Translation of the 92 Group's submission sent to the Danish ministry of Climate on 18. June 2024.

All references to specific page numbers refer to the version of the NECP sent in public consultation on 21. May 2024.

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92-Group's Response to Denmark's National Energy and Climate Plan (NECP)

The NECP is an impressive read because it covers the entirety of Denmark's energy and climate policy. This is the second time Denmark has produced an NECP. There are several improvements compared to the first NECP in 2019. However, there are still significant deficiencies in both the new 2024 NECP and the process for its preparation.

The biggest shortcoming of the NECP is that the new National Energy and Climate Plan still does not constitute a plan. The NECP is, of course, forward-looking as it outlines Denmark's emissions until 2040, but it is fundamentally backward-looking because it only projects already adopted policies. Thus, the NECP (Appendix 2) indicates that Denmark will only achieve a 67% reduction by 2030 and a 77% reduction by 2040. A proper National Energy and Climate Plan should constitute a plan. This means it should include additional measures, not just already adopted measures. Furthermore, it should (according to Climate Act §1) be a plan that shows the way to comply with the Paris Agreement's goal of limiting global temperature rise to 1.5 degrees.

Regarding the process, the 92-Group urges the Ministry of Climate to, immediately after the NECP is submitted, evaluate the process and develop a plan to achieve a better NECP process when the next NECP is to be made in 2028.

92-gruppen – Forum for Sustainable Development is in this case representing:

Care Danmark
Den Grønne ungdomsbevægelse (DGUB)
DIB
DOF BirdLife
Greenpeace
Kvindernes U-landsudvalg
Klimabevægelsen
Mellemfolkeligt Samvirke
Netværket for økologisk folkeoplysning og praksis/Øko-net
Oxfam Danmark
Rådet for Bæredygtig Trafik
Rådet for Grøn Omstilling
VedvarendeEnergi
Verdens Skove
World Animal Protection Danmark

Indhold

1 - 92-Group's Critique of the Draft Danish NECP (June 2023)

In June 2023, the 92-Group submitted a consultatio**Fejl! Bogmærke er ikke defineret.**n response to the draft Danish NECP. The main points of criticism from the 92-Group regarding the draft NECP were:

1. **The Draft Danish NECP Contained No Measures and Therefore Did Not Constitute a "Plan"**
   (or if so, it was a plan to fail to meet Denmark's climate goals and commitments). Despite significant reduction gaps regarding all of Denmark's climate goals and commitments, the draft NECP did not contain any additional measures. The National Energy and Climate Plan (NECP) is supposed to actually constitute a plan. The Governance Regulation states that the NECP should not only include already adopted measures (referred to as WEM) but also additional measures (referred to as WAM)[1]. The draft Danish NECP plan only included already adopted measures, i.e., the climate projection (referred to as WEM). The 92-Group

[1] Governance regulation, Annex1, part 1, section 5, footnote 1

believes that the NECP draft should have presented sufficient additional measures to meet all of Denmark's climate goals and commitments.

2. **Lack of Mandatory Stakeholder Involvement**
   Both the Governance Regulation, the EU Commission's NECP guidelines, and the Aarhus Convention require that stakeholders be involved early and effectively in the preparation of the NECP (both the draft and the final version). Stakeholder involvement is not just about the process. Involvement is largely ensured through the content of the NECP plan. Additional measures (which were totally absent in the draft NECP) are a crucial element in involving stakeholders and creating public debate. Everyone has an opinion on new measures (e.g., a meat tax; lower speed limits on highways; subsidies for insulating houses in rural Denmark; etc.). A "plan" that only consists of already adopted measures (WEM) is useless as a climate plan, but (because no one has strong opinions on WEMs) extremely useful if the aim is to avoid real stakeholder involvement and public debate about Denmark's National Energy and Climate Plan (NECP).

Although the re-calculated 2024 Climate Projection (KF24) has now largely salvaged Denmark's final NECP, the 92-Group maintains both points of criticism regarding the final NECP as well.

2 - EU Commission's Critique of the Draft Danish NECP (December 2023)

In December 2023, the EU Commission published a detailed response to Denmark's draft NECP. The Commission presented an analysis (SWD) and a list of 22 specific recommendations[2]. Similar to the 92-Group, the Commission was particularly concerned that Denmark's NECP did not include additional measures and therefore constituted a plan for <u>not</u> meeting Denmark's climate goals and commitments.

