2014 ANNUAL REVIEW

REFINING PRODUCTS FOR OUR EVERYDAY LIFE
Fuels Europe
REFINING PRODUCTS FOR OUR EVERYDAY LIFE

Annual Review
2014
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1. INTRODUCTION

1.1 President’s Introduction

With ETS Reform now firmly on the political agenda, we will work hard to make the case to take account of our industry’s crucial role and the need of an effective carbon leakage protection – this will be a major focus for the work of the association in 2015 and beyond.

Michel Bénézit, PRESIDENT

Early in 2015 we announced the change of Director General of FuelsEurope, with Chris Beddoes standing down after 7½ years with the Association overall, and three years as head of FuelsEurope and Concafe. Chris has made a tremendous contribution to the Association and to our industry over this time, becoming the first DG of the joint Association in 2013 and overseeing a change of name from Europia to FuelsEurope. He leaves behind him a highly effective and respected organisation, with many strong relationships with key stakeholders, and multiple successful outcomes in policy and regulation for our industry. I would like to thank Chris wholeheartedly for everything he has done for the Association, and I wish him well for the future.

Now we have the pleasure of welcoming John Cooper as our new Director General. John has joined us from BP where he gained 27 years of downstream experience, in commercial, technical and policy leadership roles and also 3 years with the motor industry. John has worked extensively in the recent past with what was then Europia, on RED and FQD issues and so is already known to many in Brussels.
In the last year we have seen a new European Parliament and new EU Commission, a dramatic fall in the crude price, and continued concerns over energy security. While focus on reduction of carbon emissions continues, we have also seen renewed concerns over air quality in our cities. In our industry, despite some recent temporary improvement in the business environment for refiners, we continue to see refineries for sale, conversion to other uses, or announcements of closures. For the citizens of Europe and our customers, the most dramatic change has been a significant drop in prices at the pumps, lowering their cost of transport.

Much good work has been done to highlight the need to support the competitiveness of our refining sector, with the creation of the Refining Forum and Fitness check. With ETS Reform now firmly on the political agenda, we will work hard to make the case to take account of our industry’s crucial role and the need of an effective carbon leakage protection – this will be a major focus for the work of the association in 2015 and beyond.

With the new Commission, we do see a change of tone that reflects simplification and pragmatism, but still maintaining the core policy direction as per the previous Commission. An early announcement from the Vice-President for Energy Union in 2015 has been the “Energy Union Communication”, and since this proposal still needs better definition, there will be extensive dialogue and development of this in Brussels and we must be ready to play our part to ensure fair treatment of oil products and refining industry.

Europe continues to face economic and social issues, with a challenge to achieve growth in many Member States, geopolitical tensions, concerns about energy security and competitiveness of EU industry. The European institutions have set out ambitious proposals for policies affecting our industry, and our customers in EU society. I remain confident that FuelsEurope, with the indispensable technical support from Concawe, can continue to play a key role, contributing expertly and constructively to the dialogue to help find the right balance in policy and regulation to address Europe’s challenges.

Michel Bénézit
President
1.2 Director General’s Foreword

We should realise that today’s fuels used in the latest technology efficient European vehicles are already offering significantly decarbonised, very low emission transport in a highly – cost effective manner.

John Cooper, DIRECTOR GENERAL

First of all, I would like to say that it is an honour to have been appointed as the new Director General of FuelsEurope and Concawe. I’d like to thank the Member Companies for their trust and support. The Association has a strong, hardworking team, and I am excited to lead the team to represent the industry. The recognition and trust of the Association by our many stakeholders in Brussels and across Europe is strong and is a credit to the team, and also of course is testament to the dedicated, deeply professional work over seven years, of my predecessor Chris Beddoes.

This review looks back over 2014 and also early 2015, at the challenges of the industry, and the interaction with regulation and policy, summarising FuelsEurope views and proposals for the next policy developments in Europe.

