

FuelsEurope position paper on Industrial Accelerator Act

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EU refineries are undergoing a critical transformation to shift towards renewable fuels, recycled carbon fuels (RCFs), and low-carbon fuels (LCFs). Some conventional refineries in Europe have been converted into biorefineries, replacing petroleum with 100% sustainable biomass, alongside new renewable fuel plants. Other refineries are co-processing a mix of fossil feedstock and sustainable biomass, as well as turning circularity into practice by integrating alternative waste feedstock into production processes.

Renewable and low-carbon (RLC) fuels and products are indispensable to decarbonising the EU economy, strengthening energy security, and consolidating the EU's leadership in low- and zero-carbon technologies. This was further cemented in the recent AccelerateEU Communication by the European Commission.

The EU refining system supports the full spectrum of transport modes as well as 100% of defence and military mobility. It also provides essential products and feedstocks to industrial value chains such as chemicals, construction, agriculture and manufacturing industries. As a strategic industrial asset, the EU refining system (including refining facilities as well as the associated transport, distribution and storage infrastructure) is critical to Europe's energy security and resilience and must be safeguarded throughout the transition. Nevertheless, the current **EU legislative framework does not adequately support the business case for RLC fuels and products**.

The Industrial Accelerator Act (IAA) provides an opportunity to turn the current framework into an effective instrument to support industrial manufacturing in the EU and safeguard current and future investments in European assets and production. Whilst the ambition of the proposal is a positive step towards strengthening industrial policy, when it comes to refineries as well as converted biorefineries, the IAA should remain **coherent with other EU legislation**, avoid creating additional **regulatory burden** and allow for a predictable, **future-proof and technology-neutral framework**.

FuelsEurope key policy recommendations

- Recognise **refining ecosystems as well as associated infrastructure as strategic assets**.
- Ensure **technology neutrality as a guiding principle in the set up of Industrial Manufacturing Accelerator Areas**, allowing all eligible decarbonisation pathways to compete.
- **Foreign Direct Investment provisions should remain proportionate, transparent and fully consistent with the principles of open markets and fair competition**. They should generate value within the EU and not discourage access to capital.
- Any scope expansion of Foreign Direct Investments rules should be carefully assessed. **The list should be amended via ordinary legislative procedure and not via delegated acts**.
- **Design lead market measures for renewable and low-carbon fuels and products** as incentive-based, proportionate and value-chain-oriented instruments.

i. Adopt a clear ecosystem and technology-neutral framework to accelerate industrial manufacturing

The ambition to promote a more coordinated approach towards industrial permitting for manufacturing projects across the different Member States is well placed. The streamlining and the digitalisation of administrative processes are positive steps towards accelerating permitting for industrial manufacturing. As these procedures remain national prerogative and subject to national legislation, the ambition of the IAA should be matched by **genuine simplification and consistent application** across Member States.

We welcome the recognition of **refining manufacturing as a strategic sector** that would benefit from the streamlined permitting procedures outlined in the Net-Zero Industry Act and in the proposed Regulation on speeding-up Environmental Assessments. These elements are important steps towards improving investment conditions and accelerating the industrial transformation of the European refining sector. To fully deliver this ambition, the IAA should provide greater clarity on the practical impact of these measures and ensure a coherent interplay with other EU legislation to accelerate permitting (e.g., the proposed regulation on speeding-up environmental assessments and the Grids Package).

Finally, the proposed Industrial Manufacturing Accelerator Areas (IMAA) provide useful conditions for fuels manufacturing to support industrial transformation and the production of RLC fuels and products. It is, however, crucial that, alongside EU refineries, the related infrastructure is also recognised as a strategic asset and therefore included in the IMAA. They should ensure that all RLC solutions that can effectively contribute to decarbonisation are supported, upholding **technology neutrality as a guiding principle**. This approach would ensure that Member States can promote investments based on national conditions and consider different decarbonisation technologies.

ii. Avoid limiting capital for industrial transformation

The transition of the EU industry will require significant private investment to decarbonise. Whilst Foreign Direct Investment (FDI) rules should help reduce vulnerabilities and ensure added value in the EU, they should **remain proportionate, transparent and fully consistent with the principles of open markets and fair competition**.

Overly prescriptive requirements could drive away foreign capital needed to finance industrial transformation projects or create barriers to international trade. This approach could slow the development of new technologies and widen the geographical imbalances across the EU, favouring certain regions over others. Instead, the **IAA should focus on recognising and rewarding the additional economic, industrial and strategic value generated within the EU** through transparent and market-based incentives that promote investment in strategic net-zero technologies and support innovation and resilient supply chains.

In this context, the framework should continue to facilitate joint ventures and industrial partnerships established in Europe, recognising their contribution to strengthening the EU industrial base through intellectual property ownership, skilled employment, and integrated value chains within the Union.

