

The Swedish Forest Industries Federation answer to the “Updating the EU Emissions Trading System”

The Swedish Forest Industries Federation represents companies that use forests to provide the raw materials for their products and services. This includes producers of pulp, paper, cardboard, packaging and biofuel. Similarly, sawmills producing all sorts of boards, planks, roof trusses and other prefabricated construction elements are also included.

The paper and pulp industry is energy intense and is covered by the Emission Trading System (ETS). Supply of electricity to a competitive cost is essential for the competitiveness of the Swedish forest industry. We fully support the objectives of the European Green Deal and we are strongly supporting the goal of reaching net zero greenhouse gas emissions by 2050.

Our industry is characterized by investments that last for decades. The amendment to the ETS directive needs to preserve regulatory stability. The 2018 ETS review already introduced substantial changes that still need to be implemented. Retroactive rules must be avoided. This would undermine the system as a whole.

The competitiveness of European industry must be secured, and carbon leakage avoided. Avoiding carbon leakage must be taken into regard when the emission caps are set for the ETS sector and the non-ETS sectors respectively. Part of the emissions from the non-ETS sectors will be included in the ETS through electrification of road transport and heating, which also needs to be considered when setting the caps for ETS.

Measures to avoid carbon leakage must be strengthened, also for the sectors that will not be included in a Carbon Border Adjustment Mechanism. We would encourage the Commission to explore the possibility to harmonize the system for compensation of indirect effects. As of now the 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 with. The present system effectively punishes member states which have taken a greater share of the burden. A harmonization would rectify this.

Technological removals of CO₂, e.g. BECCS or direct air capture, should be used to reach climate neutrality by compensating for hard to abate emissions, e.g. from the agricultural sector, and possibly lead to negative emissions after climate neutrality is met in 2050. Technological removals of CO₂ should not be included in ETS as that would enable increased emissions from fossil fuels within ETS. CCS based on fossil CO₂ is however a natural part of ETS.

We strongly advise against including road transport and buildings into the ETS. These sectors do not face international competition and are less likely to face the risk of carbon leakage. It is more efficient to decarbonize these sectors through other measures than inclusion in the ETS.

Integrating maritime transport into the ETS could have serious consequences to the competitiveness of European exports. Ideally, decarbonization of maritime transports should be done through IMO. If a price for GHG is to be put on maritime transports, measures must be taken to secure the competitiveness of European industry. Instead of including the maritime sector into the current EU ETS a specific fund can be set up with mandatory financial contribution from ships entering EU ports. This fund would have the aim to support R&D and innovation projects for the maritime sector and could also finance the facilitation of

providing low-carb fuels to the maritime sector within the union and thus relief the states infrastructure-budgets. With the creation of a fund, all carbon emission from ship will have a cost, but as the fund will finance decarbonization technology the fund will be cost neutral for the sector as a whole, but also drive the needed change. Given that there are no viable options or technology ready today for shipping to decarbonize, vast investments are necessary and such a fund is therefore vital in order to meet the unions obligations under the Paris Agreement.

Kind regards,

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