

Swedenergy's priorities for the **EU Strategic Agenda** 2024–2029

Introduction and background

Recognizing the critical need to reduce carbon emissions and combat climate change, the facilitation of decarbonization stands as a crucial priority for the EU. A comprehensive European strategy that encourages the transition to low-carbon and carbon-neutral technologies will not only mitigate the adverse effects of climate change, but also promote sustainable economic growth and enhance the global competitiveness of the EU.

The Green Deal was an important step towards climate neutrality and the provisions should now be swiftly implemented. To build on the Green Deal, the EU should steer the transition by prioritizing decarbonisation and help Member States and market actors to fully implement the climate frameworks. Industry and consumers are already making the shift towards decarbonised pathways, and a firm policy framework for climate neutrality will give the needed investment certainty. Based on concrete electrification plans of Swedish industry and transport, we foresee more than a doubling of the demand for electricity in Sweden until 2045. To ensure this positive transition towards a fossil-free economy, in Sweden and elsewhere, an enabling and supportive EU framework is needed.

With these EU ambitions in mind, Swedenergy has set out key priorities for the coming EU strategic agenda. The priorities are clustered in three following areas:

1. Decarbonization
2. Ambitious EU targets – several national pathways
3. Electricity market and infrastructure

Each area is further elaborated in the following section.

1. Decarbonization is pivotal in achieving the EU's long-term climate goals and fostering a sustainable future.

The next EU legislative term ends in late 2029. This means that the coming legislature has to deliver policies to realize the 2030 targets. Amidst the challenges posed by multiple parallel policy objectives, some of which are costly, it is paramount that the EU focuses on climate transition in the coming decade. This entails prioritizing actions that ensure social acceptance for climate transition and reforms. The

transition to a net zero society will be come with costs – both budgetary implications and in our way of life, but also with opportunities for growth and new jobs. By actively involving citizens, we can increase acceptance and thereby establish a stronger foundation for an effective and successful shift towards a carbon-neutral society. To ensure this, Swedenergy proposes the following:

- Fully implement the Green Deal, Fit for 55 and RePower EU by giving the Commission service capacity to monitor national transpositions. This should be clearly stated in the Commission hand-over notes.
- Appointing a dedicated Commissioner for Climate Transition and Decarbonisation who ensures policy coherence with the climate objectives in relevant policy areas. Thereby making decarbonisation an overarching policy objective for the Commission internal policy coordination towards realizing the 2030 targets. Full decarbonisation of the EU's electricity sectors should be the first target.
- Strengthen the aspect of publicly acceptable objectives and targets for the transition to a sustainable low-carbon economy in the National Energy and Climate Plans. This can be done both the Governance Regulation as well as the Implementing Regulation (EU) 2022/2299).
- Surgical revision of the Fit for 55 in order to deliver a new 2040 target to give governments and industry time to implement and ensure coherence. Focus should be on increasing ambition and remove unintended inconsistencies and obstacles to a rapid decarbonisation.
- In such a context, review the current EU-cap for energy consumption in the Energy Efficiency Directive, where the calculation methodology creates an obstacle to the necessary industry transition through electrification.
- Withdrawal of policies that steer funding away from decarbonisation.
- Put strong focus on policy coordination within the Commission with the objective to speed up decarbonisation and energy transition. Swedenergy calls for:
 - a targeted fitness check of the Water Framework Directive to ensure alignment with RED III and EU taxonomy;
 - dispatchable production and energy storage shall be treated equally when setting storage targets.

2. Setting ambitious EU targets – allow for a mosaic of national pathways to reach them.

The EU is committed to achieving a sustainable energy transition and for this to be realized, Swedenergy believes an ambitious start is needed. In 2024, the Commission will propose greenhouse gas reduction targets for 2040 which Swedenergy welcomes. In pursuit of this objective, it is imperative to avoid locking out future technologies or favouring specific technologies while disfavouring other technologies. Thus far, climate neutral sources such as nuclear power, biomass, and reservoir-based hydropower have been struggling to get coherent political acceptance.

A massive build-out of the energy system is expected, which is why all fossil-free energy generation will be needed to reach a net zero society. For example, district heating is fundamental in reducing the strain on the energy system when all sectors will move towards electrification. For the district heating to maintain its important role within the energy system, reliable sourcing of domestic sustainable bioenergy is vital. Swedenergy calls on the European Commission to adopt policies that do not unduly favour or exclude specific technologies. More specifically:

- Put forward an ambitious 2040 climate target in line with the 1,5-degree target set by the Paris Agreement. A 90% emission reduction by 2040 compared to 1990 is needed.
- Introduce one single CO2 price where the current EU Emissions Trading System (ETS) and future ETS 2 have as equal conditions as possible. That would increase the efficiency in the market and favour cost-effective abatements.
- Adopt a new heating and cooling strategy with the objective to ensure an efficient policy framework which meets the climate targets. The strategy should include CCS for both biomass and waste-to-energy, as well as taking into account the need for reducing administrative burden. The RED III sustainability criteria for bioenergy are robust and the foreseen evaluation should be postponed ensuring investment certainty in district heating.
- Recognise bioenergy as an enabler for carbon management since Bio-CCS is a valuable way for negative emissions for sectors with hard-to-abate emissions.
- Include actions for harmonisation of waste incineration within ETS before the envisioned evaluation in 2028.
- Make the RED derogation from additionality for renewable hydrogen permanent to facilitate investment in renewable hydrogen where already feasible. Hydrogen from renewable energy can be generated in bidding zones with the agreed high share of renewable energy without requirements on additional renewable buildouts.
- Roll back current exemptions to state aid rules to not distort investments. It's essential to keep the balance for harnessing the full potential of state aid mechanisms to drive a green transition while maintaining fair competition across the EU.

3. Electricity market and Infrastructure that delivers Decarbonisation for All

The electricity market and infrastructure, driven by the ETS as key policy instrument, serve as the backbone for a comprehensive and inclusive decarbonization strategy. Acknowledging that the integration of renewable energy sources can lead to volatile energy generation and subsequently volatile prices, the EU should remain steadfast in its commitment to mitigate such fluctuations without removing investment incentives. Grids are key for electrification and Swedenergy welcomes the Commission action plan

on grids. By prioritizing stable policies over quick-fixes, the EU would aim to ensure a consistent and reliable energy market that supports long-term investment certainty and foster sustainable growth. As the energy market landscape evolves it is becoming increasingly complex, with the emergence of new actors entering the energy sector alongside the empowerment of more active and digital consumers.

To ensure the above, Swedenergy proposes the following:

- Present guidance for non-firm connection agreements since they are important in an electricity system with more renewables and higher demand for large scale decarbonisation.
- Ensure that anticipatory investments in grids, as likely introduced in the Electricity Market Design revision, is made functional for all sizes of DSOs, and that regional implementation are allowed.
- Delay stipulated revisions of the Electricity Market Directives and Regulations, envisioned for 2025-2030, in order to facilitate implementation of current legislation.
- Encourage ACER to evaluate future measures to facilitate cross-border bidding zones.
- Keep mitigating efforts for vulnerable consumers on national level given the national competence on social policies. With more robust climate regulations and volatile prices vulnerable consumers will not be a fixed group, and therefore mitigating efforts must be tailor-made for local circumstances. These efforts can be monitored by the Commission through the National Climate and Energy Plans.