Denmark is required by the DK Climate Act to achieve at least a 70% reduction by 2030, but from the NECP data submitted by Denmark, the Commission concluded that Denmark will not achieve a 70% reduction until 2050:

> *"In the draft updated plan, WEM projections are done up to 2040; there are no WAM projections. Projections submitted in March 2023 under Art. 18 of the Governance Regulation show net GHG emissions (i.e., including LULUCF and excluding international aviation) of 23 million tonnes of CO2 equivalent (CO2 eq.) by 2050 based on existing measures. This is equivalent to a projected reduction in 2050 of 71%, compared to 1990."* (SWD s9)

The minimal Danish effort is not only forward-looking:

[2] The Commissions 22 recommendations and the Commssions assessment report (Staff Working Document (SWD) af udkastet til dansk NECP ligger begge her: https://commission.europa.eu/publications/commission-recommendation-assessment-swd-and-factsheet-draft-updated-national-energy-and-climate-12_en

"In the most recent years, net GHG emissions in Denmark have declined at a pace below the EU average." (SWD s9)

In its critique of Denmark's NECP draft, the Commission specifically mentions Denmark's EU obligations:

- **Burden Sharing (ESR)** (Commission's point 1): "Set out cost-efficient additional policies and measures, notably in the transport and agricultural sectors, to bridge the projected gap… under the ESR. Provide updated projections to show how the existing and planned policies will deliver on the target…"
- **Energy Efficiency Directive (EED)** (Commission's point 11): "Set out complete policies and measures to achieve the national contributions on energy efficiency and, in particular, how the Energy Efficiency First principle will be implemented."
- **LULUCF**: "Set out a concrete pathway towards reaching the national LULUCF target as defined in Regulation (EU) 2018/841. Include additional measures in the LULUCF sector, quantifying their expected impacts." (Commission's point 3)

The 92-Group's highlights confirm that the Commission, like the 92-Group, expects the Danish NECP to constitute a plan that includes sufficient new measures to meet Denmark's climate goals and commitments. In other words, the NECP plan must not merely consist of a repetition of the climate projection.

The Commission's and the 92-Group's expectation that Denmark's NECP would include new measures (WAM) is partly due to the EU regulation requiring that the NECP not only includes already adopted measures (WEM) but also not yet adopted measures (WAM)[3].

Regarding Stakeholder Involvement

Commission's point 21: *"Provide a clear and more detailed overview of how the consultation process has enabled participation from all relevant authorities, citizens, and stakeholders including social partners, in the preparation of both the draft and the final updated plan."*

(SWD8): *"The public participation procedure outlined in the draft updated plan raises doubts whether sufficient early public participation in the decision-making process was ensured. Denmark organized public consultations via dedicated webpages between 16 May 2023 and 6 June 2023 during which only 12 responses were submitted from NGOs, interest and trade organizations, but no members of the public. Given the low number of replies, it is considered that the mechanisms to notify and reach the public in the NECP update process were insufficient."*

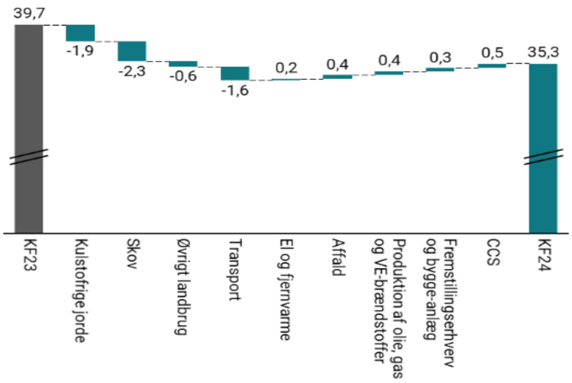
[3] Governance regulation, Annex1, part 1, section 5, footnote 1

3 - Reduction Gap of 27MT CO2 (KF23) Nearly Disappeared with KF24

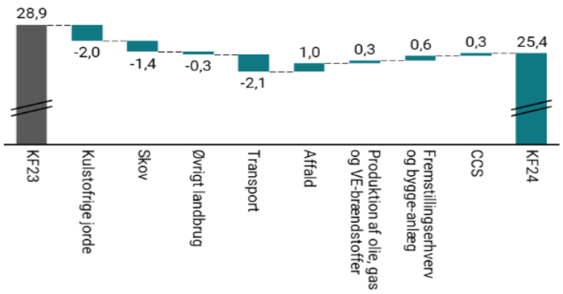
The severe shortcomings in Denmark's draft NECP (based on KF23), highlighted by both the 92-Group and the EU Commission, were not addressed by adding sufficient additional climate measures to meet the targets in the final NECP. Instead, the government recalculated Denmark's climate accounts with KF24. This recalculation found that Denmark's climate targets are now largely met.

KF24 provided a significantly better outcome than KF23. KF24 shows that Denmark now exceeds its 2025 target and is less than 2MT short of meeting the 2030 target[4]:

2025 target 50-54%: 39-36 MT



2030 target 70%: 23,5 MT



Regarding Denmark's EU obligations for the period up to 2030, the KF24 re-calculations similarly reduced the reduction gap by 23 MT CO2 from the 27 MT CO2 projected in KF23 and calculated that LULUCF uptake is 18 MT CO2 larger than in KF23.

