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Denmark will show the world that climate action and economic recovery go hand in hand. A broad majority of the Danish Parliament has adopted a climate agreement on green transformation of industry and the energy sector. Combined with the Climate Agreement for Waste Management, the agreement will reduce emissions by 3.4 million tonnes of CO<sub>2</sub> equivalents in 2030.

The *Climate Agreement for Energy and Industry 2020* comprises the following key initiatives:

**A new era: The world's first energy islands and more renewable energy**

With this agreement, Denmark becomes the first country in the world to begin construction of two energy islands, which have a total capacity of 5 GW and are scheduled for completion by 2030: one on the island of Bornholm with a capacity of 2 GW, and one in the North Sea with a capacity of 3 GW. The agreement also accelerates the establishment of 1 GW offshore wind off the island of Hesselø, which was originally planned as “Wind Farm 2” in the Energy Agreement of 2018. These projects amount to a total of 6 GW offshore wind, or more than three times Denmark's current capacity. In addition to generating electricity for consumption, the energy from the islands will eventually be utilised to power “Power-to-X” technologies that can store or convert green electricity into green fuels.

The climate agreement sets out initiatives that ensure a transition to market-driven expansion of solar power and onshore wind. For example, the technology-neutral public tenders will continue in 2020 and 2021. The agreement also emphasises the importance of a regulatory framework for Energinet and the electricity grid companies that is consistent with increasing electrification.

The Government will furthermore present an electrification strategy in early 2021.

**Investment in green technologies of tomorrow – carbon capture and Power-to-X**

Achieving the goal of a 70% reduction in emissions in 2030 goal will require innovative new tools and investments in the green technologies of the future. The agreement allocates the equivalent of DKK 800 million annually, to be phased in from 2024, for carbon capture and storage. These funds will reduce emissions of CO<sub>2</sub> equivalents by 0.9 tonnes in 2030 and will support the development and implementation of solutions that can capture carbon emissions from sources such as industry and put them to use.

The agreement also includes a tender to support the establishment of large-scale Power-to-X plants with a total capacity of 100 MW. This is more than five times the capacity of the largest plants found in the world today. The Netherlands has decided to invest approximately DKK 1 billion in this project.

**Green transition of industry**

The agreement includes initiatives contributing to a green transition of industry through energy efficiency improvements, electrification and more green gas. Specifically, the agreement allocates DKK 2.5 billion in subsidies in the period 2020 to 2030 for electrification and energy efficiency improvements. An

additional DKK 2.9 billion is allocated in the same timeframe for biogas and other green gases, which are especially needed in parts of industry where green electricity cannot be utilised directly.

### **Efficient use of energy and renovations**

The agreement ensures a massive boost in energy efficiency improvements in industry and buildings. This will be achieved in part by an overall increase in funding of the schemes to support electrification and energy efficiency improvements in industry.

The agreement requires energy savings in public sector buildings between now and 2030, and allocates funds for a targeted energy efficiency improvement effort where digital tools will support energy renovation efforts.

The measures build on the Green Housing Agreement from May 2020, which allocated DKK 30 billion from “Landsbyggefonden” (the National Building Fund) for renovations of social housing and suspended the national budgetary ceiling on construction spending by municipalities and regions in 2020. They also build on DKK 1 billion in support for green investments in 2021, which enables municipalities and regions to make extraordinary investments in energy renovations and similar projects.

### **Green heating for Danes**

The heating sector must be green. Therefore, oil and gas must be replaced by green district heating or electric heat pumps. The agreement therefore relaxes taxes on green electricity for heating, while simultaneously raising taxes on fossil heating.

The taxes on surplus heat are significantly reduced. The tax will be eliminated completely for electricity-based surplus heat, e.g. surplus heat from data centres or supermarkets, and surplus heat that is certified or covered by a similar scheme that ensures energy efficiency improvements for the supplier of surplus heat.

The agreement provides support for the phasing out of oil and gas boilers, and removes the mandatory commitments binding consumers to the use of natural gas in some areas. It will become easier to establish green and inexpensive heat production by eliminating outdated requirements that district heating plants in some locations must be able to generate both electricity and heat. The agreement also introduces legal requirements for sustainability in the use of wood biomass. Specifically, DKK 2.3 billion is allocated for the replacement of oil and natural gas boilers with green heat. The heat package reduces greenhouse gas emissions by 0.7 tonnes CO<sub>2</sub>e in 2030.

### **Green transport**

The new agreement also contributes to a greener transport sector. Specifically, the remaining funds from *the pool for green transport* are accelerated to 2020 and 2021, and an additional DKK 50 million is allocated in support of the green transition in transport. The funds will be targeted for projects relating to charging stations, heavy transport, ferries, etc.

The initiative thus follows up on the Agreement on Establishment of Funds for Green Transport in 2020 from April 2020. In the autumn of 2020, the Government will present a comprehensive action plan for the transport sector.

**Green tax reform**

As part of the agreement, the Government will look into a green tax reform that makes it more attractive to choose green solutions that reduce negative impacts on the environment.