

A Simpler, Fairer Framework, Fit-to-Compete Key Legislative Fixes for Europe's Fuel Manufacturing Industry

Brussels, 21/10/2025: *The European fuel manufacturing industry stands at strategic crossroads. As the EU strives to simplify legislation and reignite industrial competitiveness under the 2024-2029 political agenda, it must not overlook a sector that underlines energy security, mobility and critical industrial value chains. In the middle of increasing global competition and a tightening regulatory environment, this paper highlights the most pressing legislative areas that need urgent simplification, coherence and reform to ensure Europe's energy transition remains both economically viable and resilient.*

To safeguard the competitiveness of the EU's fuel manufacturing industry, FuelsEurope highlights a set of priority legislative areas where simplification and targeted reform are urgently needed. We call on EU co-legislators to deliver a comprehensive approach that improves legal coherence, reduces regulatory burdens and ensures technology neutrality. This will strengthen the business case for investments – now, and for the future - while also ensuring an adequate level of protection of human health and the environment in delivering products critical for the functioning of society.

The European fuel manufacturing industry is a strategic part of the EU's industrial base, ensuring energy security, mobility, and feedstocks for critical sectors such as petrochemicals. As the EU has entered a new institutional cycle, and with the Commission prioritising competitiveness and regulatory simplification, our sector must be fully acknowledged. The February 2025 Communication "A Simpler, Faster Europe" rightly sets the objective of making EU legislation more effective and implementation more efficient. This agenda must explicitly recognise the barriers faced by energy-intensive, strategically relevant industries and deliver a refreshed regulatory environment that is coherent, predictable, and fit to deliver on both competitiveness and climate targets.

To translate these objectives into practice, FuelsEurope has identified a number of (non-exhaustive) key legislative areas where simplification and reform would bring immediate benefits. These cover carbon costs and energy competitiveness, coherence in chemicals policy, stability in new regulatory frameworks, and sustainable environmental simplification. They also include the enabling of innovative pathways such as co-processing and carbon capture, the avoidance of overlapping requirements across different regulations, and the creation of more flexible rules for hydrogen use. Together, these priority areas form a coherent agenda for ensuring that Europe's fuel manufacturing industry can compete globally, deliver on climate objectives, and continue providing the strategic products and value chains on which the EU economy depends.

- **Carbon costs:** restore a fair global level playing field
- **Chemicals policy:** streamline and align overlapping rules
- **New regulations:** ensure clarity, proportionality, and time to adapt
- **Environmental rules:** simplify circularity and administrative frameworks
- **Innovation pathways:** enable co-processing and carbon capture

- **Policy overlaps:** remove redundant obligations and reporting fragmentation
- **Hydrogen use:** allow flexible compliance options with RFNBO

The competitiveness of the EU's fuel manufacturing sector is intertwined with the EU's climate ambitions, strategic autonomy and industrial leadership. The Commission must secure a level playing field, ensure technology neutrality and regulatory predictability and recognise the sector's strategic contribution to energy security. Therefore, **a focused effort on simplification, cutting red tape, looking at the fundamental building blocks and their respective challenges, will ensure that our industry remains competitive, resilient and an indispensable part of Europe's industrial future.**

Priority legislative areas for reform and simplification explained:

Climate and energy corner stones - ensuring a level playing field: Effective, adequate and sustained carbon leakage risk mitigation for trade exposed industry sectors is essential to avoid carbon and investment leakage. This includes the **maintenance of fair ETS benchmarks that reflect the actual technological feasibility**, the avoidance of conditionalities that add significant administrative burden and abuse of a sector-wide carbon leakage risk mitigation mechanism, and the harmonisation of indirect cost compensation at EU level to guarantee a level playing field.

FuelsEurope calls for effective measures that restore a global level playing field to ensure the sector can remain globally competitive and hence to enable its transformation by levelling the playing field on carbon costs, providing a predictable and enabling regulatory framework, effectively creating the business case for scaling up breakthrough and innovative solutions for the transition.