Tabel 1.1
Skønnede mankoer for Danmarks EU-forpligtelser, mio. ton CO_2e

Forpligtelser	KF23	KF24
Byrdefordelingsaftalen (2021-2030)	16,1	0,1*
LULUCF-bdugetmål (2021-2025)	-12,7	-30,6
LULUCF-budgetmål (2026-2029)	8,8	3,8
LULUCF-reduktionsmål 2030	2,0	-0,2

Anm.: *KF24 mankoen under byrdefordelingsaftalen er angivet inklusiv den partielt skønnede effekt af diesel- og vejafgift fra *Aftale om deludmøntning af Grøn Fond*.
Kilde: Klima-, Energi- og Forsyningsministeriet.

[4] Figur1.4 og 1.5 from KF24 tal bag figurer

(KF24, tabel 1.1, s. 7)

Denmark's obligations under the Energy Efficiency Directive also appear to be met. According to the new EE Directive, Denmark's final energy consumption must not exceed 13.7 Mtoe (=575 PJ) in 2030. The projection predicts that Denmark will have a final energy consumption of about 550 PJ in 2030.

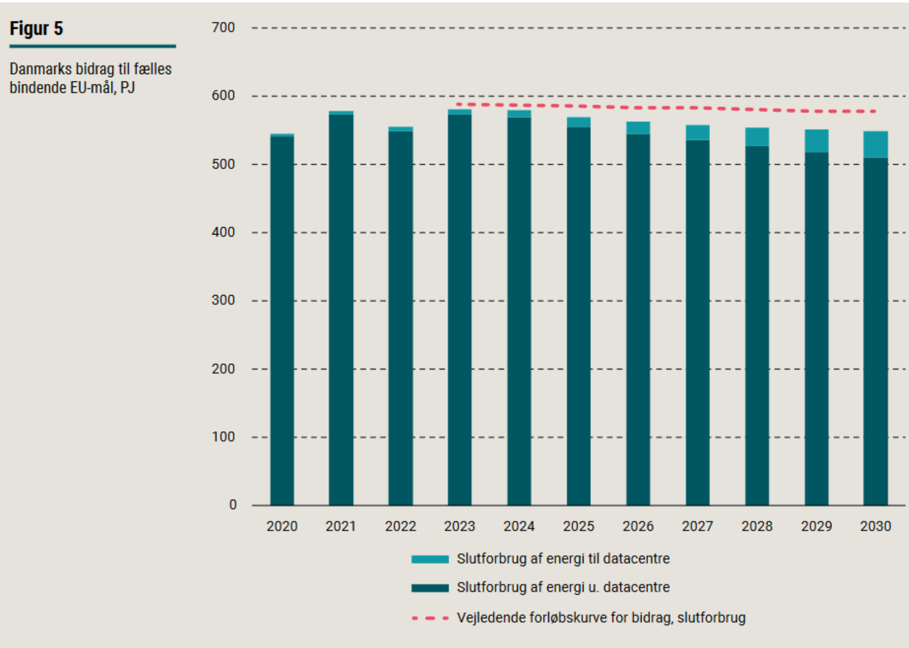


Figure from the government's roadmap for energy efficiency. The EE roadmap, according to the EE Directive, must be part of the NECP, but it was only presented on June 11, 2024, two weeks after the NECP was sent for consultation. The EE roadmap was developed without involving stakeholders. The EE sector criticizes the roadmap for being a desk exercise unworthy of a pioneer country. The roadmap is criticized for not complying with the directive's rules that savings must be achieved with new measures, which is not the case since the measures are already adopted.

Thus, the KF24 re-calculation means that Denmark largely meets its climate goals. Denmark's remaining unmet targets are:

- **LULUCF**, with a remaining gap of 3.8 MT for the period 2026-29;
- **70% target in 2030**, according to KF24, about 68% is achieved, leaving a gap of 1.5-2 MT;
- **Agriculture target of 55-65% reduction in 2030**, according to KF24, about 48% is achieved, leaving a gap of 1.5-3.5 MT.

Unlike the draft NECP from June 2023, the final NECP includes additional measures. In Chapter 5.1 on additional measures, both the climate program from September 2023 and the Svarer Committee's models for a CO2 tax on agriculture are described. These are not measures developed with stakeholder involvement, as required by the regulation, but it is positive that the NECP indeed includes additional measures that can provide sufficient reductions to close the remaining gaps (LULUCF, 70%, and 55-65%). The 92-group recommends, just as in the 2020 agreement on green tax reform, that the CO2 tax for agriculture be implemented as a uniform tax, i.e., at the same rate of DKK 750/ton as the CO2 tax for industry from June 2022.

