

EU Green Deal – Revision of the Energy Taxation Directive

The EU is heading towards climate neutrality by 2050. Finland is setting more ambitious targets and is aiming at climate neutrality by 2035. Within the context of Finland's target, the chemical industry in Finland announced its ambition towards climate neutrality by publishing a pathway in June 2020 to large greenhouse gas reductions within the next investment cycle.

In the chemical industry climate neutrality roadmap, greenhouse gas emission reductions are taken into consideration from three different angles, reduction from processes (scope 1), energy use (scope 2) and raw materials (scope 3). For the chemical industry to transform itself towards climate neutrality, one of the most fundamental requirements is emission free, globally price competitive and safely distributed energy. That is why the Energy Taxation Directive can lay a solid ground and competitive environment for the energy intensive industry to reach its ambitious goals.

The important role of the Energy Taxation Directive is to create a level playing field for actors in the EU energy market and to avoid distortions of competition through different tax systems. This is especially important for small and export heavy countries like Finland to be able to compete both on the European market and globally.

Europe is pushing a pioneering climate agenda very much on its own, without the global peers rising to the challenge. From a European perspective, global competition and a healthy investment climate should always be in focus. These very important views should also be kept in mind when renewing key legislation. The chemical industry is a major contributor to wellbeing both in Europe and Finland, that is why it is crucial to promote competitiveness in the global market, build a solid and predictable operational environment for investments in the EU and avoid carbon leakage with the decisions are made. Important tools to promote the chemical industry global competitiveness and avoid carbon leakage are eg. ETS free allocation and indirect compensation within the state aid rules. To promote investments, the legislation needs to be stable and foreseeable and permitting processes should be quick.

The transformation towards climate neutrality will, from an energy intensive industry -point of view, require large efforts into electrification of processes and switching to alternative feedstocks. According to the Finnish chemical industry roadmap, this can require approximately 5 times more electricity (7 -> 30 TWh) to lower emissions from direct and indirect energy use and process emissions. An added 20-50 TWh could be needed for manufacturing new feedstock. The electricity should be emission free, based mainly on renewables and nuclear power, it should be

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delivered securely, especially to sites with continuous production, and it should be procured with a price competitive on the global market.

The EU's ambitious climate agenda is foremost an investment challenge. Moving large amounts of electrons and molecules between facilities, industrial hubs, regions and countries, require strong transmission systems and pipelines suited for different purposes. This is also very important from a sector coupling point of view, realizing industrial synergies on all levels. From a climate change mitigation point of view, it is important to utilize the full potential of renewable electricity production, hydrogen based on emission free electricity, carbon capture, utilization and storage (CCUS) and different circular solutions aiming for the most efficient use of resources.

When the EU is ramping up its climate ambitions it needs to create a holistic legislation framework. Double costs of carbon or energy need to be avoided between the different regulatory packages. Especially between the EU ETS and the ETD, it needs to be secured that no overlapping legislation is existing. Since the cost of emissions from the ETS is often included in the energy pricing, energy intensive companies should be fully compensated for the price premium especially in electricity. The ETD needs to promote electrification and the use of alternative fuels.

The Energy Taxation Directive should allow for chemical industry customer sectors to advance in using low-emission fuels, like sustainable advanced biofuels, bio-methane, synthetic fuels and emission free hydrogen, including hydrogen produced with emission free energy sources like nuclear power and renewables.

To conclude, The Energy Taxation Directive should promote

- the piloting, demonstration and scaleup of new low-emission energy and manufacturing-technologies
- the use of low-emission energy sources, like renewables or nuclear power
- a wide range of low-emission solutions for fuel applications
- Secure the global competitiveness of the European manufacturing industry

From the Chemical Industry Federation of Finland (CIFF) point of view, the ETD framework should be promoting competitiveness, supporting the climate agenda, encourage efficient use of energy and focus on avoiding emissions.

Respectfully,

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