETS, effort sharing regulation and sector specific policies for the same objectives is counterproductive – and not fitted to EU climate neutrality. We support revising the architecture to avoid controlling GHG emissions with overlapping regulation, like carbon taxes and ETS simultaneously.

Considerations on competitiveness and energy security must be carefully monitored when reviewing the ETS and lessons learned from more than two decades of carbon leakage protection, including CBAM, should be part of the future review.







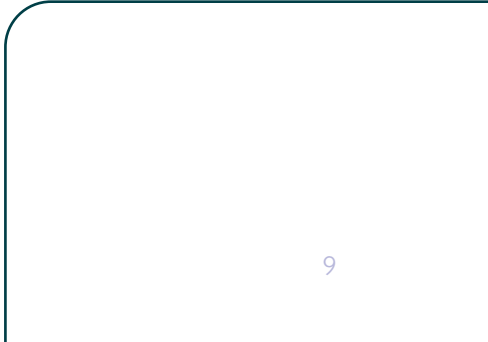
# Improve CBAM to avoid carbon leakage of European industries

The EU must stay at the forefront of the international effort to combat climate change. The sectors pushing ahead with the transition should not be outcompeted by unfair competition and comparatively larger administrative burdens while transitioning to a cleaner future. CBAM as a carbon leakage instrument can be the right tool to complement free ETS allowances.

However, the mechanism should also be supplemented with carbon leakage protection for the export-oriented part of European production. Competing outside the EU market, while maintaining CO<sub>2</sub>e-reducing schemes domestically can prove to be too harsh for Europe's business ability to compete and invest in the EU's markets. The cost gaps to competitors outside Europe must be monitored and addressed decisively, in combination with acceleration in the speed of deployment of decarbonisation alternatives. Businesses need predictability and comparable conditions to produce, innovate and re-invest in Europe's future.

To support the export-oriented sectors where CBAM does not provide a solution, there is a need to accelerate the work on CBAM's critical parameters. This entails the definition of a WTO-compatible export support scheme, which is crucial to maintain the competitiveness of European products in third markets. One such measure could be maintaining full free allocation for that part of the production which is destined for export. Should CBAM in general prove to be ineffective in preventing carbon leakage, it will be important to reconsider the phase-out of free allowances early enough to ensure effective carbon leakage protection. In addition, the EU ETS indirect compensation should be kept as long as there is a risk of carbon leakage. These must include those industries considered at high risk of investment and carbon leakage until there are technological and affordable alternatives.

The upcoming revision must comprise a simplification of the CBAM framework, in order to reduce the administrative burden (e.g. the de-minimis threshold value of could be higher than 150 euros, default values should be allowed to be used for smaller importers where no qualified emission data is available), and ensure transparency as in the ETS to monitor the embedded CO<sub>2</sub> trade. The mechanism should only be expanded with the approval of the affected sectors and be based on proper impact assessments.



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## Strive towards a global price on CO<sub>2</sub>

The EU should lead the parties of the Paris Agreement to develop robust and transparent international carbon trading. There are several ways to secure a global CO<sub>2</sub> price mechanism, and the EU should investigate how the Article 6 of the Paris accord can contribute to this alongside the frameworks of CBAM and ETS. The EU should assess how international emission reduction units could be operationalized and aligned with the EU's energy and climate framework, like in ETS. Lessons learned from the JI/CDM mechanism (Clean Development Mechanism (CDM) and Joint Implementation (JI)) must be considered, but transparency through surveillance has greatly improved since. We must ensure continued trust and integrity in the EU ETS and the introduction of Article 6 units must be backed up and monitored closely to safeguard the allowance prices. We need investment flows to be directed into Europe's economy while contributing with a fair share of international financing as part of EU's international leadership.

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## Fast-track permitting for clean technologies

Faster permitting is the easiest fruit to harvest for advancing the clean transition and boosting competitiveness. The permitting processes in the EU must be as fast and efficient for European companies so that they can bring products and energy projects to market as quickly as in competing regions. The time it takes to obtain permits undermines a willingness to invest in Europe. More efficient and transparent permitting processes for clean tech are crucial to reaching the EU target for climate neutrality by 2050, and to ensure a stable investment framework that fosters competitiveness.

In addition, a more systemic approach to streamline the permitting policy needs to be undertaken by the Commission to ensure policy coherence between different legislations affecting the permitting processes. We must reduce overlaps and cut red tape. This can be achieved, for example, by implementing parallel steps in the approval processes instead of consecutive ones, introducing emergency or fast-tracking permitting and exempting installations that support the green transition under the RED. Furthermore, the Commission should consider a REFIT for EU and Member State permitting legislation with a view to ensure a systemic approach and policy coherence in the efforts to streamline and speed up the European permitting framework.

## Acknowledge the pivotal role of energy infrastructure

A low-emission future implies a significant and rapid build-up of energy infrastructure. Building this infrastructure is the most important effort of the green transition and must be EEA-wide. Massive investments are needed, on an unprecedented scale, as well as permits to build the infrastructure faster than ever before.

To get to net-zero emissions, we need a pan-European energy system where digitalisation ensures efficiency and flexibility between energy production, energy storage and demand. The huge investments needed must come from a mix of public and private capital and be in parallel with a rapid build-up of all forms of low-carbon energy production, energy storage and carbon capture use and storage capacities. Digitalisation can support demand side measures to ensure flexibility and best system utilisation practices needed in a more fluctuating, weather-dependent energy system.

More funding must be allocated to the Connecting Europe Facility for Energy (CEF-E). While the CEF-E programme allows for financing of cross-border infrastructure, it is fundamentally unequipped for the anticipated doubling of investments needed for the European energy system (from 1.7% of GDP between 2010-2020 to 3.2% of GDP between 2030-2050). With the acceleration of cross-border infrastructure through interconnectors, Member States should also fulfil their responsibility in ensuring sufficient dispatchable generation capacity to create a more resilient and integrated European energy market.



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