Consistent with the above premise, **FuelsEurope urges the EU Institutions to address fundamental flaws in the current CBAM design before progressing a potential scope extension of the CBAM Regulation to refinery products, and to address concerns on the current trajectory of the ETS 1 cap and free allowance decline rate.** To safeguard competitiveness and enable decarbonisation, FuelsEurope urges to fix flaws in CBAM before expanding its scope, by: ensuring it coexists with current carbon leakage protections until CBAM effectiveness has been , addressing export-related carbon leakage and risks of circumvention and resource shuffling, harmonising indirect cost compensation to address the carbon leakage risk associated with indirect emissions costs, rather than including them in CBAM (as indirect costs are not directly related to direct emissions), and developing a fair methodology for refinery products.

Chemicals Policy and supporting competitive transitions: The transition of the EU refining and chemical industries is deeply interconnected and central to Europe's competitiveness. Refineries not only ensure resilient energy supply chains and strategic autonomy but also provide the majority of feedstocks for the chemical industry. Their integration with petrochemicals makes their future success mutually dependent, highlighting the need for coherent policy approaches that strengthen both sectors while enabling a low-carbon transition.

Several strategic legislative issues in the field of chemicals policy are under discussion that could significantly affect industry operations. Our sector has demonstrated over the years its commitment to fully implement REACH and CLP and contributed with a solid scientific approach to assess our complex hydrocarbon products. Removal of unnecessary measures and simplification of remaining ones are crucial to reduce administrative burdens, improve legal certainty, safeguard competitiveness and continuing to ensure a high level of protection of human health and the environment. Across areas such as the **CLP Regulation, PFAS restrictions, REACH revision, and the creation of a Common Data Platform**, the key priority is to use unbiased science to streamline requirements, avoid duplication, align definitions and ensure

proportionality of obligations. Simplified and digitalised rules must remain practical and support innovation without undermining safety or sustainability goals.

Ensuring competitiveness and supporting industry adaptation: The implementation of the **Methane Emissions Regulation (EUMR)** must ensure that the EU producers and importers are not facing undue burden and negative impacts on their competitiveness as a result of complex rules and requirements. European crude oil imports rely on complex supply chains. This makes it essential for the European Commission to urgently develop the necessary secondary legislation and engage with industry for targeted amendments of the primary legislation, that can provide industry and Member States with the required clarity, sufficient time and practical solutions, so that importers have the means to adapt and comply with EUMR requirements and to ensure continued crude supplies.

Supporting environmental objectives through streamlined rules: In the scope of environmental legislation, in order to effectively promote circularity objectives, whilst providing legal certainty to operators, as a targeted simplification action, it is essential to **revise and harmonise the current regulatory framework governing end-of-waste status** to ensure that end-of-waste status and criteria are better aligned between Member States, leading to a level playing field across the EU. This would also help strategic circular products in the Union to have the necessary support, and the acceleration of broader circular economy practices whilst reducing regulatory framework.

Additionally, in the context of the **Industrial Emissions Directive**, the current requirements introducing a chemicals inventory as installation level as a part of the Environmental Management System (EMS), combined with mandatory external auditing, impose significant duplication of controls and unnecessary administrative burden. Existing frameworks have proven to cover these aspects effectively, and oversight mechanisms are established at the operating facility level. In the same vein, the inconsistent treatment of transformation plans or similar objectives across different pieces of legislation risks creating fragmentation and overlapping obligations for non-financial companies, as a result, removing the transformation plan obligation from the Industrial Emissions Directive would remove undue administrative and reporting burden that is sufficiently handled elsewhere.

Recognising the role of coprocessing: by repurposing existing assets, co-processing is a key opportunity for the mitigation of the cost of decarbonising the entire EU transport sector. However, the Coprocessing Delegated Regulation on the methodology for calculating the biofuel and biogas share, together with the currently available EU Voluntary Scheme guidelines for auditing coprocessing units, offer insufficient flexibility in testing and certification methods. As a result, they threaten to narrow the wide variations in technology, feedstocks, and operating conditions already successfully experimented across Europe. Many EU operators already apply robust, scientifically validated process-level tools (such as mass balance systems or advanced analytical techniques) that proved accurate and verifiable. Should these units lose their certification and become ineligible, the cost of compliance would rise, deter investment, and the EU fuels manufacturing sector would lose ground at a time when the momentum for coprocessing pathways is picking up at global level.

