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Nordic position paper on EU's long-term climate policy

The Nordic business federations from Denmark, Finland, Iceland, Norway and Sweden are committed to an ambitious climate policy, and support a firm implementation of the global Paris agreement. Nordic businesses are committed to contribute positively to the discussion on EU's long-term climate policy.

The Nordic region and Nordic business have successfully accelerated the green and just transition, while increasing the level of welfare and maintaining a competitive industrial stronghold. The path towards a low carbon economy in the Nordic region illustrates that high climate ambitions, based on market based instruments and the right regulatory framework, are crucial components of a modern business policy and economic growth.

Innovative and competitive companies are key in the low-emission transition. Business can provide the solutions and products needed to reduce emissions and increase economic and social welfare. Combined climate-, energy- and business policy is necessary to further stimulate innovation and development of new technologies, products and services.

Competitiveness and climate ambition go hand in hand. Firstly, only competitive companies will have the necessary resources to invest in future solutions. Secondly, companies that develop and export competitive low-emission products will contribute globally to tackle climate change, while competitiveness is strengthened. A generally good business environment in the Nordic countries is therefore an important part of a successful climate policy framework.

As for Europe, the Nordic business federations strongly believe that Europe should continue to have a leading role in combatting climate change, also providing solutions beyond Europe. The aim of the EU's long-term climate vision should therefore be to:

1. Adopt an ambitious and market based climate policy for Europe that will deliver on the Paris agreement.
2. Pave the way towards a competitive EU with net-zero emissions by 2050, through a balance between emissions and uptakes.
3. Stimulate the possibility for European companies to provide climate solutions globally.

Guiding principles for EU's climate policy

Based on the experience from the Nordic countries, we believe that EU's long-term climate strategy should be based on the following principles:

- EU's successful achievement of the Paris agreement objectives should be the cornerstone of EU's long-term climate policy, obtaining a balance between emissions and removals.
- The climate objective should also enforce EU objectives for competitiveness and energy security.
- Cost-efficiency and market based regulation must be kept as the lead principle. Future EU action must build on a clear direction coupled with a market approach. This will optimize cost-efficiency and promote investor security. Markets matter. Hence, international commitment will assist to further lower EU's reduction costs and optimize market prospects.
- Carbon-pricing instruments, such as the EU ETS, must remain a key part of EU's efforts. The EU ETS must balance the need of meaningful price signals with the need to safe-guard international competitiveness.



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- International developments are important when designing the regulatory framework in Europe. The Paris Agreement demands that that all parties take responsibility and level up their ambitions. In this context, the Nordic countries and the EU should serve as positive examples on how climate ambition and competitiveness can – and should – be combined. Wherever possible, the EU should continue to pursue ambitious, cost-effective- and competitive transition-steps.
- A cost-effective low-carbon transition requires acceleration of investments in low carbon technologies across all sectors of EU’s economy. Ambitious innovation programs and utilization of merging opportunities such as digitalization should be promoted to further push the green transition.
- The role of business must be emphasized. The business community can contribute to lower emissions in many ways, both at the European level and globally. Smart products and services are key in the transition towards a low carbon economy. When these solutions are exported they also contribute to lower emissions globally. Deployment, and further development, of low emission technologies, products and services in Europe, and internationally, is part of a modern and competitive economy.
- International trade is fundamental for spreading and maximizing the climate benefits of smart technologies, materials, solutions and services needed to combine high climate ambitions and economic growth around the world.
- Public procurement can assist to create new low-carbon markets within public sectors.

Policy recommendations

- ✓ **Paris Agreement:** EU should continue to have a leading role in the development and implementation of the Paris Agreement. Firm implementation of international pledges, based on a strong Paris Rulebook, is key to deliver on EU’s international obligation. All major economies and trading partners must fulfill their pledges and increase ambition over time. The Paris Agreement objectives can only be accomplished if the whole world acts together, but the EU must lead the way.
- ✓ **A net-zero 2050 economy:** EU should strive to become a net-zero-emitter in 2050. This will require not only a 2050 climate strategy, but also a deeper understanding on the impact on all sectors involved. A broader discussion of what “net-zero” means is needed. From a Nordic perspective, an active use of our regional resources, like bio-related solutions can provide EU with sustainable energy resources. Our forests offer a lot of potential in terms of sustainable fossil-free materials and energy, while also containing significant CO2. Active and sustainable forest management, including harvesting of forests, will contribute positively to a net-zero 2050 economy. Also, Carbon Capture and Storage (CCS) or Utilization (CCU) will play important roles towards the net-zero society. These solutions, coupled with a better understanding of how to decarbonize complicated industrial processes, will assist the EU to achieve a net-zero-emissions economy, while also considering the latest IPCC report conclusions on how to reach the Paris-agreement objectives.
- ✓ **A clean, sustainable and competitive economy:** The Nordic economies are open market economies and very import-export oriented. The competitive edge can only be maintained with a progressive build-in of yet better high-knowledge solutions and products, highly resource-efficient production, process and comparable production costs. While renewable energy solutions are becoming increasingly competitive, proper market based- and technology neutral regulation has the potential to further increase resource-



