Policy Priorities

FuelsEurope

March 2024

FuelsEurope is the association representing the interest of 40 companies operating in the European Union manufacturing and distributing liquid fuels and products for mobility, energy & feedstocks for EU industrial value chains. It is one of the most important industry sectors in the EU and is committed to contribute to the Green Deal's ambition for climate neutrality in 2050.

Our industry is currently engaged in an ambitious low-carbon transition of its business and operations, aiming at achieving the double objective of contributing to the decarbonisation targets of the EU economy, while enhancing the security of affordable energy supply society needs.

This transition will go beyond the progressive replacement of traditional fossil fuels by, renewable, low carbon and sustainable fuels for all transport modes; it will also address the whole industrial value chain including e.g., petrochemical feedstocks, bitumen, lubricants, solvents and other.

The 2024 – 2029 EU Institutions cycle will play a key role in enabling the fuels manufacturing industry and its refining assets to transform its assets and contribute to the EU climate objectives.

Key recommendations

Ensure European Strategic Energy Security, paving the way to Energy Autonomy

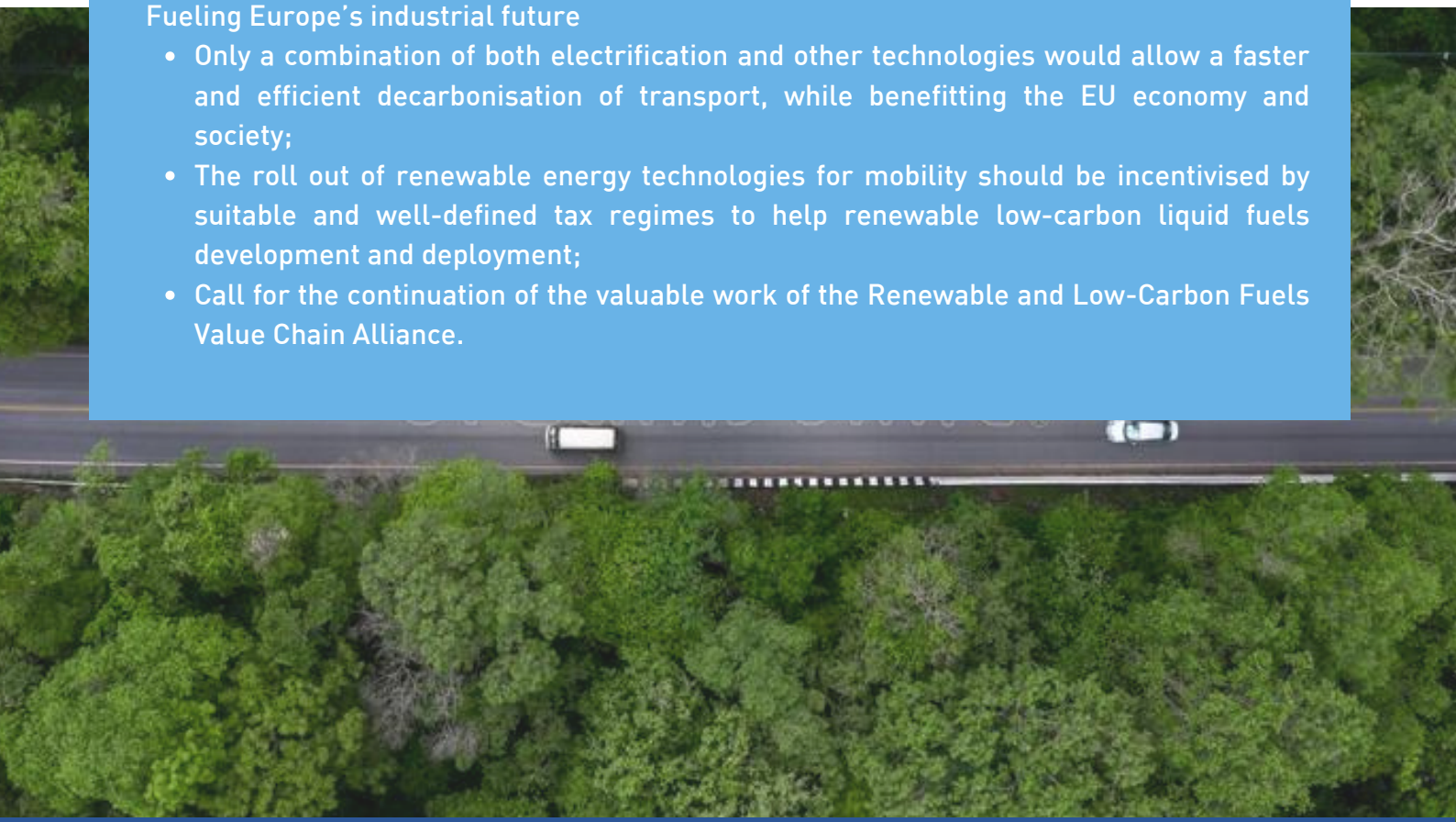
- Energy security should be at the heart of the European policy-making;
- Protect the international competitiveness of the EU industry challenged by a complex regulatory environment. Among other measures, include adequate export mechanism in the CBAM - such as an export adjustment- until a worldwide consistency in carbon price is achieved;
- Call for a pragmatic and effective chemical legislation, allowing for fit-for-purpose methods to assess UVCB substances and aligned with global regulations.

