

Facilitating a timely transition to a net-zero economy through EU policy

Vattenfall's priority policy asks for a regulatory framework fit to meet EU2030 and 2050 climate targets

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Mitigation of climate change is one of the biggest challenges of our time. Now, energy affordability and security of supply provide an added challenge in the European Union, making it even more pressing to accelerate the transition to a fossil free society in Europe.

It is urgent to align the existing EU energy, environment and climate regulatory framework with the new EU 2030 and 2050 climate targets. Therefore, **we call on decision-makers to enable a quick and thorough decision-making process at EU level**, as we need clarity to keep investing in the European energy transition in order to jointly deliver on EU climate targets in the short timeframe that remains to 2030.

Vattenfall's priority policy asks for a regulatory framework fit to meet EU 2030 and 2050 climate targets include:

- A strong focus on **electrification**, as key enabler to system integration, leading to the decarbonization of other sectors
- Allowing to use a **diverse fossil-free supply mix for power and heat** to meet the Green Deal objectives
- Applying an **integrated policy making approach**, balancing the need for access to sites, speed up in permitting and infrastructure demand with public acceptance, environmental objectives and a fair transition.

Background

The European Commission tabled in 2021 the Fit for 55 legislative package and intends in 2022 to publish its packages on Nature Protection, Circular Economy as well as Emissions and Pollutants. In parallel, the EU is discussing sustainable financing. Herewith, we highlight our priorities for the policy and regulatory framework.

Vattenfall is a European energy company with approximately 20,000 employees. For more than 100 years we have electrified industries, supplied energy to people's homes and modernized our way of living through innovation and cooperation. Our goal is to make fossil-free living possible within one generation. Everything we do and the decisions we take shall lead to this goal. This is the basis of Vattenfall's strategy, and we advocate for a regulatory environment that makes this transition possible – in the energy sector and beyond in transport, industry etc.

Vattenfall is committed to enable fossil free living within one generation. In September 2021, Vattenfall has decided to further increase its emission reduction targets for 2030 and beyond, aiming to reach net zero by 2040.

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Electrification as a key enabler to system integration, leading to the decarbonization of other sectors

- 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 remain a driving factor in the legislative proposals of the “Fit for 55” package for buildings/heating, transport, industry and other areas.**
- Supporting electrification, **carbon pricing in all sectors must remain a key policy tool to deliver cost-efficient decarbonization.** The pivotal role of the EU ETS **must be safeguarded** in the EU ETS Directive proposal. In particular, as proposed by the European Commission, the Linear Reduction Factor should be increased to 4,2% and the Market Stability Reserve's intake rate needs to be maintained at 24 %, in order to protect the resilience of the EU ETS policy in relation to new market distortions that may occur in the future.
- Electric mobility will play a key role in reducing GHG emissions in the transport sector. In that regard, **we support the strong policy ambition in the Alternative Fuels Infrastructure Regulation (AFIR) and the CO2 standards for cars and light duties vehicles Regulation,** as it will make it easier for customers to switch from fossil to electrified mobility. Open and non-discriminatory standards for interoperability in all Member States is required for charging stations to be readily available, easy to find, pay and use.
- The conversion of electricity into another energy carrier can extend the reach of electrification and through this further reduce greenhouse gas emissions. **Hydrogen and synthetic fuels, produced with fossil-free electricity, can help to decarbonize industry and hard-to-abate transport modes like aviation.** Targets and quotas for these sectors should be based on greenhouse gas reduction potentials as these provide a more accurate description of the climate change mitigation potentials of different fuels. A narrow focus on only promoting fuels produced with new renewable electricity generation neglects existing fossil-free resources and puts decarbonized power systems in a disadvantage compared to countries that still need to catch up and have a number of renewable projects in the pipeline.

Delivering the Green Deal requires a diverse fossil-free supply mix for power and heat

- **To meet the increasing demand for electricity, all fossil-free sources, such as hydropower, nuclear, wind and solar, are needed to reach the climate targets,** with a focus on delivering GHG emissions reductions and supporting climate change mitigation.
- **The EU Taxonomy will play an important role to enable investments to reach the climate targets.** It is key to include all carbon neutral sources and have specific criteria for transitional activities while ensuring coherence with existing energy, climate and environment policy requirements.
- **To enable the decarbonization of the heating sector, it is key to enable the use of a combination of fossil-free and carbon neutral sources.** District heating and cooling (DHC) systems provide 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.
 - To fully utilise the potential of Power-to Heat, renewable electricity should be used for energy system integration applications and accounted for meeting the targets for the share of renewable heat .
 - Forest biomass that meets robust sustainability criteria can and should make a positive contribution to the energy transition and climate change mitigation. Bioenergy sustainability criteria should ensure the continuous use of sustainable biomass to support the transition of the heating sector.

The pace of the transition can only be kept with an integrated policy approach

- **A strengthening of the transmission grid infrastructure is required** for further integration of European power markets and to ensure that electricity is transported where it is needed. This requires both faster build-out of planned connections and a continuous attention to system planning for onshore and offshore grids in order to reflect on the new challenges.
- Permitting and access to (offshore) sites is one of the main barriers we are facing in renewable energy deployment, rightly identified and addressed by the European Commission proposals. **We call on decision-makers to focus on how to deliver the huge volume of renewables needed to become carbon-neutral by 2050.**
- **Public engagement and participation in the energy transition is essential.** In particular, 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. We strongly support a dialogue on renewable deployment between public authorities, stakeholders and scientists, in the form of a community of practice and under the Blue Forum.
- Environmental aspects: **An integrated approach requires looking at aspects of biodiversity, resource efficiency and climate change at the same time.** Reconciling all targets without compromising one for the other is essential to reach a sustainable energy transition.
- The road toward making the EU a climate-neutral economy by 2050 must be **a socially fair transition.** There will be both cost and benefits, but unevenly distributed due to different starting-points, adaptation costs and specific challenges. To be successful, it will be key to develop well-balanced policies which enhance the social acceptance and involvement of citizens in this endeavour.