As our President has said, with the new Commission we do see some increased support for the business and growth agenda in Europe and we are working to ensure that this will translate into recognition of the need to keep fuels refining in Europe competitive with other refiners around the world. We have a deep and liquid global open market for
refined fuels, products and intermediates – in fact ships arrive in European ports every day from around the world, from refiners outside of EU regulations to supply Europe, competing with EU Refiners. If we want to keep European fuels made under EU regulation, then we must keep our refineries competitive.

The discussion of ETS reform is now well under way, with many expectations from industry and the Commission on what ETS should look like post 2020. There is now clarity on the long-expected Market Stability Reserve, but there is much to be done to protect competitiveness, and prevention of carbon leakage. The FuelsEurope team has established a strong working alliance with other energy intensive industries to ensure there is a clear aligned voice from industry advocating direction for this flagship EU environmental policy.

2014 and early 2015 also saw closure on a long running difficult issue, for our members and many other stakeholders; the proposal to address “Indirect Land Use Change” in the renewable fuels blending mandates for compliance with the Renewable Energy Directive. Thankfully the Commission, Council, and Parliament have finally agreed on a pragmatic approach, avoiding the great complexity that would have been necessary under certain proposed regulatory changes. Given that the RED has only been operational for four years, and the transport element has been under review for two of these, there are surely lessons that we can learn from this episode, and we must work to ensure that the regulatory dialogue in the EU takes full account of these.

As we have made some progress on highlighting the need to maintain competitiveness for our refineries, now we must turn our attention to the longer term. Later in 2015 we will see the Climate Summit COP21 in Paris, and this will focus minds throughout 2015 on longer term visions of society including crucially, energy and transport. Some prominent EU and other environmental policy voices have proposed a major transition over the next 30 years, especially for road transport, eventually with no or very limited role for fossil or liquid fuels, replaced by alternative fuels and vehicles, new business models, behaviours and societal propositions.

The Association has a key position in the debate and development of fuels and transport regulation in Europe, quite simply because our industry reliably supplies fuels to millions of customers every day, individuals and businesses; on our roads, farms, construction sites, airports and harbours, virtually nothing moves unless it is powered with our industry’s products. And we should also realise that today’s fuels used in the latest technology efficient European vehicles are already offering significantly decarbonised, very low emission transport in a highly cost-effective manner.

This debate will be complex, with strongly conflicting views and projections of what is possible. It is fortunate that FuelsEurope will be able to draw on the expertise of Concawe to inform us here. In addition we already have a very good working relationship with carmakers through their association in Brussels and we expect this relationship to grow in importance as this debate progresses.

The FuelsEurope team will continue with our dialogue with the wide range of stakeholders in the development of policy and legislation, supported by the science and research work of Concawe. We will also continue to work closely with the national associations, to extend this dialogue with the Member States. We all look forward to continuing the dialogue with stakeholders, making the case for policies that help us develop an environmental and economically sustainable Europe society.

John Cooper
Director General
2. THE EU REFINING INDUSTRY
2.1 A highly technological industry with a continued focus on innovation

Over the past 25 years European refiners have invested an average of €4.5 billion annually towards the desulphurisation capacity of distillates and gasoline, the upgrading of production facilities and processes, the installation of emission abatement equipment, and numerous energy savings measures. Following the switch to fully unleaded gasoline, this marked the industry’s full transition to the production of clean motor fuels in 2009.

The continued tightening of oil product specifications and emissions standards under the EU’s Fuel Quality Directive, the 2020 Climate and Energy Package and the lowering of sulphur content in heating and marine fuels also required significant investments by EU refiners.

Technological development helps improve energy efficiency and environmental performance
The EU refining industry has reduced its environmental footprint by continuously investing in the development of increasingly energy-efficient technologies and processes. Moreover, the use of cogeneration and advanced catalyst systems allows for further energy gains. Since 1990, the refining sector has been improving its energy efficiency at an average rate of 1% per year, with EU refineries being the most energy-efficient in the world.

