# Vattenfall's views on COP30
## Policy Paper

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**All parties should update their NDCs by raising the post-2030 climate ambition in line with the Paris Agreement's goals**

- The EU should agree on a 90 % net-GHG reduction target for 2040 ahead of COP30
- It is urgent that all countries present new targets in line with the Paris Agreement's goals

**The use of carbon markets needs to be expanded globally, to trigger more climate action and collaboration, not least by the Paris Agreement's new market mechanisms**

- $CO_2$ pricing is the single most effective tool to mitigate GHG emissions cost-effectively.
- Both governments and companies can start using the Article 6 mechanisms and it should be possible to use certain international credits (from permanent removals) in the EU ETS.
- Linking existing carbon markets (ETS) is key for incentivising climate action, creating a more level playing field for the industry, as well as to mitigate the risk of leakage.

**All fossil free technologies must be deployed to their full potential and electrification needs to be accelerated in all sectors to meet the climate targets**

- National governments have a crucial role to play in fully and timely implementing the EU climate targets and legislations, as well as for maintaining a robust investment framework.
- The decarbonisation of the EU electricity supply is progressing fast, though stronger efforts are needed to facilitate the electrification, replacing fossil fuels in industry, transport, etc.

**The journey towards net-zero must be a just transition where no-one is left behind**

- To get the necessary support for the decarbonisation of our economy, both the costs and benefits of the transition need to shared fairly among countries, businesses and citizens.

Ten years after the landmark adoption of the Paris Agreement, around 198 countries are preparing to convene at this year's COP30 summit in Belém, Brazil, for another pivotal moment in the international climate negotiations. Prior to the COP30 summit, all parties are requested, by the Paris Agreement's 5-year review mechanism, to put forward new ambitious climate targets for the period after 2030. It is urgent that the world acts jointly to transform the energy systems and halt the release of greenhouse gas (GHG) emissions to the atmosphere. Last year (2024) was the warmest year on record and the increase in global mean temperature has already exceeded 1.5 °C above pre-industrial levels. The COP30 summit is a window of opportunity for closing the emissions gap, by more ambitious climate pledges, and for keeping the Paris Agreement's goals within reach. It also represents a chance for policy makers to reaffirm that multilateral negotiations can still deliver meaningful progress in protecting our society, the economy and the global ecosystems from the most serious threats of climate change.

### All parties should raise their global climate ambition with strong and clear targets in updated NDCs in line with the Paris Agreement's goals and directly turning them into near term action

Ahead of the COP30 summit, all Parties of the Paris Agreement are requested to submit new updated Nationally Determined Contributions (NDC 3.0) with quantitative targets to mitigate the GHG emissions in the 2035 horizon, informed by the first global stocktake at COP28. Vattenfall urges all countries to urgently raise ambition and align

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their NDCs with a GHG emissions reduction trajectory that is consistent with the Paris Agreement's 1.5 °C goal.

We commend the UK for its early submission of a NDC 3.0 with a climate target of at least 81% net GHG reduction by 2035 (relative to 1990 levels) already in January 2025. This demonstrates leadership and provides a clear signal to markets and investors. The fact that the last coal-fired power plant in the UK closed last year also shows that the UK is taking firm actions to transition away from fossil fuels in the electricity supply, in line with the Glasgow Climate Pact (COP26) and UEA Consensus (COP28).

For the EU, setting a clear and science-based[1] 2040 climate target of at least 90 % net GHG emission reduction (relative to 1990 levels) is not only the next strategic milestone, it is absolutely essential for business planning and investment certainty. A well-defined EU decarbonisation trajectory beyond 2030 helps to avoid a disruptive acceleration of the GHG emissions cuts during the 2040'ies and enables a smoother, more cost-effective transition towards net-zero by 2050. It also strengthens the investor confidence and supports long-term decarbonisation efforts in energy, infrastructure, and industry. Once adopted, the EU's 2040 climate target, of at least 90 % net GHG emission reduction, should guide the EU's NDC 3.0 in defining a 2035 ambition and be set in the EU Climate Law through a revision in 2025.

While the EU submits a joint NDC covering all 27 Member States, the national governments play a crucial role in its implementation. They must ensure a timely transposition of EU legislations, maintain a stable regulatory framework, and foster an investment climate that enables companies and individuals to decarbonise their portfolios, processes and way of living. National action is key to turning the EU's global commitment into real action.

Accelerating the fossil fuel phase-out is vital, not only for the climate goals but also for energy security and economic resilience. A decarbonised power system will make the EU more robust in the face of external shocks and help build a cleaner, more competitive economy.

**The use of $CO_2$ pricing such as international carbon markets needs to be expanded to unlock the potential of cost-efficient mitigation of GHG emissions**

Vattenfall believes that putting a price on $CO_2$ is the single most effective tool to create an incentive for phasing-out the use of fossil fuels. International carbon markets, such as the EU's Emissions Trading System (EU ETS) have a unique potential and come with multiple benefits. First of all, it internalises the environmental damage, in line with the Polluter Pays Principle, making sure that the price incentive further propagates to the whole value chain and all parts of the economy. A uniform $CO_2$ price, across both sectors and countries, has also the best prospects of achieving a high cost-efficiency. At the same time, it gives rise to vast amounts of climate finance that can be used for technology development and supporting those industries and citizens who struggle the most with decarbonising their energy use.

