

FuelsEurope Position Paper on Climate Change

Brussels, 8th October 2015

Climate change and energy demand

Answering the growing global demand for energy¹ while at the same time limiting the emission of greenhouse gases is one of the most critical challenges of our time. The EU refining industry can contribute to effectively address this dilemma.

FuelsEurope recognises that climate change is real and warrants action.

FuelsEurope supports the efforts of the international community to address the risks of climate change and believes that effective measures must be undertaken by all significant world economies under an effective and clear international agreement.

At the same time, the growing global demand of secure, reliable and affordable energy must be addressed in order to fight poverty² in several regions of the world and to allow access to higher living standards to a rising middle class in many developing countries.

The role the EU refining industry can play

The EU refining industry plays an important role as a secure, reliable and resilient provider of energy, in the form of petroleum products, to the EU economy.

Mobility is a key contributor to the living standards and is intrinsically linked to economic growth. Today, while alternative technologies are increasingly used in transport, refined petroleum products are - and will remain for many years³ - the prominent energy source. This is due to a unique and tremendously successful combination of continuous technology advancements in the internal combustion engine and of affordable and high quality liquid fuels. The latter, due to their superior energy density with respect to any available alternative⁴, provide economic and technological advantages in comparison to competing fuels / energy sources.

Refined products supply 2/3 of the raw material to the EU petrochemical industry and are converted into light-weight plastics, insulation materials and other essential components of the low carbon economy.

Moreover, as 60% of the operating costs of refining is for energy, EU refineries have developed a strong capability to innovate⁵, achieving world leadership in terms of efficient use of energy and lower carbon intensity from production activities. The refining industry is continuously seeking to improve its energy efficiency based on the valuable technological know-how accumulated by the sector and, in close cooperation with the automotive, petrochemical and other key industries, contribute to an economically sustainable low carbon economy.

¹ 37% increase in 2040 vs. 2012, according to the IEA, WEO 2014, New Policy Scenario

² "Without access to modern energy, it is not possible to achieve the Millennium Development Goals, [...] whether reducing poverty, improving women's and children's health, or broadening the reach of education. Energy facilitates social and economic development, offering opportunity for improved lives and economic progress" World Bank, Universal Energy Access, <http://www.se4all.org/our-vision/our-objectives/universal-energy/>

³ According to the IEA, WEO 2014, New Policy Scenario, in 2040 petroleum products will supply 85% of energy for global transport.

⁴ The energy content of gasoline per unit of volume is more than 50 times higher than for electric batteries. Source: ExxonMobil "Battery Electric Vehicles recharged from the Grid", January 2015, page 6, quoting "Electric Vehicle Training-IFP, 2013".

⁵ The European Commission's Competitiveness Report published in 2013 ranked the EU refining industry #1 in process innovation and #4 in product innovation amongst all EU manufacturing industries.

The EU refining industry has also engaged in promoting a more “energy-conscious” behaviour of its customers. A notable example of this is the campaign “Save more than fuel”⁶.

COP21 and an effective, global agreement

When governments choose to enact policies to tackle the global challenge of climate change, global alignment and participation should be encouraged. Revenue-neutral market-based mechanisms, including carbon pricing under the right circumstances, are more economically efficient than industry specific regulation, technology mandates or performance standards to drive the reduction of GHG emissions at the lowest possible cost. In the absence of global alignment and participation, it is key to avoid carbon leakage by establishing a competitive level playing field among businesses and regions all over the world⁷.

The upcoming 21st Conference of the Parties to the UNFCCC (COP 21) is an important opportunity to achieve a global commitment for the reduction of GHG which is at the same time effective and compatible with the need to satisfy the growing global energy demand. For COP21 to be successful:

- All developed and developing countries should commit to emission reduction targets which share global reduction ambitions in an equitable manner;
- It should maintain a level playing field for the industry worldwide;
- It should introduce a universal regime for monitoring, reporting and verification (MRV).

Key Messages

- **A growing global energy demand and the risks of climate change are twin challenges which must be addressed at the same time;**
- **The EU refining industry can play an important role:**
 - **By providing compatible fuels to ever more energy efficient vehicles;**
 - **By supplying raw material for some of the products which are essential for a low carbon economy;**
 - **By leading in terms of energy efficient manufacturing of oil products;**
 - **By supporting research and developing cutting-edge technologies to reduce emissions and environmental impact;**
 - **By promoting an “energy-conscious” behaviour of its customers.**
- **COP 21 is an important opportunity:**
 - ✓ **To establish an effective and clear international agreement;**
 - ✓ **With measurable and equitably ambitious measures;**
 - ✓ **From all significant economies;**
 - ✓ **To limit GHG emissions based on revenue neutral market based mechanisms, including carbon pricing under the right circumstances.**

– END –

FuelsEurope, the voice of the European petroleum refining industry

FuelsEurope represents with the EU institutions the interest of 42 companies operating refineries in the EU. Members account for almost 100% of EU petroleum refining capacity and more than 75% of EU motor fuel retail sales.

FuelsEurope aims to promote economically and environmentally sustainable refining, supply and use of petroleum products in the EU, by providing input and expert advice to the EU institutions, Member State Governments and the wider community and thus contributing in a constructive and pro-active way to the development and implementation of EU policies and regulations.

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⁶ www.savemorethanfuel.eu

⁷ Until a global carbon pricing and consistent GHG reduction measures will have been adopted by all significant world economies, industries in regions with ambitious and binding GHG reduction measures (like the EU) are at risk of carbon leakage and need to get effective protection against relocation of production activities to less regulated regions