European refiners have further invested in new technologies in order to comply with some of the world’s most stringent air and water quality (SOx, NOx and particulate matter emissions), and soil protection rules. This has significantly reduced their environmental footprint, cutting in half the amount of sulphur emitted by EU refineries since 1998. The quality of water effluents has also greatly improved; over the past 30 years, refineries have decreased their oil discharge in water by tenfold.

EU REFINERIES’ ENERGY CONSUMPTION AND EFFICIENCY TRENDS RELATIVE TO 1992

Source: Solomon Associates

The index shows that EU refineries have improved their energy efficiency by about 10% over the past 20 years. This improvement was achieved despite more energy intensive refinery operations to produce cleaner fuels and meet shifts in market demand. The corresponding annual energy saving is roughly equivalent to the total annual average energy consumption of four large EU refineries.
EU REFINING WORLDWIDE LEADER IN REFINING TECHNOLOGY INNOVATION

The strong capacity of the refining industry to innovate has enabled the continuous development of cleaner fuels and the setting of worldwide standards for transportation fuels.

EU REFINING INDUSTRY #1 PROCESS INNOVATION AND AMONG MOST INNOVATIVE INDUSTRIES FOR PRODUCTS

(Source: European Competitiveness Report 2013)

According to data presented by the European Commission in its annual Competitiveness Report, the EU Refining industry was the leading industrial sector in process innovation and among the top 4 for product innovation.
EU refining, a technology and innovation driven industrial sector, requires a highly skilled workforce to run its activities. The Competitiveness Report ranks the EU refining industry second amongst manufacturing industries in terms of skill and knowledge intensity share of total employment.

**SKILL AND KNOWLEDGE INTENSITIES**

(% OF TOTAL EMPLOYMENT)

(Source: European Competitiveness Report 2013)

According to the European Commission’s Competitiveness Report for 2013, the European refining industry employs one of the largest percentages of highly skilled workers of all manufacturing industries, just after the pharmaceutical industry.
2.2 Competitiveness of the industry

2.2.1 Evolution over the past 12 months

Compared to previous years, 2014 began as another challenging year as a result of continued falling demand, increasing competition from the US, Middle-East and Russia, excess capacity and product imbalance (diesel/gasoline), higher energy costs in the EU and the impact of EU-only legislation that competitors do not face.

During the first half of the year European refining margins hit multi-years lows, resulting in additional refinery closures in Italy and Switzerland and threats or investments plans postponed or cancelled in the United Kingdom, the Netherlands and Italy in particular.

**MARGINS’ INDIAN SUMMER BUT THE FUNDAMENTALS DID NOT CHANGE**

The strong decrease of crude prices in the second half of 2014, allowed the European refining industry to enjoy some relatively healthy refining margins. Moreover, the substantial investment announced by ExxonMobil in its Antwerp refinery is another, though rare, positive news for the sector. It will however only allow some brightness amongst the clouds since the fundamentals – diesel/gasoline imbalance, competition, declining demand, EU-only legislation, and higher energy costs, – have not changed and will keep the pressure on the industry.

Whereas a number of factors are market-driven, such as decreasing and shifting demand, the EU-only legislation depends on EU policy-makers. In that respect, FuelsEurope believes that the Fitness Check, currently underway, should, if the impact on the refining industry’s competitiveness is demonstrated, be the basis for a set of recommendations on potential measures to mitigate the impact of legislation.
2.2.2 Fitness Check

The Fitness Check of the European refining industry was announced in the Industrial Policy Communication Update “A Stronger European Industry for Growth and Economic Recovery”, published in October 2012. The study is still in progress, and expected to be completed and published in the third quarter of 2015.

Fitness checks form part of EU’s efforts to assess the effectiveness of regulations and their impact on European industry; In particular, the focus is on competitiveness, jobs, and growth. Fitness Checks aim to “identify excessive burdens, overlaps, gaps, inconsistencies and/or obsolete measures which may have appeared over time.”