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and energy efficiency, and thus improve the competitiveness of these technologies. The EU must pursue further efforts in this regard to develop a carbon neutral and competitive economy.

- ✓ **A coherent political climate regulatory framework:** An ambitious and coherent EU energy and climate framework will pave the way for a net-zero 2050 European economy. The framework must cover all sectors so as to stimulate cost efficiency and decreased emissions in all parts of the economy. Sector integration will enable us to harvest the benefits of positive symbiosis between sectors and initiatives. Technology neutrality as a cornerstone in the green transition is important as it allows for innovation and all current and future technologies to contribute to the transition towards a low-carbon economy. There are no silver bullets.
- ✓ **EU commitment and firm action:** EU's 2030 target is today amongst the most ambitious in the Paris agreement. EU has adopted a series of important legislative acts. These are key tools to achieve emission reductions of at least 40% by 2030. If EU achieve more than 40%, it would be a very positive outcome and a strong sign to the international community, which will reinforce the EU's climate leadership globally. EU efforts must spurt firm international commitment and action. Without it, the Paris-agreement objectives will fail.

Appendix

Nordic cases and lessons learned

- **Low-carbon industry:** Both the manufacturing industry and energy industry are global frontrunners in sustainability and climate action. Nordic industries are resource- and energy efficient and utilize widely digitalization with the newest technology in a positive and competitive way.
- **Low-carbon mobility:** The transport sector represents a large part of emissions. This is a pressing challenge, also for the Nordic countries. Nordic businesses are frontrunners in solutions linked to e-mobility and bio-based fuels. EU regulation has an important role to play in decarbonizing the transport sector, such as emission standards for vehicles. Establishing long-term market conditions and investor certainty for deployment of low-carbon vehicles and bio based fuels is an urgent issue that will foster further investments.
- **De-carbonization of heating systems:** The Nordic countries have well developed heating systems for buildings that enable delivery of heat with low emissions.
- **Low-carbon living and efficient solutions:** The Nordic approach to housing and buildings combines resource- and energy efficiency with sustainable building materials and functional designs. Moreover, it includes use of infrastructure that allows coupling of sectors, such as use of low-carbon electricity and



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use of heat and sustainable biomass. There is a significant potential in the EU to further harvest the benefits of a more energy efficient, sustainable and comfortable building stock.

- **Integration of power markets:** The Nordic power systems have been integrated over decades. The cooperation and physical integration has contributed to decreased emissions, higher security of supply and competitive prices.
- **Energy resources in our Region:** EU has scarce resources and must use those efficiently. In contrast, The Nordic region has vast natural resources that can contribute to EU energy and climate objectives, if utilized and managed properly. The effective usage of the vast wind resources in the North Sea is one good example.

The Nordic region represents 27 million people and constitutes the world's 10th largest economy. The Nordic countries are performing well above the EU average in economic development. From a macro-regional perspective, the Nordics constitute a very coherent region.

In terms of innovation, the Nordic countries also rank high. In all the Nordic countries, the share of employment in knowledge-intensive sectors is well above the EU28 average. A large share of these high-tech jobs is located in more peripheral regions in the Nordic countries. Nordic strongholds include shipping, energy, energy technologies, environmental technologies, medicine- and medico, agricultural- and forest related products, process- and heavy industry, design, digitalisation and telecom.

The Nordic Region also remains an attractive destination for foreign investment, accounting for 7% of Europe's total Foreign Direct Investment (FDI) inflows, in a Region having 4% of the European population.

The Nordic open-and export oriented economies, combined with a common power market, support a low carbon economy. In fact, there has never been a more obvious reason of comprehensive cooperation than the obligation to combat climate change.