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To European Commission

Palta's response: Public consultation on the EU climate target for 2040

Background

Service Sector Employers Palta represents the Finnish service sector. Our mission is to build a better world for a successful and thriving service sector. Private services generate 42% of Finland's GDP and services constitute 30% of Finnish exports.

Our around 2,000 member organizations mainly represent six different industries: 1) logistics, 2) information and communications, 3) care and maintenance, 4) business and specialist services, 5) administrative and support services and 6) entertainment and leisure.

Palta supports the Paris agreement and 1.5-degree policies, as well as the climate neutrality targets of Finland by 2035 and the EU by 2050.

We appreciate the possibility to provide our views on the EU climate target for 2040.

The 2040 target should be ambitious

The green transition creates huge opportunities for clean companies. This includes increased demand for products and services which reduce the emissions of their customers.

It is important to make the most of the opportunities, and this requires ambitious climate policy. The 2040 net target should thus be between 80 and 90 percent compared to 1990 levels.

To make the most of the opportunities, positive climate impacts of companies should be encouraged in various ways. The concept of carbon handprint – or a similar concept called avoided emissions - which describes the emission reductions brought about by a product or service compared to a baseline, should be given a significant role in the climate policy.

Competitiveness of companies should also be ensured

The climate policies should be designed in such a way that they ensure the competitiveness of companies, particularly in hard-to-abate sectors. For example, air and sea transportation is relatively costly to decarbonize. The same applies to heavy transportation especially in countries with long distances such as Finland.

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Appropriate support elements should thus be provided to companies. In addition, national characteristics cannot be forgotten. For example, Finland's cold winters with frozen sea increase the fuel consumption in maritime transportation, and this should be taken into account.

ESR sector should be discontinued

The current structure - emissions trading, effort sharing sector (ESR) and land use sector (LULUCF) cannot be continued after 2030. Following the commencement of the new emissions trading systems for fuel distributors, a significant amount of emissions is covered by both the ETS and ESR sectors and, unfortunately, overlapping regulation.

For simplicity and cost-effectiveness, the overlaps should be discontinued after 2030. The most reasonable way to do this is to discontinue the ESR sector and its national targets and to transition into EU-wide policies. Agriculture could be combined with LULUCF to create a new sector, AFOLU, as is the case in international climate policy.

Emissions trading should be given a primary role, as this allows the markets to find the best ways to achieve the targets.

Separate targets for carbon removals and emission reductions

Carbon removals should be given a target (or targets) which is separate from the emission reduction target. This is due to the incredibly high uncertainties related to carbon removals. As we have recently seen in Finland, LULUCF removals can collapse suddenly. In addition, and the technological removals remain largely untested. The removals may thus vary significantly in a short period of time.

If there is only one single target for removals and emission reductions, the same incredibly high uncertainty that is now inherent to removals concerns emission removals as well. This would be problematic due to the need for predictability in industry and particularly in hard-to-abate sectors.

In the unfortunate event that the carbon removals collapse shortly before 2040 and there is no time to increase the removals with new policy measures, the gap can be filled with international offsets. Overall, international offsets should be allowed to an appropriate extent to increase cost-effectiveness, while ensuring their high quality.

Sincerely,

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