The refining Fitness Check is being carried out in two parts: A quantitative assessment, using a comprehensive analytical and data-based framework to map the evolution of refining since 2000, and a qualitative assessment, which will assess secondary legislation in implementation phase or very recently adopted. The study should then be completed by conclusions and recommendations addressing the potential gaps, inconsistencies or overlaps.

The Commission reported some preliminary findings of the Fitness Check at the Refining Forum meeting in December 2014, though no final conclusions and recommendations will be disclosed before June 2015. FuelsEurope reiterated its recommendations on the process and the objectives of the Fitness Check:

FuelsEurope believes that current EU regulations have added up to a number of severe challenges for the European refining sector. These challenges have put the industry at a competitive disadvantage, leading to the shutdown of several facilities. – Since 2008, 17 refineries were closed out of the 100 in operation. FuelsEurope therefore hopes that the Fitness Check will deliver a realistic picture of the pressures on the industry, and that these challenges will be clearly understood prior to the introduction of any new, potentially damaging measures.

The Fitness Check should assess the entire EU regulatory framework for the sector, including its impact on industry performance; how effectively it delivers EU objectives; and the coherence and consistency of the various pieces of legislation. The check should thus provide a comprehensive and coherent picture of the impact of regulations on the competitiveness of EU refining.

We also stress the need for an environment in which EU Refining will not just be fit to survive, but fit to invest in. The refining industry needs to invest in order to cope with changing markets and global competition, and investment decisions are affected by the legislative pressure the industry is facing within Europe. The Commission’s mandate for a Refining Fitness Check acknowledged that refining is “critical for EU’s industrial value chain, but urgently require(s) new investment to be made in the face of strong international competition”. Thus, we want the Fitness Check to assess to what extent the EU legislative framework for refining is conducive to investment or a deterrent to it.

1 Director General Chris Beddoes wrote on 8 April 2015 to Miguel Arias Cañete, the European Commissioner for Climate Action and Energy.
Long-term investments are the result of future opportunities, not the glory of the past

FuelsEurope however believes that three key elements should be carefully taken into consideration: First, the quantitative part of the Fitness Check focuses on the period 2000-2012, using data that we provided from 67 refineries in order to assess the impact of legislation in place. However, to assess the chances of new investment amid strong international competition, the Fitness Check should also consider the impact of legislation after 2012, such as Phase III of the Emissions Trading System, which has been in place since 2013, and the 2014 adoption of the reference document for Best Available Techniques.

ESTIMATED CUMULATIVE COST IMPACT OF EU LEGISLATION IN 2020 ON EU REFINING

Source: Concawe
under the Industrial Emissions Directive. These have very significant consequences for the costs and competitiveness of EU refining, and data and technical studies on such post-2012 legislation has been made available. Any company considering an investment would naturally try to assess upcoming costs and risks as part of its due diligence process. The latest legislation should therefore be part of the Fitness Check.

Second, it is essential not to move away from the original mandate of the Fitness Check, which focuses on the regulatory impact on the competitiveness of the EU refining sector. Any extension of the scope, such as comparing the costs borne by refineries against the broad social benefits of implemented legislation, should first be compared against the social costs of regulation—such as the loss of European jobs if production is relocated outside the EU and the increase in emissions outside the EU where regulations are laxer and refineries less efficient, and subsequently carefully thought through before being included.

Third, all aspects of the Fitness Check should be based on clear, robust data. Therefore, FuelsEurope recommends to avoid measuring the benefits of legislation only on general scope modelling, and not to use unsubstantiated, or not generally accepted sources on sensitive issues, such as the hypothetical cost pass-through to customers of legislative costs (e.g. the ETS cost). It is paramount to develop a robust Fitness Check supported by all parties involved in what has been more than 2 years of intensive efforts and which could become a Commission a blueprint for similar assessments of other industrial sectors.

The European refining industry continually called on the European Union to provide the regulatory predictability that would favour investment.

