

Northern Sparsely Populated Areas' (NSPA) views on the European Commission's proposal for Net Zero Industry Act

The Northern Sparsely Populated Areas network, NSPA, represents the interests of the four northernmost regions of Sweden (Norrbotten, Västerbotten, Jämtland Härjedalen and Västernorrland), the seven eastern and northernmost of Finland (Central Ostrobothnia, Kainuu, Lapland, North Karelia, Northern Ostrobothnia, Pohjois-Savo and South Savo), as well as the two northernmost regions of Norway (Nordland, Troms & Finnmark).

The NSPA Position

NSPA welcomes the ambition behind the European Commission's proposal for the regulation Net-Zero Industry Act (NZIA). However, the NSPA has some comments on certain aspects of the proposal.

- The European Commission should focus on reducing climate impact rather than steering towards specific technologies. Technology neutrality is essential to promote innovative development. The regulation's limited list of net-zero technologies risks excluding other technologies that are or may become vital for the green transition.
- Fast-tracking strategic projects may hold a risk, as it may hinder processes for other types of business establishments that are also important for the green transition as well as local and regional development.
- Developing faster and transparent permit processes for more efficient business establishments is crucial, but they should allow member states, regions, and municipalities to develop faster processes according to their own conditions and resources.
- The proposal involves detailed regulations that pose a risk of surpassing national self-determination. It is important to protect the decision-making rights of the member states, municipalities, and the regions. Local and regional engagement is necessary to enhance societal acceptance in industrial establishment. NZIA should have a territorial dimension that engages municipalities and regions, while considering democratic anchoring and where the local and regional influence is to be preserved.

Permit Processes

The NSPA welcomes the ambition to shortening the timeline for permit processes but holds that how national permit processes should be set up is an issue that should be managed at the national level. The focus should be on encouraging each member state to make general adjustments to their processes, promoting predictability, transparency, and efficiency.

The permit processes for large industrial establishments can be complex and time-consuming, posing obstacles to their implementation. Therefore, it is encouraging that efforts to strengthen EU value chains and enhance innovation capacity are addressing the challenges associated with permit

procedures for business establishments. The industry plays a pivotal role in regional development, generating employment, tax revenues, and overall attractiveness. Streamlining and expediting permit processes for such establishments are of utmost importance.

Nevertheless, the proposed regulations risk going beyond national self-determination and infringing upon the the local and regional influence. Safeguarding the decision-making authority of member states and local authorities is crucial to ensure social acceptance of industrial establishments. Rather than imposing detailed regulations, the EU should provide platforms and networks for member states to exchange experiences and knowledge.

The NSPA identifies potential risks in fast-tracking strategic projects, as it could impede the processes for other types of business establishments that are also pivotal for the green transition and local/regional development.

Technology Neutrality

To promote new developments, technology neutrality is essential. Enforcing legislation that dictates which technologies or materials should be promoted, risks disadvantaging crucial areas that can address climate challenges, potentially hindering new discoveries or innovations.

Deviation from technology neutrality significantly limits the capacity for transition if prevailing circumstances change. This can impede processes for other types of business establishments, not just net-zero technologies, which are also important for the green transition.

The regulation's limited listing of net-zero technologies risks excluding technologies that are or may become vital for the green transition. For example, there is room for increased production and utilization of biomass-based technologies, which should continue to be part of the solution for a fossil-free Europe and reduced carbon footprint.

The NSPA holds that the European Commission should set requirements for reduced climate impact – not steer towards specific technologies.

Local Anchoring for Industrial Establishments

Local and regional levels play a crucial role in achieving the goals of a climate-neutral Europe. They can define local conditions, challenges, and opportunities necessary to attract investments and increase the production of green technology throughout the value chain.

Therefore, NSPA emphasizes the need for NZIA to have a territorial dimension that involves municipalities and regions and preserve their authority.

The proposal regarding faster permit processes and greater national coordination through a one-stop-shop for establishments risks reducing democratic anchoring at the local and regional levels,

which could contribute to increased polarisation. The NSPA emphasizes the importance of involving the local community. The local community, indigenous peoples, and valuable natural assets are aspects that must be respected and involved early in the process. Fair and democratic establishment processes are crucial for achieving social acceptance and require engagement from citizens, civil society, as well as local and regional authorities. Moreover, there is a wealth of knowledge about local and regional conditions accumulated within government agencies, organizations, and universities, which should be fully utilized in the processing of permit applications.

A special consideration of each region's context and objectives is the key to sustainable development in all parts of the EU. Smart specialization and diversification are important components in sparsely populated areas for increased competitiveness. It enables regions to leverage relevant capacities and work efficiently, allowing research and entrepreneurship to lead the way in the development of new ideas and products.

Industrial establishments play a vital role in the economy of affected regions but also impose requirements on the areas in which they operate. For sustainable growth in the industry, investments in community development and skills supply are also needed.

Best practises from the Arctic

The NSPA would also like to use the opportunity to present some best practises from the Arctic, from industries who are determined to reach net zero.

- Finnfjord AS, North Norway

Finnfjord, located in Finnsnes outside of Tromsø in North Norway, is one of world's most energy-efficient and environmentally friendly producer of ferrosilicon. It is a modern, knowledge-based company, including research and development throughout their activities. Finnfjord aim to become the first ferrosilicon producer in the world without any CO₂-emissions. They have entered a partnership with UiT the Arctic University of Norway, to use algae to reduce the Co₂ footprint of the company. This is an important step towards Finnfjord's vision of a CO₂-free production plan.

- Flagship one, North Sweden

In Örnsköldsvik, located in north Sweden, Liquid Wind has launched Europe's largest e-methanol project, Flagship One. Flagship one is a large-scale production facility of electromethanol primarily for shipping. The technology involves converting renewable electricity from new wind power into ship fuel. For this, green hydrogen is produced which is combined with recycled biogenic CO₂ from the cogeneration plant. The annual production

capacity is planned to be 50,000 tons of CO₂-neutral fuel from wind power electricity and reuse Co₂.

- SSAB Fossil-Free Steel, East and North Finland

In Raahе, located in North Ostrobothnia, SSAB Steel Factory has launched a Fossil Free Steel project, that aims to produce fossil-free steel in a full-scale by 2030 while reducing the total CO₂-emissions of heavy industry in Finland. The production has already started in a small-scale, and the first products are in the markets. The new technology includes the use of hydrogen power and fossil-free electricity. Furthermore, SSAB has a Fossil Free Steel co-project in Luleå, North Sweden, that connects the area of Bay of Bothnia in close collaboration and generate best practices