

Per Holm
per.holm@energiforetagen.se

Swedenergy position on the EU post-2030 Framework Fit for Decarbonization and Electrification

Swedenergy represents around 500 companies that produce, distribute, sell and store energy. Our goal is to develop the energy industry – for the benefit of all, based on knowledge, an overall view of the energy system and in cooperation with our environment.

Summary

- Swedenergy fully supports EU's climate-neutrality target for 2050 and the new intermediate 2040 climate target of 90 percent net GHG emission reductions in line with the 1,5-degree target, set by the Paris Agreement. Efforts to limit climate change must accelerate and the 2040 target must pave the way toward the EU goal of climate neutrality in 2050.
- Swedenergy advocates one overarching climate target that should be above any other target in a target hierarchy. This is a more socioeconomically efficient strategy, unless the other targets are complementary such as internalizing external costs or other market failures.
- Europe's competitiveness and energy security require the fast deployment of more clean energy and industrial decarbonization solutions. The EU Emissions Trading System (ETS) stands as the cornerstone of European climate policy, offering the most efficient and cost-effective tool for reducing greenhouse gas emissions across sectors and technologies. Europe should not repeat the mistakes from the energy crisis when ad hoc interventions in core market fundamentals undermined investments in competitive electricity assets and industrial decarbonization projects. Regulatory stability remains fundamental to drive investments and financing across Europe's electricity sector and industrial value chains.
- A RES-target is not technology neutral as other decarbonized technologies are exempted. If there is a political will to have another target in addition to the GHG target, Swedenergy suggests an indicative target that includes both renewables and nuclear.
- While energy efficiency is important, strict quantitative targets risk misallocating resources and may conflict with targets for growth in clean industry and with electrification, which is essential for decarbonizing Europe. Therefore, if an energy efficiency sub target is introduced, Swedenergy proposes shifting to a qualitative, flexible energy

efficiency target. It must support electrification and adapt to different energy system needs, avoiding ceilings that limit industrial development or climate progress.

Introduction

For the EU to reach its goal of becoming the first climate-neutral continent by 2050, supported by a 55% GHG reduction target by 2030 and 90% by 2040, a strong, robust and effective EU post-2030 policy framework that speeds up the decarbonization and electrification is essential. The Commission has communicated that we can expect a first framework proposal in Q3 2026.

This paper presents Swedenergy's position on the post-2030 enabling framework with a focus on the overall targets structure.

One climate target to rule them all

Swedenergy advocates one overarching climate target that should be above any other target in a target hierarchy. The rationale is that decarbonizing our economy is the ultimate task and that multiple targets with the same priority increase costs and require different, sometimes overlapping and, in the worst case, countervailing policy instruments. One climate target to rule them all is a more socioeconomically efficient strategy, unless the other targets are complementary such as internalizing external costs or other market failures.

Historically however, other EU policy frameworks for 2020 and 2030 have not had this focus which has undermined efficiency and created suboptimality, making it more expensive to meet the overall climate target.

Swedenergy fully supports the 2040 climate target, in line with science

Swedenergy is a strong supporter of the EU climate target in line with the 1,5-degree target set by the Paris Agreement. Global warming is a threat to mankind and extreme weather phenomena are more frequent with severe consequences. Efforts to limit climate change must accelerate and the EU's adopted intermediate 2040 target of 90 percent net GHG emission reduction (vs. 1990) is a crucial stepping-stone on the way towards climate neutrality 2050. Furthermore, such an EU target gives the investor community more predictability and confidence about the EU's decarbonization path. It should also lay the foundation for the development of an ambitious, cost-effective, and highly supportive EU 2040 legislative climate framework.

A strong, reliable and expanding ETS as the primary driver

ETS1 and the coming ETS2 are key decarbonization drivers and thus it must be ensured that its level of ambition is aligned with the overall climate targets and that all design parameters are set adequately also with respect to the market conditions after 2030. ETS1+2 remains the most important and cost-effective tool for cutting emissions.

The EU ETS 1 must remain the central driver of decarbonization investments for industry. The ETS is driving cost efficient emission reductions in the short term and at the same time gives the needed long-term signal to invest in increased efficiency in energy use and deep decarbonization. To enable these investments in more costly abatement the revenues should be used strategically to enable industrial transformation.

ETS2 must also be implemented fully and there should be no further delays in the start of the system.

Ensure regulatory stability

The financial risks are high in the ongoing climate transition as decarbonization investment needs are both large and need to happen fast. An essential investment prerequisite for companies and investors is the predictability of their operating environment, both near- and long-term. Without it, any financing solution, no matter how smart, will stand on shaky ground. Geoeconomic events already bring too much uncertainty for the EU to afford unstable regulation, especially as far as strategic vision is concerned. It is not only a matter of vision, as uncertainty also has repercussions on the cost of capital.

Europe's competitiveness and energy security require the fast deployment of more clean energy and industrial decarbonization solutions. The EU Emissions Trading System (ETS) stands as the cornerstone of European climate policy, offering the most efficient and cost-effective tool for reducing greenhouse gas emissions across sectors and technologies. Europe should not repeat the mistakes from the energy crisis when ad hoc interventions in core market fundamentals undermined investments in competitive electricity assets and industrial decarbonization projects. Regulatory stability remains fundamental to drive investments and financing across Europe's electricity sector and industrial value chains.