4 - Climate Targets Met Without New Measures, Without Stakeholders, and Therefore Without Ambition

It is a requirement in the Governance Regulation and a central criticism from both the 92-Group and the EU Commission regarding Denmark's draft NECP (KF23) that Denmark's NECP should include sufficient additional measures to meet Denmark's climate goals and commitments, and that stakeholders and the public should be involved early and effectively in developing these additional measures.

After KF24, the climate targets are now largely met, so the NECP can no longer be criticized for failing to present sufficient additional measures to meet the climate goals. Without unmet targets, the argument for additional measures is less obvious, and therefore, it is also less obvious to criticize that Denmark/the NECP has not sufficiently involved stakeholders in developing the additional measures.

Regardless of the KF24 recalculation saving the NECP, it remains a significant point of criticism that the Danish NECP process focuses far too much on already adopted measures (WEM scenario = climate projection) and far too little on the NECP being a plan that includes additional measures developed in a process that genuinely involves stakeholders.

Even though Denmark's climate targets are formally met with KF24, stakeholders still see the NECP process as their right/opportunity to contribute to the NECP developing further measures that will promote Denmark's green transition. The lack of a genuine involvement process and the absence of additional measures mean that stakeholders have been prevented from contributing, and it likely means that Denmark now delivers a much less ambitious NECP than it would have been if stakeholders had been genuinely involved. This criticism comes not only from NGOs but from a broad circle of stakeholders.

5 - No Free Riding in the Paris Agreement

When projections show that Denmark will meet its 2030 goals (as soon as agricultural CO_2 measures are implemented), it implies that the government could put all new climate policies on hold for the next six years (an eight-year pause if including the climate policy hiatus since the government change in 2022). While it is positive that Denmark is set to meet the climate targets established in 2019, the Paris Agreement clearly states that no country should free ride. A fundamental principle of the Paris Agreement is that every country must set new climate targets every five years, which should represent increased ambition compared to the country's previous targets and reflect the country's highest possible ambition (Article 4(3) of the Paris Agreement). Consequently, the recalculations in KF24, which indicate that Denmark has almost met its previous climate targets, should lead Denmark to set new, more ambitious climate targets rather than coast for six years. The 92-Group believes it is high time to advance Denmark's net-zero year to 2040 and to tighten the 2030 target to an 80% reduction based on calculations based om IPCC AR6[5].

6 – Stakeholders

6a – Absent Stakeholder Involvement

According to the Governance Regulation (Article 10) and the Aarhus Convention (Article 6), Denmark is legally obligated to ensure early and effective stakeholder involvement while all options are still on the table[6]. The EU Commission, in its comments on the draft NECP (point 21), requests an explanation of how Denmark has ensured that stakeholders and citizens have had meaningful opportunities to contribute to both the draft NECP (submitted on June 30, 2023) and the final NECP (to be submitted to the EU by June 30, 2024). The Commission also questions whether Denmark has done enough to involve the public in the development of its NECP:

> *"The public participation procedure outlined in the draft updated plan raises doubts whether sufficient early public participation in the decision-making process was ensured. Denmark organised public consultations via dedicated webpages between 16 May 2023 and 6 June 2023 during which only 12 responses were submitted from NGOs, interest and trade organisations, but no members of the public. Given the low number of replies, it is considered that the mechanisms to notify and reach the public in the NECP update process were insufficient."* (SWD p.8)

While the Commission expresses polite doubt, the 92-Group can clearly attest that the Danish NECP was fundamentally written without stakeholder involvement. The 92-Group and several other Danish stakeholders have repeatedly attempted to encourage the government to conduct the legally required stakeholder engagement[7].

The 92-Group acknowledges that the Ministry of Climate, Energy, and Utilities (KEFM) has made improvements since January, notably by adding content to the WAM chapter and holding a technical review of the NECP on June 3. As stated at the beginning of this response, the 92-Group recommends that KEFM immediately evaluate the NECP process to improve stakeholder involvement for the next NECP process in 2027-28.

6b – Misleading Regarding the Establishment of a Multilevel Climate Dialogue Forum

Denmark, according to Article 11 of the Governance Regulation, is obligated to establish a standing multilevel climate and energy dialogue forum.

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[5] https://www.greenpeace.org/static/planet4-denmark-stateless/2022/11/1dfaad9a-tid-til-at-haeve-danmarks-klimamaal-greenpeace.pdf

[6] See the 92-group's consultation response to the draft NECP pages 11-13 for a detailed review of the shortcomings in Danish stakeholder involvement compared to what EU legislation actually requires.

[7] 92grp letter to the minister April 2023 about NECP stakeholder involvement, 92grp NECP submission Juni 2023, broader stakeholder letter Oct 2023, which resulted in ministry agreeing to meet stakeholders on 17. januar 2024

> **Article 11:** *"Multilevel climate and energy dialogue: Each Member State shall establish a multilevel climate and energy dialogue pursuant to national rules, in which local authorities, civil society organizations, the business community, investors, and other relevant stakeholders and the general public are able actively to engage and discuss the different scenarios envisaged for energy and climate policies..."*

The EU Commission has noted[8] only "limited evidence" that Denmark has established the required multilevel climate dialogue forum. However, the 92-Group sees no evidence that Denmark has complied with Article 11 of the Governance Regulation.