The Refining Forum originated in 2012 when then Energy Commissioner Günther Oettinger organised a roundtable of MEPs, representatives of the refining industry and Member States, as well as other stakeholders. The meeting aimed to discuss the difficulties faced by the sector and come up with ideas for coordinated action.

It then evolved into the EU Refining Forum, which FuelsEurope considers a valuable opportunity to review current and discuss planned regulation and the state of the sector in Europe.
While the debate in Brussels continues for the fourth consecutive year, EU Refining faces persistent competitive pressure. In the period 2008-2014 some 17 refineries shut down in the EU, adding up to an 8% capacity decline and the loss of some 10,000 direct and 40,000 indirect jobs.

As the pressure is still very strong on EU refining, with more closures announced and refineries under threat in several countries, FuelsEurope emphasises the importance of undertaking a thorough and objective assessment. An assessment that looks carefully at how legislation affects costs and competitiveness, and takes due consideration comments from stakeholders, most notably from those directly concerned – the Member States and industry.

A competitive legislative framework is an essential condition to encourage investment. While companies are used to managing certain types of uncertainty – such as changes in the market, evolutions in technology and the competitive landscape – they depend on a predictable legislative framework. If this is lacking, it discourages investment decision makers and puts the EU at a disadvantage with respect to regions of the world where industries enjoy a stable and predictable regulatory framework.

EU refiners want to continue investing in Europe, but need reassuring conditions to do so. There is a clear need for predictable and non-discriminatory regulations in the EU to ensure a level playing field globally, and the freedom to operate under market forces.

A number of Member States – including France, the United Kingdom, Germany, Poland, Italy and Ireland, called during the latest Refining Forum in December 2014 for a robust Fitness Check that would serve as a reference for forthcoming legislation. They requested to be closely involved in analysing the findings of the Fitness Check, and ensuring alignment with their own national studies. They reiterated the importance of an evidence-based approach when looking back at the cumulative impact of historic legislation and the need to examine security of supply aspects, as well as the resilience of the sector.

The European Commission replied by inviting Member State representatives to meetings of the working group. It also promised that the refining Fitness Check would explain, should this be the case, why some of the results differentiate from those found in studies carried out by Member States.

The refining industry also highlighted the continued need for the EU to use oil products beyond 2030 – the year the latest EU energy and climate framework extends until. Security of supply for EU consumers is best achieved by maintaining a strong market for internal products from a competitive refining and distribution system.

All eyes are on the June 2015 Refining Forum that will be dedicated to the Fitness Check and the way forward. An objective assessment of the cumulative effect of legislation on the competitiveness of refining is vital for the future of this industry and is significant for the entire value chain.
3. POLICY PRIORITIES
3.1 Products
EU Refining: Important contributor to Europe’s Energy Security

The European refining industry plays essential roles in transport and the petrochemical industry. Refined oil products supply 90% of the energy used for transport in the EU and close to 70% of the feedstock for the petrochemical industry. These are vital components of the European economy, and a healthy domestic refining sector is therefore indispensable for European energy security in an era of geopolitical upheaval.

Europe’s limited and ageing oilfields means it has increasingly depended on crude oil imports from overseas. Europeans have maintained security of supply by making their refineries capable of processing a variety of crude sources. Due to the unrivalled liquidity of crude oil in the global market of commodities, if political instability, trade sanctions or any other kind of disruptions endanger the availability of one or more crude oils, other sources are readily available to make up the shortfall.

Refined products already are supplied from refineries located outside the EU. However, increasing dependency of the EU consumer from non-EU refineries implies a growing risk in terms of security of supply. Not all oil products have the same liquidity in the commodity markets as crude oils. Moreover, the number of suppliers capable of producing intermediate and finished oil products of the quality needed in Europe is more restricted.