We have also seen a weakening of the EU's target on phasing out the sales of new combustion engine cars by 2035 as well as a decision by the EU to delay the introduction of the ETS2. These are examples of when EU politics are retreating on previous decisions (incl. Fit-For-55 legislation) and it is extremely harmful for the investor certainty and confidence in the EU policy framework overall. By adding political risk and regulatory uncertainty, the total costs of EU decarbonization will increase and it jeopardizes the timely achievement of the goals. Further ad hoc political interventions and especially political backsliding must therefore be avoided.

A renewables target is not technology neutral

An EU-wide RES target was more justified and useful in the past (e.g. 2020 framework) when RES needed an extra push, and it more clearly replaced coal. Since then, it has also become more important that the new fossil-free production is delivered at times when it's really needed and that there is a clear demand for the electricity so that it reduces CO2 emissions in other sectors. Investors need

more certainty about demand. Hence, there is no need for more incentives as ETS1 and ETS2 are strong renewable drivers. Secondly, a RES-target is not technology neutral as other decarbonized technologies are exempted. For member states with nuclear power, a RES-target could constitute an obstacle for further decarbonization, especially when nuclear power is projected to grow in combination with an ambitious RES target.

If there is a political will to have another target in addition to the GHG target, Swedenergy suggests an indicative target that includes both renewables and nuclear. A well-designed policy framework must ensure that demand and supply evolve in a balanced and coordinated way. When targets push one side of the market far ahead of the other, it creates inefficiencies, investment uncertainty, and unnecessary cost pressures. To be effective, policy ambition must therefore be matched with enabling conditions—such as timely infrastructure development, supportive market design, and predictable investment frameworks—that allow both demand and supply to scale in tandem. This alignment is essential for a stable, cost-efficient, and future-proof energy transition towards net-zero.

The energy efficiency target for 2030-2040 should be changed to a qualitative target taking into account energy system aspects

Energy efficiency is important, as all energy conversion, to a greater or lesser extent, has an environmental impact. However, given that all externalities are internalized, the price of energy provides the foundation to a socioeconomically efficient energy use. Hence, there is a risk that incentives to support a separate efficiency target (such as subsidies) will lead to misallocation of resources.

The post-2030 framework should therefore recognise an energy efficiency architecture that is ambitious yet compatible with industrial growth, avoids rigid rules that deter electrified processes and focuses on cost-effective savings and productivity gains.

A ceiling on energy use as the energy efficiency target is formulated until 2030 could have unintended consequences for member states. If a member state attracts numerous new decarbonized power intensive industries, for instance to produce e-fuels, fossil free steel, chemicals and fertilizers, then the ceiling for energy usage can be reached before the socio-economic optimum, hence limiting job creation, welfare and even inhibiting reaching our climate goals. Since the present EU energy efficiency target faces several problems, Swedenergy suggests that a possible new energy efficiency target is transformed to an indicative qualitative target that takes into the different energy system aspects and does not contradict electrification as a method of meeting the climate target.

An indicative energy efficiency target could also reflect on demand flexibility to ensure that resources are used efficiently.

Electrification is the way forward decarbonizing Europe. Clean electricity use is typically much more energy efficient than their combustion-based equivalents. Hence, focusing on electrification will also lead to improved energy efficiency. An

economy-wide EU electrification target is therefore an interesting alternative, to ensure that the economic and climate benefits of electrification are fully leveraged. However, the definition of the target is important as it must be measurable and lead to electrification. Sector-specific KPIs for transport, buildings, industry and other areas can accompany this target, while maintaining flexibility to prioritize electrification where it is most cost-efficient.

Full and timely implementation of the existing legislation

Full and timely implementation of the existing legislation is key to meeting the new 2040 target. Continued commitment to the European Green Deal and a robust post-2030 energy and climate framework is essential. Ambitious targets—such as the 90% GHG reduction by 2040 and full implementation of EU energy and transport rules—are reducing the costs of the transition; they are investment

Public acceptance and/or support for climate change mitigation policies is key to reaching the targets

As we move towards more ambitious targets, climate change mitigation policies will be increasingly stringent. The viability of more stringent climate policies and the achievement of climate neutrality depend not only on their efficiency but also on their (re)distributional impacts and public perception. Therefore, public support, or at least acceptance, for these policies is vital. Policies with negative social consequences must be followed by policies ensuring a just transition. Otherwise, there is the risk of a severe backlash when targets are questioned or even reduced. For that reason, we welcome e.g. the establishment of the EU Social Climate Fund, that will recycle ETS2 revenues back to vulnerable groups who need compensation or extra support to get onboard the transition.

Governing the Post-2030 Framework

The post-2030 energy and climate architecture should be firmly anchored in an ambitious overarching governance framework that ensures Member State accountability and fosters investor trust. We advance the following considerations for the review of the Governance Regulation:

- The post-2030 Governance framework must anchor the EU's climate and energy architecture in robust planning, transparent monitoring and credible delivery, ensuring the Union can collectively meet its 2040 climate and energy ambitions and remain on track for climate neutrality by 2050.
- The NECPs must recognise electrification as a core driver of decarbonisation, competitiveness and energy security. Tracking electrification progress is essential to anticipate infrastructure needs, guide investment and support Member States in sectoral transitions.
- The Regulation must strike a balance between long-term visibility and flexibility, enabling Member States to adapt plans to evolving market

realities, technology uptake and system needs, without diluting accountability or undermining investor confidence.

- To ensure consistent and effective application of EU legislation across the Union, the European Commission must be equipped with the ability to intervene earlier in cases of non-compliance, and more decisive mechanisms to correct breaches to help safeguard regulatory coherence and ensure that shared commitments are upheld uniformly across all Member States.