The final NECP attempts (pages 15-16) to create the impression that Denmark has created other forums equivalent to the Article 11 forum, citing the Climate Partnerships and the Green Business Forum. This is misleading.

Climate Partnerships: The Climate Partnerships were established in 2019 and were very active in 2020. As far as the 92-Group is aware, these partnerships have been inactive since they delivered their recommendations and sector roadmaps in 2020-21. There are 13 Climate Partnerships, each covering different sectors/industries, and they only consist of representatives from the respective industries. Civil society organizations are not represented in the Climate Partnerships.

Green Business Forum: The Green Business Forum also does not constitute a multilevel dialogue forum. As the name suggests, the Green Business Forum consists of biannual meetings between business sector actors, four ministries, and labor market parties. Civil society organizations are not represented in the Green Business Forum.

Conclusion: Neither the Climate Partnerships nor the Green Business Forum can be claimed to represent the broad stakeholder group prescribed by Article 11. Therefore, Denmark's assertion that it has complied with the requirement to establish a multilevel climate dialogue forum is misleading.

7 – Misleading Information about Denmark's Established Climate Goals

Several sections of the NECP (for example, in section 1.1 (iii), "Overview of key goals, agreements, and policies") "forget" to mention the established targets that Denmark has not yet met (i.e., LULUCF 2026-29 and 55-65% in agriculture). The NECP frequently mentions (on pages 5, 6, 9, 25, 27, 37, 80, 96) the promise from the government platform to advance net-zero, presenting it as a target on the same level as Denmark's established climate goals:

> *"A central goal is to reduce Danish greenhouse gas emissions by 70% by 2030 compared to 1990 levels, and climate neutrality no later than 2050. The new government, consisting of the Social Democrats, Venstre, and Moderates, has*

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[8] (SWD7) *There is little evidence of a proper multilevel energy and climate dialogue during the process of updating the NECP.*

advanced the climate neutrality target to 2045 and has set a goal of a 110% reduction by 2050 compared to 1990 levels." (NECP, page 5).

A decision to advance the net-zero year and tighten the 2050 target from 100% to 110% will require an amendment to the Climate Act, §1. The government has not yet done this.

The NECP must, of course, mention that the government promised in 2022 to advance Denmark's net-zero year. However, it should be clearly stated each time it is mentioned that the government has not yet adopted the advancement of the net-zero year, nor proposed it. The current wording in the NECP is likely to mislead the EU Commission into believing that the Danish government has actually advanced Denmark's net-zero year and set a target of a 110% reduction by 2050.

The 92-group urges the government to fulfill the promise from the government platform and advance Denmark's net-zero year. The government platform suggests net-zero by 2045. The 92-group believes (based on calculations from IPCC AR6 and Denmark's share of the remaining carbon budget) that Denmark's net-zero year should be advanced to 2040.

8 – Biomass (Commission's Points 2, 3 og 8).

8a – Denmark will delay assessing compatibility of its Biomass use with its LULUCF targets until 2025

The European Commission requires (point 8) that Denmark's NECP demonstrates *"...the compatibility of the projected use of forest biomass for energy production with Denmark's obligations under the revised LULUCF Regulation."* [9]

Denmark has a high and increasing consumption of biomass:

> *In a global context, Denmark's bioenergy consumption per capita is significantly above the global average. The Danish consumption is almost three times greater per capita than the sustainable supply potential of biomass globally.* [10]

[9] (Kommissionens punkt 8) "*Include an assessment of the domestic supply of forest biomass for energy purposes in 2021-2030 in accordance with the strengthened sustainability criteria of Article 29 of Directive 2018/2001 as amended and of the compatibility of the projected use of forest biomass for energy production with Denmark's obligations under the revised LULUCF Regulation"*

[10] https://klimaraadet.dk/sites/default/files/node/field_file/klimaraadet_hovedrapport_2018.pdf s23

This was the words of the Danish Climate Council in 2018. Since 2018, Denmark's biomass consumption for electricity and district heating has increased by over 50%.[11] Approximately 40% of Denmark's electricity and district heating consumption comes from biomass[12].

With the new Renewable Energy Directive (RED III), Article 29, Denmark must now account for how much biomass can be sustainably harvested for energy purposes during the 2021-2030 period. Additionally, under the revised LULUCF Regulation, Denmark must limit its biomass consumption to a level that aligns with the EU's goal of increasing carbon uptake in European forests to 310 MT CO2 per year by 2030.