Sufficient flexibility should be re-introduced, in order to abate these technical barriers, properly recognising the contribution to decarbonisation of coprocessing, avoiding duplicative costs, promoting efficiency and innovation, and allowing the EU fuels manufacturing industry to continue to thrive on global markets.

Avoiding compliance overlaps: The EU Deforestation Regulation (EUDR), is a key element of the European Union's strategy to reduce its global environmental footprint. Its objective is to ensure that products placed on the EU market, or exported from it, are not linked to deforestation or forest degradation worldwide. The

Regulation encompasses a wide variety of products, such as soy, beef, palm oil, coffee, cocoa, wood, and rubber, imposing due diligence and data reporting obligations on importers and exporters dealing with such goods, to monitor and minimise their impact on global deforestation.

Given the global dimension of value chains and the need to further support the competitiveness of EU companies at the global level, it is essential to avoid generating additional administrative burdens and overlapping requirements for those feedstocks/materials that are already subject to strict environmental and sustainability criteria under relevant EU pieces of legislation (such as the Renewable Energy Directive (RED) or Waste Framework Directive (WFD)).

Providing sufficient time for technology upscaling: the current Delegated Regulation establishing a methodology to assess the greenhouse gas savings from RFNBO restricts the use of industrially captured CO₂ to 2041, after which only CO₂ sourced from Direct Air Capture (DAC) or sustainable biomass will be permitted. This creates major uncertainty, as the maturity and scale of DAC technologies by that time remain highly unclear. It also introduces complexity in tracing CO₂ molecules back to their origin, adding layers of administrative and technical burden. Most importantly, such restrictions significantly undermine the business case for Carbon Capture and Utilisation (CCU) in industry. Without a stable and predictable regulatory framework, investments in CCU risk becoming stranded, weakening its role in supporting industrial decarbonisation and slowing down progress toward climate neutrality. Therefore, we recommend, allowing continued use of circular industrial carbon sources until at least 2046, to acknowledge the time needed to bring infrastructures at scale, and grow the EU's biogenic CO₂ footprint from domestic biomass wastes for investments in BECCS and mature DAC technologies.

Fostering the potential of RFNBO: H₂ use in refining is dominantly driven by transport fuel demand. Consequently, for simplification reasons, fuels manufacturers should have the option to count the use of RFNBO H₂ used as intermediate for the production of conventional fuels and biofuels at their discretion up to 100% in the transport target set by Article 25 of the RED. However, they should be allowed to derogate to that default and seek ad-hoc certification of the presence of a share of RFNBO H₂ in final products and industrial co-products. For instance, a share of the RFNBO H₂ could be affected to the synthetic fuel (e-SAF) sub-mandate set for 2030 in the ReFuelEU Aviation regulation in which the definition of synthetic fuels must be broadened to include RFNBO hydrogen used in refineries and biorefineries for jet fuel production.

A technology-neutral approach in the context of climate targets: It is essential to work on adopting a technology-neutral approach to achieve EU's climate goals and recognise the role of both renewable and low-carbon fuels in the decarbonisation of transport sector. Such inclusive approach will allow achieving economy of scale and help unlock the full potential of these fuels to accelerate progress towards decarbonisation.

Continued look at better regulation and simplification to boost competitiveness: The Commission's commitment to a "Simpler, Faster Europe" must translate into:

- ✓ Reduced administrative complexity;
- ✓ Stress-testing the EU acquis for contradiction, duplication and competitiveness impacts;
- ✓ Taking stock of all legislation in a coherent manner impacting the strategic and hard-to-abate sectors and their immediate value chains, which have a strategic role to deliver the wider EU climate and energy objectives.
- ✓ Organisation of strategic dialogues with all sectors, including those without dedicated action plans.

FuelsEurope, the voice of the European fuel manufacturing industry. FuelsEurope represents, within the EU institutions, the interest of 40 companies manufacturing and distributing conventional and renewable fuels and products for mobility, energy & feedstocks for industrial value chains in the EU.

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