It is possible to see that in case of product supply disruptions (for political, economic or natural reasons), EU consumers and the EU industrial systems could face a shortage and/or a price spike. Finally, the strategic implications of a secure supply of oil products for essential civil and military use (e.g. jet fuels, diesel, etc.) cannot be underestimated. A robust domestic refining industry is absolutely essential to keep Europeans and their businesses moving.

The European refining industry is also a world leader in the introduction of cleaner, more efficient transport fuels while helping to make mobility more affordable.

The EU refining industry provides Europeans with jobs, many of which require expertise and are well paid. Moreover, the industry builds, maintains, and operates a web of pipelines to deliver its products, relieving Member States of the need to upkeep such a network.

Refined products represent 70% of the feedstock for the petrochemical industry to produce petrochemical intermediates and finished products, such as plastics. The high integration of refineries and steam crackers in the EU boosts the competitiveness of the petrochemical industry, which contributes €155bn to the overall European GDP and provides 300,000 jobs, beyond those of the refining industry itself.
3.1.1 The future of Transport

Transport is the lifeblood of the European economy. With 230 million cars and 34 million trucks on the roads of the 28 Member States, the transport sector ensures that goods are cost-efficiently delivered and that EU citizens can benefit from affordable mobility. Europe’s transport system relies almost entirely on the secure and resilient supply of fuels produced, stored and distributed by the EU refining and marketing industry.

Recent legislation has set ambitious targets for reducing greenhouse gas (GHG) emissions from transport fuel. The Fuel Quality Directive requires a 6% reduction in the GHG intensity of transport fuels by 2020 compared to their 2010 level. The Renewable Energy Directive has set a target of 10% for the proportion of renewables to be included in transport fuels.

New cars are required to emit an average of less than 130 grams of carbon dioxide (CO₂) per kilometre by 2015. But the level in 2014 was already below this, at 123.4 grams, according to provisional data from the European Environment Agency (EEA). By 2021, manufacturers will have to reduce average emissions below 95 g CO₂/km. Electric vehicles are likely to become a favoured way to meet this target even though such regulation treatment completely ignores power production emissions.

This non-technology-neutral treatment of electricity used in cars and light commercial vehicles risks distracting from the real achievements and potential in automotive technology: improving the efficiency of the vehicles and the ICE-based powertrain.

Policymaking is now moving beyond these milestones and the European Commission has launched a public debate on a long-term vision for the structure and functioning of the European...
transport sector for 2030. As the chief provider of fuels for transport, the refining industry wants to play a major, constructive role in this debate. We are keen to help develop realistic proposals and achievable targets that combine environmental goals with a competitive EU economy.

In particular, given the importance of affordable transport to European business and to citizen’s quality of life, we urge a pragmatic approach that is compatible with the robust economic growth needed to create jobs and maintain living standards. The 230 million cars and 34 million trucks on the roads of the 28 Member States reliably deliver goods and allow Europeans to enjoy affordable mobility.

All interested stakeholders – ranging from the car industry and its supply chain to local communities – should be part of the debate, to ensure they assess policy recommendations thoroughly and transparently. It is important that eventual policy decisions do not jeopardise the existing system, which has a long record of successful functioning combined with constant improvements in cost and efficiency.

### 3.1.2 Biofuels & ILUC

The European Union has been considering proposals to amend the Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD), in order to encourage advanced biofuels that do not displace food crops or cause indirect land use change (ILUC). The European Parliament adopted the EU Council's latest position in April 2015.

Biofuels remain the only practical and effective means to meet the targets set by the RED (10% energy from renewables in transport by 2020); and the FQD (6% reduction in the GHG intensity of transport fuels in 2020 from 2010 levels).

However, the real value of biofuels needs to be carefully assessed. They must be cost-effective, sustainable and acceptable to both consumers and vehicle manufacturers, and recognised as making genuine contribution to decarbonisation. As part of that, ILUC needs to be addressed to provide assurance on biofuels’ true GHG performance.

