



A fossil free recovery

Vattenfall's priority policy asks, aligning the Green Deal with an economic recovery

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It is crucial to align the European economic recovery measures and policy with the **European Green Deal**, as the threats of climate change will persist also after we come out of the current economic and health crisis. Importantly, an integrated approach ensures a time and cost efficient path towards reaching both goals, recovery of the economy and reaching the Paris Agreement targets. For the same reason, even now, Vattenfall remains committed to its strategic purpose to **enable fossil free living within one generation**

This document shares our view on the priority policy files that should be tackled now, to ensure that the energy sector and economy in Europe can recover and reach its climate goals.

- ❖ Vattenfall's main goal in this time of crisis is to **continue to supply electricity, gas and heat to our customers**, while preserving **health and safety** of our employees as well as our customers, partners and suppliers. While we currently aim to adapt to the situation and mitigate the risks to our customers and operations, we must not forget that the **recovery strategies** to be adopted in the near future will define Europe's energy transition in the years to come.
- ❖ The energy sector needs a consistent **investment framework**, in particular under (post) COVID19 conditions. To provide this stability early, key policy decisions should not be postponed. The EU's strong and full commitment to the Paris Agreement should be re-confirmed, through policies that lead to climate-neutrality by 2050 and set an ambitious EU's **2030 Greenhouse gas (GHG) reduction target** towards 55% reduction, compared to 1990 levels.
- ❖ **Carbon pricing** in all sectors must remain a key policy tool to deliver cost-efficient decarbonization and the pivotal role of **the EU ETS** must be safeguarded by the upcoming EU ETS Directive review. In particular, the Market Stability Reserve's (MSR) capacity needs to be maintained (by e.g. keeping the "intake rate" at 24 % instead of 12 % also beyond 2023), which is necessary to protect the resilience of the EU ETS policy in relation to new market distortions that may occur in the future.
- ❖ **Electrification** is a key enabler to advance **decarbonization** of the economy. For many sectors, replacing fossil-fuels with clean electricity is the most efficient way to decarbonize their operations. Electrification should therefore be a driving factor in the recovery package for buildings/heating, transport, industry and other areas. In industrial processes that are difficult to electrify, decarbonization can be driven by indirect electrification, using **hydrogen** from fossil-free electricity.
- ❖ A **strengthening of the transmission grid infrastructure** is required for the further integration of European power markets. To manage high shares of distributed power generation, as well as the uptake of e-mobility, electrification of industry and rapidly increasing urbanisation in general, also **distribution networks** need to be strengthened and modernised. A strong grid enables cost-efficient sharing of balancing and reserve resources, thus promoting security of supply.
- ❖ Vattenfall looks beyond its own sector and actively engages in **partnerships with industry** (like steel and cement), to jointly enable their journey to a fossil free future. European policy funding instruments should be designed in a way that supports green technologies and the transition of the industry.
- ❖ Vattenfall urges to keep the planned timeline on the revision of the Alternative Fuel Infrastructure Directive, provided that **EV charging infrastructure** is equipped with smart technology and operable through **interoperability** and **open protocols**. Decarbonization of the transport sector will reduce air and noise pollution in our cities and ensure that (EU) Air Quality targets are met. Smart technology can ensure efficient use of grids and effectively integrate renewables into the system.
- ❖ Our **customers**, aware of climate change challenges, are increasingly investing in decentral solutions like rooftop PV, enabling them to **actively participate in the energy transition**. However, technical variety and complexity remain an obstacle. Horizontal and sector-specific **EU rules on data** could enable energy companies to offer their customers simple, digital interfaces for managing their electricity consumption and production.
- ❖ We welcome the upcoming **EU Offshore Wind Strategy**, as an enabler of the deployment of offshore wind. Rethinking **maritime spatial planning**, exploring options for **multi-use of sites**, is required to avoid that offshore wind deployment might be delayed and comes at higher costs due to e.g. suboptimal location. Deployment of offshore wind is a proven opportunity for job creation, much needed in the post-COVID 19 session.
- ❖ **District heating and cooling** (DHC) systems are an opportunity for **cost-efficient smart sector integration**, integrating renewable electricity, via power-to-heat, CHP plants, heat buffers, excess heat integration and geothermal or solar thermal. Through this, DHC systems substantially contribute to the decarbonisation of the building stock in densely populated urban areas and effectively provide flexibility and stability for an electricity grid, largely based on intermittent renewable electricity generation.
- ❖ Next to the climate ambition, advancing the environmental files of the Green Deal should not fall short. In particular, the **8th Environmental Action Programme** and the **EU Biodiversity Strategy** will set the environmental framework for the next 10 years. Pursuing environmental dossiers is essential to combat the intrinsically linked climate crisis. A regenerative economic growth needs to take into account all elements and create a circular use of resources.