POSITION PAPER ON ENERGY AND CLIMATE POLICIES 2023 (revision)

The rise in the global average temperature must be limited to a maximum of 1.5 degrees. Under the European Climate Law, greenhouse gas emissions will be reduced by at least 55% by 2030, becoming the first continent to achieve carbon neutrality before 2050. According to the Finnish Climate Change Act emissions must be reduced by 60% by 2030 compared to the 1990 level. Based on current estimates, this goal is achievable. However, achieving Finland's carbon neutrality target in 2035 requires additional measures to ensure that emissions are in balance with sinks.

The emissions trading system, emission reduction and carbon sink targets set for the effort sharing and land use sectors, and long-term predictable climate, energy and industrial policies are the most important policy instruments for achieving the carbon neutrality targets. Finland's task is to improve companies' opportunities for clean technology investments that create global sustainable growth while achieving climate goals.

1. **Emissions trading system (ETS) and carbon border adjustment mechanism (CBAM):** The EU must promote the effective implementation of the Paris Agreement and the pricing of carbon emissions, including globally. This will ensure a level playing field for European industries.

   The EU's revised emissions trading system increases emission reduction targets in the energy production, energy intensive industries, buildings and transport sectors. The EU must ensure that additional measures to tighten emission reduction targets promote carbon neutrality equally in all Member States. The EU aims to tackle carbon leakage through the CBAM, which prevents circumvention of greenhouse gas reduction efforts. The EU must ensure the global competitiveness of companies that operate sustainably and responsibly. Priority must be given to the most viable and cost-effective measures.

2. **Equal treatment and technological neutrality:** Climate, energy and industrial policies must take equal account of the needs of both energy users and energy technology suppliers. All policy measures must be technology neutral.

3. **Incentives for industrial renewal:** Incentives must be developed in Finland so that they accelerate the achievement of climate goals, the renewal of companies and the sustainability transformation of Finnish society. The transition must be carried out so that the operating environment of companies in Finland remains globally competitive.

   Research, development and innovation funding must be increased in Finland on a long-term basis and directed to low-emission and resource-efficient solutions. Finland must actively invest in the export of clean technology solutions and products and provide incentives for piloting and demonstration projects in clean energy production and industry, as well as other incentives suitable for SMEs.

4. **Favourable investment environment:** As technologies and digitalisation evolve, the reduction of greenhouse gas emissions will accelerate further. Finland must ensure a stable and predictable operating environment for investments in innovative technology. At the same time, Finland must actively contribute to ensuring that more flexible EU state aid regulation does not lead to harmful subsidy competition between countries. Technology Industries of Finland considers it important that environmental licensing processes are streamlined so that the permit security of projects and the speed of the permit process improve.

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5. **Sufficient and competitive energy supply:** When developing the electrification and decarbonisation of industry, transport and energy systems, the realisation of new energy investments must be promoted so that there is enough clean and competitively priced energy available for the needs of an electrifying society, while also taking into account the security of energy supply and preparedness of the energy system. This allows us to compete for innovative technology solutions and industrial investments both nationally and internationally. As society becomes more electrified, the energy self-sufficiency of Finland and the EU must be increased so that the markets function evenly also in crisis situations.

   From the perspective of Finland's security of supply, the functionality of the energy system and a sufficient degree of domestic origin are essential.

6. **Well-functioning electricity markets:** When reforming the EU's electricity market regulation, the functioning of the internal energy market must be ensured, and the management of electricity crisis situations must be improved. The EU must ensure that national solutions in different countries are compatible and improve the functioning of the market and increase the production of emission-free energy throughout Europe. In connection with the reform of the electricity market, it must be ensured that the market retains incentives to invest in an emission-free, flexible and smart energy system and infrastructure, which helps to ensure the affordability and stability of energy costs in both the short and long term. The challenge of future electricity production is to maintain and develop weather-independent production to meet the growing demand in electricity consumption and variable electricity production. Innovative technologies and market models must be developed to solve this challenge both in Finland and at the EU level.

7. **Energy efficiency:** The EU aims to enhance energy-efficiency significantly in the whole Europe. The EU's new and legally binding energy efficiency target for 2030 will be tightened, which means that Finland's final annual energy consumption will be reduced by approximately 15 per cent from the current 290 terawatt hours. Finland must promote increased energy efficiency, even though the consumption of low-emission electricity as a whole will increase when the use of fossil energy is phased out. The efficient use of energy should be promoted in Finland by increasing the number of voluntary energy efficiency agreements in Finland. Finland must promote energy efficiency, especially with regard to demand response and storage solutions for electricity and heat.

8. **Promote the use and development of innovative technologies in new clean energy business areas:** The rapidly increasing production of emission-free electricity will enable and require the development of energy systems in the coming years. Replacing fossil fuels with clean electricity will be possible in industry and transport, improving Finland's competitiveness. The development requires the development of the flexibility of the electricity system and enables the control of new business models and services, such as hydrogen production, smart energy systems, carbon capture, the growth of various storage solutions and the promotion of modular small nuclear reactors (SMRs). However, the strength of Finland's energy system lies in its diverse energy production structure, which must be preserved. At the same time, Finnish technology suppliers must be treated equally in international markets.

9. **Climate handprint:** Finland should promote the creation of a climate handprint calculation model together with the business sector. The task is to map the potential of the climate handprint and to set targets for the growth of the climate handprint of Finnish exports. Development of the handprint should be monitored alongside the carbon footprint. The aim is to introduce a handprint model into the EU legislation.

10. **Update of low-carbon roadmaps:** Sectoral low-carbon roadmaps will be updated to correspond to the EU's new climate measures, taking into account the national security of supply perspective. In addition to mere updating, revised sector-specific low-carbon roadmaps will be supplemented by preparing estimates of emissions from the sectors' value chains and procurement.

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