

The Swedish Forest Industries Federation answer to the “Inception Impact Assessment on the Amendment of the EU Emissions Trading System (Directive 2003/87/EC)”

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 long 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.

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 maritime transports are to be integrated into the ETS, measures must be taken to secure the competitiveness of European industry.

Kind regards,

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