Achieve net zero in 2050: powering investment in transformation

- Provide an enabling framework for the industrial transformation of the fuel manufacturing industry, providing investors with clear, long-term signals to invest in renewable and low carbon energy;
- Promote a technology open approach, providing incentives to scale up all the relevant decarbonisation technologies helping the energy & climate transition;
- Regulatory framework for decarbonisation of transport should recognise the zero CO_2 nature of emissions produced by vehicles powered by sustainable biofuels, biogases, or synthetic fuels;

Fueling Europe's industrial future

- Only a combination of both electrification and other technologies would allow a faster and efficient decarbonisation of transport, while benefitting the EU economy and society;
- The roll out of renewable energy technologies for mobility should be incentivised by suitable and well-defined tax regimes to help renewable low-carbon liquid fuels development and deployment;
- Call for the continuation of the valuable work of the Renewable and Low-Carbon Fuels Value Chain Alliance.



Ensuring European energy security while paving the way to future energy autonomy

Competitiveness: a central element securing EU energy security

A competitive transformation of the fuel manufacturing industry is possible, but the EU institutions should provide the right enabling framework conditions as early as possible, resulting in clear, long-term signals to guide investors, while at the same time avoiding carbon and investment leakage.

In terms of contribution to resilience that our industry can offer, liquid fuels have kept supplying citizens and businesses with no disruptions throughout the double crisis (pandemic and war in Ukraine), including providing some substitutions for natural gas in various uses(1). This reliable energy supply potential will be further improved as refineries evolve into energy hubs within industrial clusters.

Reaching climate neutrality will require a combination of energies and of the relevant technologies, for resilience and flexibility in the energy system. Renewable and low-carbon fuels can play an instrumental role in supporting the EU's diversification of energy supply, thus strengthening European industrial competitiveness and reducing dependency from other regions, in line with the open strategic autonomy objectives[2]. Furthermore, tithe transition of refining installations will also have positive spillover effect not only to the whole mobility value-chain, but also to the petrochemical industry.

As refineries and biorefineries evolve, keeping energy security high in the priority ranking of European policy-making would be key in enhancing the resilience of the EU economy.

The EU institutions should provide the right enabling framework conditions for a competitive transformation of the fuel manufacturing industry as early as possible, resulting in clear, long-term signals to guide investors, while at the same time avoiding carbon and investment leakage.

European industrial competitiveness should be looked at in an international context and, until consistency in worldwide carbon pricing is achieved, the European industry will face a competitive disadvantage that may be detrimental for the global reduction of GHG emissions (as a consequence of carbon leakage).

In this regard, Carbon Border Adjustment Mechanism (CBAM) misses the opportunity to provide an adequate protection to the EU export, essential to an economically sustainable manufacturing for both domestic and non-EU markets. We recommend to provide adequate export mechanism such as an export adjustment, and in parallel engaging with trade partners in the WTO to adapt the current rules to the new geopolitical and climate change challenges.

{1] Considerations by FuelsEurope on the Commission's proposal for a mandatory temporary Solidarity Contribution Publications - FuelsEurope
[2] The European Recovery Plan has an essential role to play in shaping the right policy framework to unlock major scale investments in low-carbon technologies Publications - FuelsEurope

FuelsEurope calls for a regulatory framework allowing the industry to achieve a competitive energy transition, ensuring both energy security and the decarbonisation of its processes as well as its products.

