

Vattenfall Position on an Energy & Climate Framework for 2030

Vattenfall would like to emphasize the following key considerations for a 2030 framework:

- **A truly European approach based on market mechanisms would be the most cost effective way for society to reach the European energy policy objectives.** The core should be European harmonisation of policies combined with a well-functioning and integrated wholesale market. Thus true competition is fostered, the customer empowered and a cost-effective transition of the energy system facilitated.
- Full visibility on the long-term ambitions of the EU climate policy (incl. EU ETS) is essential for boosting confidence for investors. **A firm headline climate target for 2030** and consequently for 2040 in line with the 2050 decarbonisation objective should be adopted.
- **The EU ETS needs to be restructured** to become the main instrument for the transition. Measures as a **revision of the linear reduction factor** in line with a 2030 target and a **permanent set-aside should be implemented.**
- A more long-term development of the EU ETS is needed to make it fit to take on larger changes in economy. A predefined and transparent **supply-side management mechanism should be considered.**
- Vattenfall believe that **the wholesale market price coupled with a strong CO₂-price signal should be the main driver for deployment of all mature technologies**, including renewables. In this context, **new European or national renewables targets for 2030 would not be needed.**
- In case growth of certain technologies, such as renewables, is aspired faster and/or further than the level the EU ETS cost effectively can deliver, measures should be aligned with the EU ETS, keeping it in the center and not eroding it. It merits to be further investigated how such solutions linked to the EU ETS could be designed. Any such solutions must be based on thorough analysis, showing in a transparent way the costs and benefits for society and impact on the climate target / EU ETS.
- Coupled with other low carbon generation technologies and demand side solutions, renewables will be an important part of the future energy system. **A post 2020 renewables framework needs to be European and should focus on integrating renewables to the energy system and markets.**
- We believe **it is crucial to create a sufficiently strong European transmission and distribution grid** to continue market integration of renewables. A strong grid enables cost-efficient sharing of balancing and reserve resources, thus promoting security of supply. Market design aspects (e.g. well-functioning intraday and balancing markets) should be further developed to facilitate introduction of renewable electricity.
- The EU ETS and the electricity market should be complemented with **innovation and R&D financing and policies.** Thereby, technologies needed for the long term transition, which are not market competitive today, will be supported.
- A 2030 climate and energy framework is indispensable to enable the sector to invest and to realize the necessary solutions to achieve the climate and energy objectives set out by the EU and its' member states. Therefore Vattenfall call upon the EU to **reach agreements as soon as possible, in view of international negotiations latest by 2015.**