Denmark plans to defer the assessment of how much biomass can be sustainably harvested during the 2021-2030 period until next year:

> *"In relation to the new reporting obligation in Article 29, 7b, a) regarding the domestic supply of forest biomass available for energy purposes in 2021-2030 in accordance with the criteria in RED III's Article 29, it is noted that RED III's sustainability criteria have not yet been implemented as the implementation deadline is May 21, 2025. Therefore, Article 29, 7b, a) cannot be fully answered at this time"* (NECP p.110).

The 92-Group acknowledges that Denmark has until May 2025 to implement the RED III directive. However, for a country with such a high biomass consumption as Denmark, it seems more prudent not to wait until the last moment to perform the assessment required by the Commission and EU legislation.

The 92-Group interprets "compatibility" to mean that Denmark's biomass consumption must be reduced to avoid building up the 3.8 MT LULUCF deficit (2026-29) otherwise projected in KF24. Conversely, it appears in the NECP that Denmark allows for unlimited biomass consumption and consequently permits the accumulation of a 3.8 MT reduction deficit.

8b – Evasive Answers Regarding CO2 Sources for CCS

The European Commission requests (point 2) that Denmark *"Identify the sources of CO2 emissions that are planned to be captured."*

According to the KF23, Denmark's CCS plans aimed to establish the capacity to capture 3.23 MT CO2 annually by 2030, with a budget of DKK 37 billion in state support for CCS. With KF24, Denmark's CCS plans have been revised down to 2.45 MT CO2 annually by 20300[13].

[11] Based on KF24, figur 23,4: Biomass use for electricity and district heating was 60PJ in 2015; 80 PJ in 2018 and rose to 123PJ I 2023.

[12] Calculated for 2023 based on figures from KF24, tal bag figurer, figur 23,4: https://kefm.dk/Media/638500582877737643/KF24_resultater_tal_bag_figurer.xlsx

[13] Despite the reduced expectations for how much Carbon Capture and Storage (CCS) can contribute, the generous size of government support has not decreased. Initially, the KF23 projected that 37 billion DKK spent on CCS up to 2035 would result in a total uptake of 25.6 million tonnes (MT) of CO2. However, the new projection anticipates that CCS will only deliver a total uptake of 17.4 MT CO2 by 2035. The government's support scheme still costs 37 billion DKK but now provides one-third less effect than when it was approved.

Investing in an expensive CCS facility at an existing CO2 source will likely increase both the operation time and lifespan of that facility. Therefore, it is highly prudent for the Commission to ask which specific CO2 sources Denmark intends to establish CCS facilities on. This is particularly important since Denmark currently lacks regulations ensuring that CCS facilities are established in "hard to abate" sectors (e.g., cement factories and waste incineration). There is a genuine risk that Denmark will continue to place CCS on biomass plants, thereby increasing and extending Denmark's already significant biomass dependency.

The Commission's question is thus crucial and deserves a straightforward answer. The NECP evades providing a clear response. Denmark's concrete plans involve achieving 2.45 MT CCS and spending DKK 37 billion to make this happen. Instead of identifying the specific CO2 sources to be used for CCS, the NECP lists various potential CO2 sources with a total potential of 15.5 MT CCS, which is far more than Denmark realistically plans for and significantly exceeds the 2.45 MT the Commission is specifically asking about.

The 92-Group believes the Commission's question is very reasonable and should be answered clearly. At the very least, the NECP should propose measures to ensure that the 2.45 MT CCS Denmark plans to establish will be prioritized for CO2 sources in "hard to abate" sectors (e.g., cement factories and waste incineration) and not for biomass power plants, where a CCS facility would only prolong and sustain Denmark's biomass dependency. It is clearly unsustainable to let the market or chance determine where Denmark establishes CCS. This is evident from the first tender, where the state's DKK 8.7 billion is now being used to build CCS at two of Ørsted's biomass plants instead of at Vestforbrænding's waste incineration plant. The decision was not made based on an assessment of "hard to abate" sectors or where society would benefit the most but because Ørsted was able to underbid Vestforbrænding due to a "sponsorship agreement" Ørsted made with Microsoft[14]

8c –The NECP Evades Clarification on Denmark's Biomass Subsidies

The NECP does not comply with the European Commission's request (point 3) for: *"…clear information on how public funds … are consistently and effectively used to achieve the net removal national target."*

Denmark supports the burning of biomass and biofuels through tax exemptions. The NECP (e.g., p. 104) briefly mentions that biomass is partly exempt from taxes and that some facilities receive direct subsidies, but it avoids providing clear information on the value of these forms of support.