Petroleum based substances have a specific chemical composition that requires pragmatism to avoid excessive animal testing

Hazard assessment of petroleum substances need appropriate and fit-for-purpose methods. Petroleum substances are by nature complex substances with thousands to millions of

hydrocarbon constituents. Even though it is generally acknowledged that the exact composition of such substances cannot be determined, the hazardous properties of petroleum substances can be fully assessed using suitable methods. As identifying and testing every individual constituent is not feasible and as the classical tests and assessment methods were written with simple mono- or multi-constituent substances in mind, we often need to adapt these classical tests and assessment methods or derive alternative methods, including non-animal methods.

Concawe – the scientific branch of the European Fuel Manufacturers Association – develops which effectively generate sufficient data for the assessment of the substances, while at the same time avoiding unnecessary testing, especially on animals. These methods are based on the use of all available reliable data (constituent or whole substance) to assess hazards and also allow the use of New Approach Methods which include alternatives to animal tests.

Decarbonising the economy

The role of renewable and low carbon liquid fuels and products in reducing transport emissions

Renewable & low-carbon fuels are already produced and commercialised either in blend with conventional fuels or for unblended use (100%). Liquids fuels have an unrivaled energy density and are easy to handle, making them an ideal means to carry and store energy. Complementary to electrification and hydrogen, renewable and low-carbon fuels can contribute to the decarbonisation of the whole transport sector (road, aviation and maritime transport). Their production and deployment need to be scaled up, in particular for sectors -like heavy and long-distance transport - with few low-carbon alternatives. Offering a wide availability of sustainable feedstock to produce sustainable fuels[3] is crucial. Concawe[4] commissioned to the Imperial College London Consultants a thorough assessment of EU domestic sustainable biomass feedstock availability. The study defined

[3] Sufficient sustainable biomass feedstock available to support an ambitious low-carbon liquid fuels strategy for EU transport Publications - FuelsEurope
[4] Concawe carries out research on environmental, health and safety issues relevant to the oil industry.

three different scenarios (low, medium & high mobilisation of feedstock) and found that even after allocation of biomass feedstock to bio-based products and power, industry and residential sectors according to the Commission's estimate, the total share of biomass potentially available for transport in2050 is estimated sufficient to support the production up to 135 Mtoe of biofuels. Taking into account additional biomass imports potential to the EU, the production capacity could reach up to 175 Mtoe. The study includes Biomass from (non-food) agriculture and forestry, and also waste. Therefore, sustainable biofuels, have the potential - together with synthetic fuels and biogases - to satisfy the future demand of fuels for all transport modes, as a complement to electrification.

As an additional consideration, opportunities exist to develop sustainable biomass resources and renewable and low carbon fuels, in cooperation with non-EU countries; particularly, in neighbouring regions with mutual advantages in terms of socio-economic development and environmental standards.
Regulators should recognise the GHG benefits of non-fossil fuels. The tailpipe approach used in CO_2 standards regulations seems to be limited, as according to it, CO_2 emissions standards only accounts for CO_2 emitted during the use of the vehicle. According to this approach, all Battery Electric Vehicles (BEV) and hydrogen-powered vehicles are considered zero-emission. However, both fuels and electricity used in transport result in CO_2 emissions, whether in the production phase, during their use or both. In addition, current regulations are blind to the CO_2 emissions associated to the manufacturing and disposal of the vehicle. We see this as a fundamental shortcoming, equivalent to a mandate for certain technologies and potentially leading to a sub-optimal solution to the decarbonisation objective.

Sticking to a pure 'tailpipe' approach would lead to distortions in investment decisions for adoption of technologies, as it paradoxically favours BEVs even if run by high-carbon intensity electricity, and penalises Internal Combustion Engines (ICE) vehicles even if fuelled by 100%sustainable biofuels, biogases, or synthetic fuels. It is essential to differentiate between ICE vehicles running on renewable rather than fossil fuels. Therefore, any revision of the CO_2 standard in light and heavy-duty vehicles

The contribution of carbon removal[5]

Reaching net-zero will require all sectors to reduce their emissions substantially and to compensate any residual emissions with carbon removals. Carbon Capture and Usage (CCU) and Storage (CCS) and natural carbon removals can help reaching European carbon neutrality, and it is critical that the EU takes further steps to support deployment of these technologies. Therefore, along with a range of other low carbon technologies, the deployment of CO2 capture should be enabled and supported by the EU in all the sectors of the economy. Together with sequestration, the use of CO2 as feedstock is also crucial for the production of RFNBOs, which are critical for decarbonization. On the other hand, CCS deployment still lacks the necessary regulatory incentives which have also hindered the availability of storage capacity and prevented, the development of viable business models.

