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Defending a strong ETS for a competitive, green and energy secure Europe

In the coming months, policy makers around Europe will set the direction of Europe's carbon market for the decade leading us to 2040. The decisions taken now will shape whether the investments needed to power Europe's future economy are made and whether they are made in Europe. Let us be clear: Europe does not have to choose between climate ambition and competitiveness. The Nordic experience shows that a stable carbon price and increased electrification can deliver both.

On behalf of Nordenergi, representing the energy industry associations of Denmark, Finland, Norway and Sweden, we strongly support an ETS that can deliver the EU's target of a 90% net reduction in greenhouse gas emissions by 2040 and climate neutrality by 2050. The ETS can deliver these targets at the lowest cost, but only if businesses and investors can continue to rely on it as a stable investment framework.

For that same reason, we would have preferred to keep the ETS on its original path to avoid weakening the EU carbon price signal. The Nordic energy associations see a need for maintaining a strong ETS with clear ambitions and would like to underline that the compromise text as presented by the Commission must not be weakened further. A weakening would severely harm Europe's innovative green industries, put our shared climate objectives at risk and make Europe a less stable and attractive place to invest.

Weakening the ETS would not make the transition cheaper. It would postpone much-needed investments, increase financing costs and risk making the transition more expensive for European citizens and businesses. A strong carbon market is therefore essential not only for reaching Europe's climate targets, but also for supporting industrial renewal, competitiveness and security.

The Nordic countries were among the first in the world to put a price on carbon. Our experience shows that a stable carbon price, combined with clean electricity and a determined push for electrification, can go hand in hand with falling emissions, industrial renewal and economic growth. Reforms should reward early movers, not punish them.

This experience is important for the discussions ahead.

Investments in clean power, electricity grids, electrified industrial processes and hydrogen projects require capital committed for 20, 30 or 40 years. Companies will only make these investments if they can trust that the political framework will remain stable. If the carbon price is weakened, or the rules are repeatedly adjusted to provide short-term relief for those who have not transitioned in time, uncertainty increases and capital becomes more expensive. The strength and predictability of the ETS therefore directly affect Europe's ability to attract clean investment. In the international competition for capital and industrial development, this is an advantage Europe cannot afford to lose.

Against this background, we recognise the need to prepare the ETS for the period after 2030. We welcome several elements of the Commission's proposal, including the extension of the system to waste incineration and the further expansion of its scope in aviation and maritime transport.

The political choice is therefore clear. The Commission's proposal should serve as the floor for the legislative process. We therefore urge you to preserve a credible emissions cap aligned with the 2040

target and avoid short-term interventions that undermine the carbon price signal and implement ETS2 fully and on time.

Yours sincerely,

Stine Leth Rasmussen
Deputy CEO, Green Power Denmark

Åsa Pettersson
CEO, Swedenergy

Jukka Leskelä
Managing Director, Finnish Energy

Bård Vegar Solhjell
CEO, Renewables Norway