> *Electricity production using solid biomass is supported with a fixed subsidy. The fixed subsidy scheme combined with tax exemption for biofuels for heat production has, up until 2019, been a driving force for the fuel shift from coal and gas.*
>
> *There are two subsidy schemes:*

[14] https://klimamonitor.dk/nyheder/art9352217/Microsofts-finansiering-er-afg%C3%B8rende-for-vores-CO2-fangst

1. *Existing non-depreciated installations could, until April 2019, receive a fixed subsidy of DKK 0.15/kWh throughout the depreciation period, but for no more than 20 years. Thus, the newest installations can receive support until 2039.*
2. *Depreciated installations can receive a fixed subsidy calculated based on the difference in operating costs when using biomass compared to an alternative fossil reference.* (NECP p. 104)

The total value of the direct subsidies (DKK 0.15/kWh and subsidies for operating costs for depreciated installations) is not immediately available. The overall value should be stated in the NECP.

The value of the tax exemption, however, is available. The NECP just avoids disclosing it. According to the Ministry of Taxation's report on tax expenditures, the value of the tax exemption for biomass is DKK 5.6 billion annually[15]. Subsidizing biomass made climatic sense when coal was the only alternative in the electricity and heating sector. Today, the alternatives are solar, wind, and heat pumps. Climatically, it no longer makes sense to continue subsidizing biomass with DKK 5.6 billion annually. The effect of the tax exemption is to increase Denmark's demand for biomass, thereby increasing pressure on the world's forests, reducing their carbon sequestration, and decreasing biodiversity.

The 92-Group believes that the value of the tax exemption for biomass must absolutely be reported in the NECP. The tax exemption for biomass is a clear example of a subsidy inconsistent with the EU's goal of increasing carbon sequestration in EU forests. Since the tax exemption benefits companies that burn biomass (not Danish producers of biomass), and since more than half of the biomass burned in Denmark is imported, Denmark’s substantial biomass subsidies will not only increase pressure on Danish forests but also on forests in other EU countries.

The 92-Group also believes that the total value of the direct subsidies (DKK 0.15/kWh and the subsidies for operating costs for the depreciated installations) should be calculated, and the total value should be stated in the NECP.

Increased biomass burning is also inconsistent with the EU’s biodiversity goals. Both subsidies and tax exemptions for biomass are therefore environmentally harmful subsidies. Denmark is obliged, according to the EU's 8th Environmental Action Program, to phase out its environmentally harmful subsidies. [16]

[15] Skatteøkonomisk redegørelse p 225-6. The Danish Ministry of Taxation (SKM) distributes the subsidy effect of the 5.6 billion DKK for biomass between companies and private consumers. In 2023, companies save 4.5 billion DKK compared to what biomass would cost without the subsidy. Meanwhile, private consumers benefit from a savings of 1.1 billion DKK in 2023.

[16] 8. Environmental action programme, art 3(h): *require…MS… phasing out environmentally harmful subsidies, in particular fossil fuel subsidies, at Union, national, regional and local level, without delay, inter alia, by:… setting a deadline for the phasing out of fossil fuel subsidies consistent with the ambition of limiting global warming to 1,5 °C.*

Therefore, the 92-Group believes that the NECP, in addition to properly accounting for the DKK 5.6 billion in biomass subsidies, should also include plans to phase out biomass subsidies and other environmentally harmful subsidies and set a date for their phase-out.

9 - Quantify the GHG Reductions from EU Funds

9a - The NECP Fails to Quantify Reductions from EU Funds Received under the RRF (REcover and REpower)

In response to the COVID-19 lockdown and the energy crisis, the EU provided an additional €648 billion (approximately DKK 5000 billion) [17] to assist member states through the Recovery and Resilience Facility (RRF). Denmark received about DKK 13 billion under the RRF, with DKK 11.6 billion as coronavirus recovery support and an additional DKK 1.5 billion as energy crisis support. EU countries were required to use at least 37% of the RRF funds to accelerate their green transition.

In its RRF plan, Denmark claims to have used DKK 8.3 billion (the entire DKK 1.5 billion of energy crisis support and 59% of the recovery support, i.e., DKK 6.8 billion) on climate measures. To ensure that the additional EU funds were used as intended, the EU Commission, in its NECP guidance, required member states to quantify the impact of the additional climate actions enabled by the EU crisis support:

> *"…the Commission invites Member States to clearly describe the role of the RRPs, including the REPowerEU chapters, in implementing the updated NECPs. To this end, <u>the updated national plans should provide quantitative information with respect to the contribution of the RRP</u> measures to the updated climate and energy objectives and targets…"*[18]

Denmark received a relatively low amount of support compared to other EU countries. Therefore, it is clearly in Denmark's interest to follow the Commission's recommendation that all EU countries quantify the additional reductions achieved with the RRF support.

However, Denmark's final NECP fails to quantify the CO2e impact of the RRF funds. The NECP provides (on p. 119) some examples of RRF projects, but makes no attempt to quantify their CO2 effects.

Based on Denmark's RRF plan, it is certainly possible for Denmark to quantify and project the CO2 impact of the portion of the DKK 13 billion that Denmark claims to use for the green transition. The 92-Group believes that this information should be included in the NECP.