CCUS technologies increase the resilience of EU economy and its industrial systems, while providing significant emission reductions and leveraging e-fuels production which will be key to achieving climate neutrality. Market-based approaches are needed to minimize the cost of decarbonization to society, thus an EU CCUS Strategy avoiding mandates on the industry may provide the business case for the deployment of these technologies. Such Strategy should encourage faster permitting and licensing in EU states, and provide incentives to the players along the CCS value chains also through robust funding schemes. Such strategy should foster cross-border CO2 movements and encourage Member States and the EU to plan and fund the necessary CO2 infrastructure to connect emitters to storage facilities, while allowing emitters and storage operators to link themselves to the CO2 backbone under merchant models.

The necessary continuation of the renewable and Low-Carbon Fuel Value Chain Alliance[6]

DG MOVE, with the support of key industrial partners and trade associations, launched in 2022 the Renewable and Low-Carbon Fuels Value Chain Industrial Alliance, aiming at ensuring that aviation and waterborne transport have sufficient access to renewable and low-carbon fuels, while considering the future use of these fuels in land-based transport, thus contributing to the reduction in the transport sector's GHG emissions by 90 % by 2050. The Alliance is a voluntary collaboration of stakeholders from the transport fuels value chain and the financial sector.
As part of the Alliance's Secretariat and of the Steering group, FuelsEurope wants to bring together all the players in the renewable and low-carbon fuels value chain to contribute and help making this initiative deliver concrete results (such as a "pipeline of projects") in the decarbonisation of the transport sector. FuelsEurope is strongly committed to the success of the Alliance, and calls for its continuation in the next Commission term, attracting new potentially interested stakeholders.[7]

Reviewing the Energy Taxation Directive should help the renewable fuels deployment

Price is the necessary element for making a product competitive, and a favourable taxation will be the key incentive to deploy renewable fuels, helping to achieve the EU's emissions reduction ambition. Therefore, we call for targeted regulatory measures - including the recast of the directive on taxation of energy products and electricity - for renewable liquid fuels to help their development and deployment.

[5] FuelsEurope reply to the public consultation on carbon removals.
[6] Steering Group members call to join the Alliance Publications - FuelsEurope
[7] From sourcing to end-users, representing both the supply side and the demand side from aviation and waterborne sectors as well as civil society organisation, governments and their agencies, technology and finance providers to join.

The Union need affordable energy for its costumers

The social dimension of the transition and its effects on employment, energy poverty, affordable mobility

FuelsEurope commissioned the Study "Low-carbon mobility with renewable fuels – Affordability and accessibility of passenger cars for EU-consumers" to address some of the concerns coming from the consumer's side regarding the decarbonisation of transport, such as energy poverty. The study concluded that a combination of electrification and other low-carbon technology options for cars and vans would allow a faster decarbonisation of road transport, while benefitting the European economy, its industrial system and the whole society.

The Study shows how limiting policy option would lead to incomplete portfolio of decarbonisation technologies, increasing the mitigation costs for the EU consumer, Member States, and the EU economy as a whole.

It will be essential that regulators support the contribution of renewable and low-carbon fuels as a cost-effective way for the European economy to decarbonise and as an alternative/option to support a socially fair and just transition for the citizens and the businesses. This would be coupled with the opportunities that may arise if legislation – such as the Net Zero Industry Act[8] - would be able to promote the conversions/repurposing/upgrading of existing refinery assets for the production of low emission fuels/energy.

