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European Forum of Northern Sweden's views on the European Commission's proposal to update EU legislation to make EU independent from Russian fossil fuels (REPowerEU)

European Forum of Northern Sweden (EFNS) is a network for politicians at the local and regional levels from Norrbotten, Västerbotten, Jämtland Härjedalen and Västernorrland. EFNS is a meeting place and knowledge arena where EU policies are analysed and discussed in respects where it affects northern Sweden. EFNS monitors European issues to influence EU legislation, EU strategies and action programmes, and the EU budget. The purpose of EFNS is to safeguard the interests of northern Sweden both in the European arena and in relation to national level issues with a clear European perspective.

EFNS supports a high-level commitment under REPowerEU, which we regard as a necessary tool to tackle the climate crisis and make the EU independent of Russian energy well before 2030. In this connection, EFNS would like to share our standpoints as follows:

- Bioenergy reduces dependence on oil and gas.
- Changes in the regulatory framework (Article 43 of the General block exemption rules (GBER)) must be made so that aid for production of biogas and biomethane can be granted to smaller and larger plants.
- Regulations under RED II/III must not complicate the production of renewable hydrogen for large-scale industrial applications and transport.
- Licensing procedures for renewable energy investments must be a national competence.
- The supply of emission allowances should not increase as that would create uncertainty in EU's Emissions Trading System and hence jeopardize climate targets.

Bioenergy reduces dependence on oil and gas

The climate crisis, the energy crisis, and the war in Ukraine are increasingly placing focus on the green energy transition to a fossil free bioeconomy, where bioenergy offers a key solution to breaking both gas and oil dependency. According to Svebio (the Swedish Bioenergy Association), solid and liquid biofuels already account for 60 % of all renewable energy in the EU. Nevertheless, EFNS notes that bioenergy is barely mentioned in the proposal for REPowerEU.

Bioenergy plays a central role in Sweden's energy supply. It contributes to more than 30 % of the energy used in Sweden, of which about 80 % comes directly or indirectly from forest residues (Forest Industries, 2022). Sweden has not only reduced its need for oil and natural gas for electricity and district heating production through bioenergy. Moreover, Sweden continuously reduces its need for fossil fuels in the transport sector thanks to the emission reduction obligation scheme and investments in increased production of different types of biofuels, in accordance with "the right fuel solution to match its specific purpose". Other countries within the EU could follow suit and take us one step closer to fossil independence.



Changes in the regulatory framework (Article 43 of the General block exemption rules (GBER)) must be made so that aid for production of biogas and biomethane can be granted to smaller and larger plants

EFNS welcomes the European Commission's proposal to double the biomethane target as biogas is one of the energy solutions expected to play a role in the European energy transition. Biogas can reduce import dependency on Russian natural gas and promote the transition to a circular economy.

Biogas production in Sweden is largely based on residual waste. The process also contributes to by-products in the form of a nutrient-rich digestion residue that can be used as bio manure and plant-based protein for animal feed. All this not only increases the local self-sufficiency rate in times of unrest but also contributes to regional development, not least in the sparsely populated counties of Northern Sweden.

Large-scale expansion of biogas and biomethane production presupposes that the regulatory framework in the EU provides for state aid for industrial use for larger volumes. This message was also presented by representatives of eleven Swedish regions in a joint letter to EU Commissioner Margrethe Vestager on 7 June. However, the current proposal for a revised regulatory framework (of Article 43 of the GBER) states that aid for production of biogas and biomethane would only be open to smaller production facilities e.g. farm-based facilities. With today's proposal, planned industrial production facilities in Sweden stand the risk of losing out on state aid entirely. As a result, these large facility projects may not be realized at all, a matter which EFNS takes seriously. EFNS and the regions thus recommend that the EU general block exemption regulation be amended so that even operators with production capacity exceeding 400 kW would be able to benefit from state aid without having to undergo a time-consuming licensing procedure.

RED II/III regulations must not hamper the production of renewable hydrogen for large-scale industrial application and transport

In the regions of Northern Sweden, major green industrial investments are taking place which will play a crucial role in Europe's ability to succeed in its green transition. These large green industrial projects use hydrogen made from renewable energy sources. In order for these projects to contribute to the green transition with great climate benefits across the EU, it is necessary to clarify that the regulations set out in the delegated act under Art. 27(3) of the Renewable Energy Directive will not affect industrial applications of hydrogen production, neither now nor in the future. Industrial application of hydrogen technology implies large needs but also comes with significant climate benefits, a fact which needs to be taken into account.

The same goes for the transport sector. Hydrogen is expected to play a significant role in the transport infrastructure in Northern Sweden, a geography characterized by large regions, a sparse population and large distance to markets. Regions, municipalities, and private actors are already investing in infrastructure and R&D projects to enable hydrogen-powered flights, trains and heavy transport. The regions' existing renewable energy production constitutes an important factor in the production of renewable hydrogen as a fuel for the regions' transport sector and contributes to its transport transition. EFNS underlines the importance of ensuring that the delegated act's regulations and requirements for new energy production capacity do not hamper the regions' ability to make the switch to sustainable transportation.



Licensing procedures for renewable energy investments must be a national competence.

EFNS welcomes the proposal to enable faster licensing procedures for renewable energy initiatives with a low social and environmental impact at the local level. However, we are reluctant to see renewable energy being made into an overriding public interest. We would like to stress that licensing procedures for the industrial sectors that contribute to enabling the expansion of renewable energy production must above all constitute a national competence. It is important that these industries are competitively sustainable and able to meet increasing demands for environmental considerations and social acceptance based on prevailing local conditions. For example, greater local acceptance is achieved for wind farms where local ownership is offered — with local benefits as a result — and locally owned wind farms are often built with greater consideration for their surroundings (Swedish Energy Agency, 2021).

The supply of emission allowances should not increase as that would create uncertainty in EU's Emissions Trading System and hence jeopardize climate targets

EFNS is concerned about the proposal to partially finance investments in new infrastructure through the auctioning of emission allowances worth €20 billion, which would imply the sale of 15 percent more allowances than is normal under a given year.

A higher market supply is expected to push down the price of emission allowances, which will likely lead to harder price competition for companies set on higher priced emission allowances. For example, two actors in Northern Sweden could be afflicted, namely Hybrit in Luleå and H2 Green Steel in Boden in Norrbotten County, both role models for the green transition and examples which are often highlighted at the EU level. The proposal also means that it will be cheaper for companies to continue using coal, and that no urgent signals will be perceived by large emitters to decarbonize their business. In the light of the climate crisis and the current energy dependence on Russia, it is extremely important not to create disturbances in the EU ETS. The EU ETS must continue to be able to signal clear long-term expectations and incentives so that EU businesses dare to invest in the major transition work that is required to meet climate objectives.

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