The 92-Group finds it extremely inappropriate that Denmark, by not accounting for the CO2 impacts of the RRF funds, legitimizes the possibility that the other 26 member states also fail to

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[17] RRF can use 723 bn. euro, but 648 bn. euro has so far been distributed to MS https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html
[18] Commission's NECP-guidance, point 3.4.1 (p17-18), https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX%3A52022XC1229%2802%29&from=EN

demonstrate whether they actually used at least 37% of the €5000 billion RRF funds on green transition (and not on more motorways or gas pipelines).

Furthermore, the Danish NECP does not provide any useful quantification of the amounts involved. Various amounts are mentioned (on p. 119), but they do not appear to be on the scale of the RRF's approximately DKK 8.3 billion.

9b – The NECP Fails to Quantify the CO2 Impact of EU Agricultural Subsidies

(Commission's point 1): *Complement the information on the policies and measures, clearly spelling out their scope, timeline and, where possible, expected greenhouse gas reduction impact, including for measures in Union funding programmes, such as the common agricultural policy*

The European Union has allocated DKK 2825 billion for agricultural subsidies during the current budget period (2021-27) [19]. Quantifying the climate impact of these subsidies is crucial. The EU Court of Auditors concluded that the agricultural subsidies in the previous period (2014-20) had little positive climate impact, even the €100 billion earmarked for climate actions[20]:

> *"The CAP mostly finances measures with a low potential to mitigate climate change. The CAP does not seek to limit or reduce livestock (50% of agriculture emissions) and supports farmers who cultivate drained peatlands (20% of emissions),"*

the auditors wrote, recommending that the new agricultural support be designed to reduce agricultural emissions and that the Commission regularly reports on whether agricultural subsidies actually reduce emissions.

For the Commission to report on whether agricultural subsidies now have a positive climate impact, it is necessary that all countries' NECPs, including Denmark's, quantify the climate impact of the agricultural subsidies they receive.

10 – The NECP Misleads About Denmark's Fossil Subsidies and Fails to Set Phase-Out Dates

Denmark is obligated under both the 8th Environmental Action Programme and the Governance Regulation to account for and set end dates for its fossil fuel subsidies in the NECP. However, Denmark's draft NECP from June 2023 claimed:

> *"There are neither direct nor subsidies for fossil fuels in Denmark."* (pages 118 and 214, missing the word "indirect" on both pages)

This assertion contradicts the European Environment Agency's report, which shows that Denmark provides fossil fuel subsidies worth €492 million (DKK 3.6 billion) annually in 2022. By falsely

[19] For the periode 2021-27 agriculture subsidies CAP amounts to 380 bn. euro (=2825 bn. DKK) https://www.europarl.europa.eu/factsheets/en/sheet/106/financing-of-the-cap
[20] https://op.europa.eu/webpub/eca/special-reports/cap-and-climate-16-2021/en/

claiming that Denmark has no fossil fuel subsidies, the country avoided both accounting for the size of these subsidies and setting end dates for them.

The Commission did not accept the Danish claim and requested (point 19) that Denmark:

> *"Explain how and by when Denmark intends to phase out remaining fossil fuel subsidies."*

The final NECP continues to deny the existence of fossil subsidies in Denmark, thereby avoiding the need to set a phase-out date.

Neither the Environmental Action Programme, the Governance Regulation, the Commission's NDC guidance from 2022, the Commission's SWD (pages 12-13), the Commission's point 19, nor the decisions from COP26-27-28 differentiate between direct and indirect subsidies. However, Denmark attempts to imply that the obligation only applies to direct subsidies (NECP page 113):

> *"There are no direct subsidies for fossil fuels in Denmark. The Ministry of Taxation is currently preparing an overview of Denmark's possible indirect fossil fuel subsidies and support. In connection with COP28, the Netherlands published a declaration on the phase-out of fossil subsidies, which Denmark has joined."*

No one in Denmark or Europe doubts that the U.S.'s green Inflation Reduction Act (IRA) is a form of subsidy[21]. IRA support is primarily distributed through tax rebates (fortunately for green transition). In this context, it seems nonsensical for KEFM/NECP to claim that Denmark's tax rebates (for fossil fuels) are not subsidies.

The 92 Group believes there is no need to wait for the Ministry of Taxation to calculate the value of Denmark's fossil subsidies. Denmark certainly has other types of fossil subsidies and other environmentally harmful subsidies that should also be included. However, regarding state expenses on tax and duty rebates, the calculations have already been made. They are calculated annually by the Danish ministry of taxes in the skatteøkonomisk redegørelse. KEFM's task is only to identify the items related to tax rebates for fossil fuels.

[21] https://politiken.dk/internationalt/art9127809/Mette-Frederiksen-ser-statsstøtte-som-modsvar-på-Bidens-klimapakke