A strong EU industry

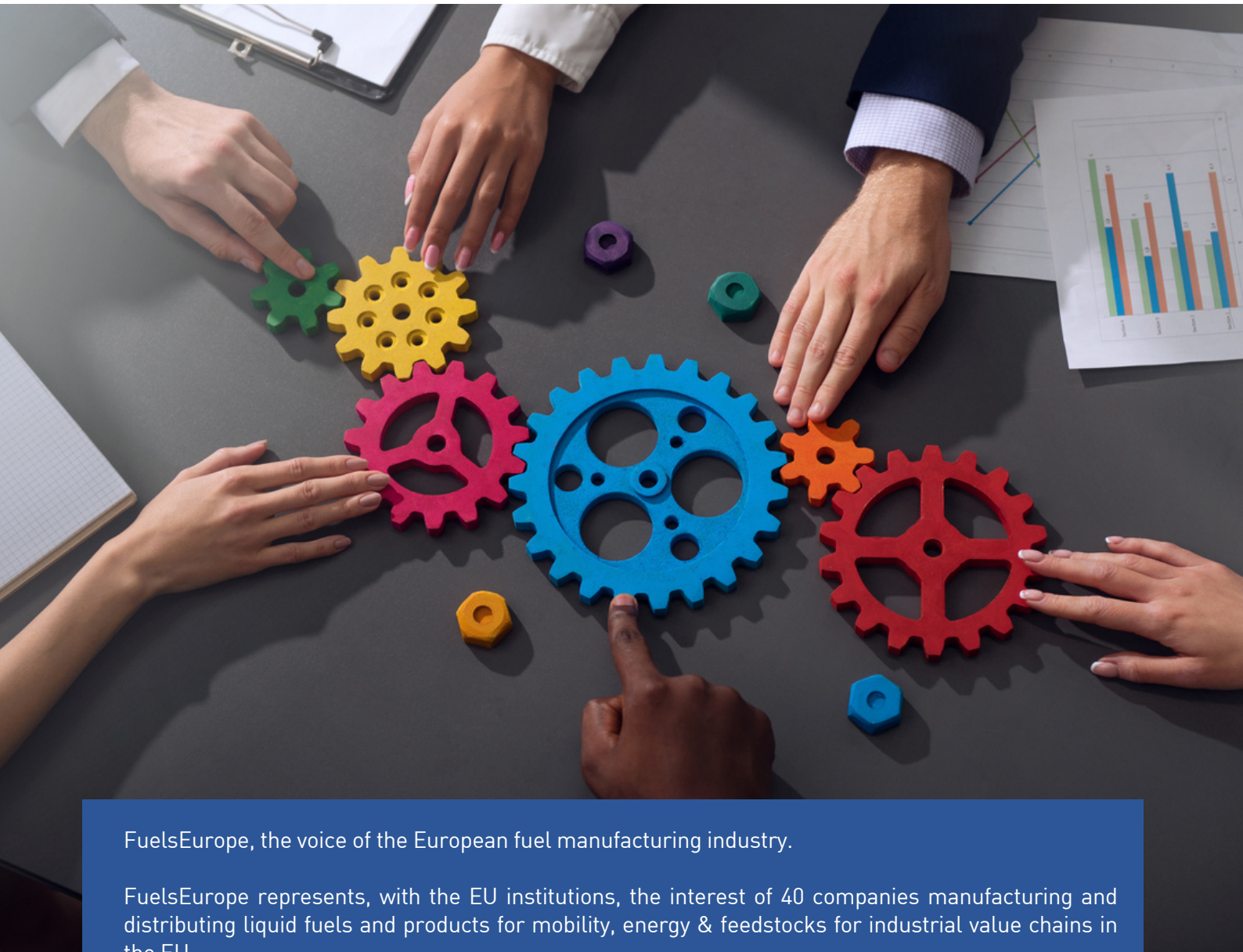
The strategic role of Fuel manufacturing

FuelsEurope is also part of the Energy Intensive Industries (EIIs), and want to stress on their strategic role in the EU economy as they consist more than 30,000 companies, providing direct employment to around 2.6 million people. EIIs are at the heart of the value-creation in Europe, offering solutions that enable the transition towards a to a 2050 climate-neutral economy. This is why we call on the incoming institutions to continue working on an industrial strategy for a competitive transformation of the European EIIs.

[8] Low-carbon mobility with renewable fuels – Affordability and accessibility of passenger cars for EU-consumers Publications - FuelsEurope

The European fuel manufacturing industry is already deemed as strategic, this is the reason of the need for an EU Liquid Fuels Strategy. Strategic net zero technologies that will allow EU reaching its climate objectives. In particular, the sustainable alternative fuels technologies should become strategic in the context of the Net Zero industry act[9], and shall include installations producing all renewable & low-carbon fuels compliant with the Renewable Energy Directive in order to leverage the benefits and synergies with other transport sectors, allowing to exploit the full potential of these technologies for a net-zero transport future.

[9] The Net Zero Industry Act: an opportunity to enhance the resilience of the EU industry Publications - FuelsEurope



FuelsEurope, the voice of the European fuel manufacturing industry.

FuelsEurope represents, with the EU institutions, the interest of 40 companies manufacturing and distributing liquid fuels and products for mobility, energy & feedstocks for industrial value chains in the EU.

Contact:
info@fuelseurope.eu
www.fuelseurope.eu