Refinery products are not currently included in the scope of the FDI Chapter; however, in its proposal, the European Commission could extend the list through a delegated act to cover net-zero technologies relevant to the refining sector. We therefore recommend that **FDI provisions remain proportionate, transparent, and provide investors with sufficient regulatory predictability**. Moreover, any extensions should be carefully assessed for possible negative effects, including reduced access to foreign capital and risk of disinvestments. To properly evaluate the impact of the provisions, **the list should be amended via the legislative procedure and not via a delegated act**.

iii. Establish a well-designed lead market for renewable and low-carbon fuels and products

The EU refinery industry operates under intense global competition while facing high structural costs and limited access to key large-scale decarbonisation enablers, such as affordable RLC power, CCS infrastructure,

hydrogen, biomethane and efficient energy networks. At the same time, it requires protection from EU ETS costs until companies can realistically achieve decarbonisation. A clear and predictable legislative framework is needed to provide a **business case for large-scale decarbonisation investments**, for instance through the creation of lead markets for RLC fuels and products.

The proposed IAA takes a narrow approach to lead markets focusing on public demand via public procurement and other forms of public support. Whilst refinery products are not in scope, the European Commission should evaluate the possible expansion of market pull measures to additional sectors, in the IAA or in other upcoming initiatives.

This could be explored further through dedicated channels and platforms between the European Commission and the refining sector, including the Renewable and Low-Carbon Industrial Value Chain Alliance and the Critical Chemicals Alliance. It is therefore crucial to maintain a technology-neutral approach and **carefully consider the specificities of each value chain**.

Rather than setting strict obligations and origin requirements, the IAA should provide the basis for an **industrial policy tool to strengthen investment, competitiveness and resilience**, supporting the EU's strategic autonomy, while remaining **incentive-based, proportionate and flexible**. This design builds on key principles:

- **Avoid rigid, binary schemes** that do not reflect the industrial reality of refineries, their products and the synergies they enable and foster with other industries.
- **Recognise the reality of global and complex value chains**. Maintaining efficiency and global competitiveness is required as overly restrictive requirements risk increasing costs and weakening Europe's industrial position.
- **Reward European value added progressively**, ensuring that RLC products receive a level of incentives that are proportionate to the share of value created within the EU, without introducing measures that penalise imports and would disrupt well-functioning value chains.

To effectively reinforce Europe's industrial base, this concept should be integrated beyond public procurement and embedded in **public support schemes, fiscal and financial incentives and market-based instruments**. At the same time, it should be supported by **robust traceability and equivalent conditions for imports** to prevent circumvention and guarantee a level playing field. Its implementation should also be **gradual**, enabling the development of EU industrial capacity while sending a clear and credible investment signal.

Overall, the objective should be to address the **structural cost disadvantages** faced by EU industry (e.g., high energy prices, carbon costs), **reduce investment uncertainty** and establish effective mechanisms to ensure a level playing field vis-à-vis imports. One way to achieve this is to complement the supply-side measures under the EU ETS, requiring existing refineries to reduce emissions, by **turning ETS revenues into an investment tool for the decarbonization of the sectors in scope, hence supporting the demand for RLC fuels and products**.

Furthermore, addressing structural disadvantages includes the development of a **strong and integrated single market for biogenic and synthetic sustainable feedstocks, based on a coherent and holistic strategy**, meant to enhance the availability, affordability, and logistics of these sustainable feedstocks and their derived products.

In this context, lead markets require a **coherent and supportive set of measures** from transport (aviation, maritime and road transport), chemicals as well as energy legislation, for instance as regards feedstock requirements for renewable and low-carbon fuels. **Full alignment across the EU existing legislation**, including the Renewable Energy Directive and the Gas Directive, is therefore a prerequisite to support demand creation.

This framework should be maintained and provide continued support until markets are adequately developed. Only by addressing these conditions in a sustained and coherent manner the EU can attract and safeguard investments, while valorising existing and planned investments in EU production.

Annex: Lead market measures for RLC fuels and products

The lead market measures should bridge the gap between supply and demand, be proportionate to carbon abatement potential, and support actors along the value chain to accelerate the uptake of RLC fuels and products. Below FuelsEurope outlines a set of recommendations for supporting RLCF fuels and products.

- **Financial support** could provide incentives to customers across the value chain to choose RLC fuels and products over conventional and cheaper alternatives. Specifically, **fiscal incentives**, which are a competence of EU Member States, should be applied consistently across the EU and in full compliance with the EU State aid framework. They should be designed to avoid any distortion of the Single Market as well as prevent long-term structural imbalances or unfair advantages of one Member State over another. Any **fiscal incentive should be technology neutral, proportional to the abatement achieved by the product** (performance-based), and should not privilege one sector, actor, or geographical area over another.
- To support early movers, nascent technologies and products, the EU should implement an appropriate policy framework providing **long-term investment signals and supporting de-risking mechanisms**. For instance, the Commission should secure access to European support schemes such as IPCEIs, Innovation Funds, etc. At the same time, the Commission should assess the establishment of an **EU-level (Carbon) Contract for Difference** to support innovative, cost-competitive RLC technologies in refineries. A well-designed two-way, symmetric (C)CfD could reduce risk and accelerate the deployment of capital-intensive, first-of-a-kind projects by bridging the cost gap between conventional and low-carbon processes. The design should be technology-agnostic, provide support commensurate with GHG emissions abatement potential, **avoid triggering market distortion**, and should not unintentionally inhibit market-based solutions.
- **Channelling ETS revenues** could help supporting investments into RLC fuels and products. A demand-side system should be designed to enable predictable, ring-fenced recycling of ETS revenues into decarbonisation projects by the sectors that generate those revenues.

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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