

Stockholm

## Comments from the Confederation of Swedish Enterprise on the consultation on the EU ETS

The Confederation of Swedish Enterprise fully supports the objectives of the European Green Deal and we strongly support the goal of reaching net zero greenhouse gas emissions by 2050. Further the Confederation of Swedish Enterprise is open to discuss a more ambitious 2030-target.

In light of the above statements, we would like to emphasize the following with regards to the roadmap consultation on updating the EUETS:

Since the EU wants to become a real role model in the climate transition, it is not enough to simply reduce emissions. At the same time as we reduce our emissions, we must also offer individuals and companies the opportunity to grow. An EU that restricts production and forces companies to relocate abroad risks acting as a deterrent, which is the last thing that climate change efforts need. Stopping carbon leakage must be at the heart of all climate policy, this is especially applicable for the EUETS.

It is companies, not Member States, which will make the investments required for us to be able to achieve this transition.; Unprofitable companies will not be able to make the necessary investments. Furthermore, Swedish and European production is already generally climate efficient; thus, EU policy cannot allow European production to be replaced by dirtier production elsewhere.

Industry within the EUETS is already facing a large burden of meeting the overall reduction target. Since we want to reach net zero by 2050, it is high time that all sectors - and, for that matter, all member states – take an increased share of the responsibility. Cost efficiency must also be considered also between ETS and ESR, and not only within ETS. The road to a climate-neutral EU 2050 will not be straightforward, as it will take time and technological breakthroughs will be essential for some sectors to reduce emissions.

Further, industry needs predictability in order to invest in technology needed to decrease emissions. Given the short amount of time left until 2030, especially considering the time necessary for the legislative reform, we believe that the room for major changes to the EU ETS is limited. The Confederation of Swedish Enterprise is therefore opposed to the inclusions of sectors which are currently covered by the ESR into the EU-ETS.

We would encourage the Commission to explore the possibility to harmonize the system for compensation of indirect effects. The current system benefits member states which have

yet to transform their power sector. Member states which have already shifted from coal and gas lack the necessary funds to compensate for indirect costs. The present system effectively punishes member states which have taken a greater share of the burden. A harmonization would rectify this.

The Confederation of Swedish Enterprise has previously submitted our comments on the public consultation regarding CBAM which we would like to refer to for specific comments. As a general note on the link between the EU ETS and the CBAM we would like to emphasize the following. If free allowances are replaced by CBAM this will drive up costs for the affected sectors. Furthermore, CBAM can also lead to more expensive inputs for industries downstream. This would harm EU export competitiveness on markets outside the EU and make it harder for European climate friendly products and technology to compete on the global market. This does not serve the efforts to reduce global CO<sub>2</sub>-emissions well. Hence, this issue must be addressed within the CBAM for it to be successful.