5 February 2021

Position on the Revision of the Effort Sharing Regulation

The Bioenergy Association of Finland represents the interests of its over 240 member organizations ranging from land ownership to forest and energy companies, as well as technology and research in the field.

General views on Implementation of the EU 2030 Climate Target

With a view to investments in the bioenergy sector in 2020s', the year 2030 is close. Therefore, the Bioenergy Association of Finland believes, **it is unnecessary to reopen all the EU energy and climate legislation on the table in order to achieve the new climate target set in December 2020**. The revisions of the legislations were only recently agreed, and implementation is still work in progress. The more legislations are reopened, the more uncertain the operating environment of the industry becomes. An uncertain operating environment has a negative impact on investment, which is indispensable for the achievement of the required transition. We note that the scenarios explored in the impact assessment have not even considered options, where e.g. the Renewable Energy Directive or the Energy Efficiency Directive are left untouched.

We strongly support that the new EU climate target is mainly targeted by reducing emissions from fossil fuels. The EU ETS needs to be the main vehicle in delivering additional emission reductions, supported by the Effort Sharing Regulation (ESR). Carbon sinks are negative emissions and from the climate perspective desirable. The LULUCF sector already compensates emissions from other sectors and the enhanced 2030 ambition does not automatically imply that LULUCF ambition would need to be changed. The new EU target now accounts for removals in full (unlike the current 40 % target). A large carbon sink in the LULUCF sector thereby implies a large contribution to the common EU target. Similarly, an emission in the LULUCF sector implies a withdrawal from the common EU target. As a consequence**, it is of utmost importance that the Member States are allowed to utilise their own carbon sinks in the respective accounting of emissions to achieve their own climate neutrality targets**.

Specific positions on Effort Sharing

The overall emissions reduction target of the ESR should be enhanced. All Member States need to more, but the allocation basis of the additional efforts needs to be reassessed. More emphasis needs to be put on cost-effectiveness. Marginal costs in the ESR sector are already in the current situation far too high in some sectors and Member States, which leads to inefficiency at the EU level. It is also essential to consider

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how excessively high marginal costs in the ESR sector could be avoided through e.g. AEA trading platforms or improving access to and usage of EU allowances in the EU ETS.

We do not support extension of the EU ETS to road transport in 2020s'. Finland has several policy instruments in place for the transport sector already and there is an implicit CO2 tax of 77 EUR/tCO2, which is significantly higher than the current price level of the EU ETS. We do not see the road transport sector and the buildings sector as being automatically packed together in the possible extension of the EU ETS.

We support exploring the integration of the agriculture sector into the LULUCF sector from 2026 onwards.

If some subsectors are moved away from the ESR sector, they should not be duplicated. Such a duplication would only make the EU system cumbersome, intransparent and difficult to communicate. Each subsector should have only one place under the umbrellas of either EU ETS, ESR or LULUCF.

I**f it seems there are both opportunities and willingness to move all subsectors of the ESR to EU ETS or LULUCF and fully end the ESR, we believe the best timing might be 2031** in order to leave some time for Member States and all stakeholders to adapt.

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