New political decisions are urgently needed to further expand the use of carbon markets globally, since only approx. 28 % of the GHG emissions in the world are subject to a $CO_2$ price today[2] . More countries should be encouraged to develop emissions trading systems (ETS). This can be done by e.g. offering them to link their systems with the EU ETS when the conditions are right. In this context, Vattenfall welcomes the joint intention by the EU and the UK to work towards linking the UK ETS and the EU ETS, as stipulated at the UK-EU top summit in May 2025[3] . This should be relatively straightforward considering their similar design and shared history. The practical arrangements should preferably be agreed before the next revision of the EU ETS Directive in 2026. Other countries could also be considered for linking with the EU ETS provided that their ETS have a similar design and ambition.

Expanding the use of $CO_2$ pricing globally will create a more level playing field, especially where carbon markets are fully linked with each other. This may reduce the need for unilateral protection measures against the risk of $CO_2$ leakage and distorted competitiveness, such as the Carbon Border Adjustment Mechanisms (CBAM) which are currently being developed by the EU and the UK.

**The Paris Agreement's Crediting Mechanism needs to be used in order to create further incentives for reducing GHG emissions and enable more ambitious climate targets**

1 https://climate-advisory-board.europa.eu/reports-and-publications/scientific-advice-for-amending-the-european-climate-law-setting-climate-goals-to-strengthen-en-eu-strategic-priorities

2 https://openknowledge.worldbank.org/entities/publication/e5f6e755-e6a6-4d2c-927a-23b5cc8a9b03

3 https://ec.europa.eu/commission/presscorner/detail/en/statement_25_1267

Thanks to the progress made at COP29 last year, the rules surrounding the new global market mechanisms established by Article 6 of the Paris Agreement are largely in place. It is now up to the parties to make use of the Paris Agreement Crediting Mechanism. Countries as well as companies may finance and use credits as a supplementary contribution towards reaching their climate targets.

Vattenfall supports the idea of integrating the Paris Agreement's market mechanisms in the EU climate policy framework in a gradual and secure manner. For example, companies covered by the EU ETS could be allowed to use certain high-quality credits for compliance, subject to qualitative and quantitative criteria. However, this should be limited to carbon removal (CDR) credits from projects with permanent $CO_2$ storage (negative $CO_2$ emissions). In case the EU decides to integrate credits from the Paris Agreement's Article 6 mechanism in its climate policy framework, it is crucial that it is done in a way that upholds the EU ETS environmental integrity and a strong $CO_2$ price signal, thereby continuing to fostering a phase-out of fossil fuels and decarbonisation of the EU economy.

The use of international emission reduction credits must not come at the expense of any domestic climate actions. The possibility to cooperate in achieving targets and trade the mitigation outcomes internationally should instead be seen as something that reduces the overall costs, and hence enables both the buyer and seller to commit to more ambitious climate targets.

**All fossil-free energy sources need to be deployed to their full potential and electrification must be accelerated significantly across all sectors**

The power sector plays a central role in delivering on the climate targets. The progress in decarbonising the EU electricity supply has already been significant. 2024 marked the lowest emissions from the EU power sector, with a 15 % drop compared to 2023 and 57 % below the emissions level in 2008. To continue bringing down the $CO_2$ emissions by the pace that is required and meet the projected increase in electricity demand, all fossil-free technologies must be deployed to their full potential.

While the power sector invests in fossil-free generation, such as renewables and nuclear power, more efforts must be put into facilitating the electrification, whereby fossil-free electricity replaces the use of fossil fuels in sectors like transport, industry and buildings. Unfortunately, the current electrification rate in the EU lags behind what is needed to meet the climate targets. Setting ambitious climate targets and expanding the use of $CO_2$ pricing are parts of the solution to this problem. But we also need a comprehensive policy approach that creates demand for fossil-free products across the entire value chain.

**The net-zero path must be a just transition where costs and benefits are shared fairly across the society, and no-one is left behind**

The journey towards a climate-neutral economy requires a strong involvement of all businesses and citizens, as well as new forms of public-private collaboration. The decarbonisation comes with a lot of investment costs, but also a lot of benefits such as new green jobs, lower fuel import bills, improved air quality and reduced biodiversity loss. To get the necessary acceptance and commitment, it is important that these costs and benefits are shared fairly among customers, sectors, as well as countries.

At COP29 last year, the parties agreed on a new collective goal of tripling the climate financing support to developing countries to € 300 billion annually by 2035, coupled with a broader aspirational goal to mobilise € 1.3 trillion annually, from all actors including private sources. International carbon markets have a very large potential to contribute to this goal, by unlocking new climate financing flows, economic incentives and public revenues.

Vattenfall is a European energy company with approximately 19,000 employees. For more than 100 years we have electrified industries, supplied energy to people's homes and modernized our way of living through innovation and cooperation. Our goal is to make fossil-free living possible within one generation. Everything we do and the decisions we take shall lead to this goal. This is the basis of Vattenfall's strategy, and we advocate for a regulatory environment that makes this transition possible – in the energy sector and beyond in transport, industry etc

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