FuelsEurope believes that economically and environmentally sustainable biofuels have a role to play in the future of transport. We therefore support the development of cost-effective advanced biofuels – that is, those biofuels that do not compete with the production of food yet sustainable and beneficial in terms of lifecycle GHG emissions.

On 28 April 2015, Members of the European Parliament adopted an EU Council text that sets a new target regime to limit the amount of crop-generated biofuels used in the transport sector. The final text was a compromise, revised from an earlier Commission proposal:

- The text sets a cap for first generation (1G) biofuels (from crops grown on agricultural land) of no more than 7% of transport’s energy consumption by 2020. However, Member States have the right to set more stringent limits by a reduction of that first generation biofuels cap.

- EU Member States will have to set a national target for advanced biofuels, no later than 18 months after the EU directive comes into force. While a reference value was set at 0.5% in energy terms, Member States will be allowed to set a lower target on grounds such as limited potential for production; climatic constraints; and the existence of national policies that fund energy efficiency and electric transport to a commensurate level.
ILUC is only included in reporting.

The compromise text states no additional sub-mandates like the 6.5% energy target for renewable fuels in petrol or sub-targets on the energy efficiency are maintained.

Eventually, the compromise calls for a cost-effective and technology neutral approach to be proposed by the Commission on the GHG reduction of transport after 2020.

Member States must enact the legislation by 2017.

FuelsEurope considers the compromise a good step forward, but concerns remain about the many incentives, overt and hidden, for electricity use in road transport and the ability of Member States to set different targets.

The European Council followed the Commission’s proposal to introduce a cap on conventional (“first generation”) biofuels rather than introducing ILUC factors into the regulations. This could indicate that the Council believes there is insufficient scientific grounds for directly regulating ILUC.

Following the adoption of the proposal in the European Parliament’s plenary, a formal adoption is still needed by the Council. The publication in the official journal is expected in Q3 2015.

### 3.1.3 Marine Fuels

Adopted in September 2012, the Directive on the Sulphur Content of Marine Fuels sets provisions that entered into force from 1 January 2015. The EU decision to follow the IMO rules and thus decrease the current 1% sulphur limit from January 2015 onwards to 0.1%, posed a question of the increased demand for marine gasoil and whether the EU refining has the capacity to meet the growing demand. According to Concawe estimates, switch from residual marine fuel to distillate marine fuel in the European ECAs will add some 14 million tonnes of distillate demand.

The EU refining industry has anticipated the increase in demand for distillates, not specifically for marine gasoil but in general, and have thus invested and are still investing in conversion capacity, allowing to produce more distillate fuels, among which are gasoil, diesel and jet fuel.

Moreover, the declining demand for heating oil is to be shifted to the marine fuel sector, which will increase the supply of 0.1% sulphur marine fuel. The directive has also set the date of entry into force of the 0.5% sulphur limit for marine fuels outside the SECAs in 2020.

This represents a deviation from the International Maritime Organisation (IMO) regulations: with Europe is moving towards stricter Sulphur reduction requirements, independent of the final decision IMO will take, based on the outcome of a Fuel Availability Study on the date of introduction of the 0.5% Sulphur limit. This study will guide IMO in their decision to implement the global 0.5% Sulphur requirement in 2020 or 2025.

At this stage, the refining industry is monitoring the situation closely in order to assess the impact of this global change in sulphur-level specification on the EU refining industry.
3.2 Climate and Energy

3.2.1 Climate and Energy Policy Framework

With the 2030 Climate and Energy Policy Framework the EU has stated its aims at remaining a world leader in addressing the climate change issue. However, given the decreasing share of EU’s worldwide GHG emissions, the international ambition to fight climate change is only achievable if all major economies engage on a comparable scale. A global agreement on GHG reduction is also needed to restore a competitive level playing field between EU and non-EU industries.

Following the package issued by the Commission in January, the European Council in October 2014 adopted ambitious targets for the EU’s Climate and Energy Policy. Elements that are relevant for the refining industry include the following targets for 2030:

- A binding target to reduce GHG emissions by at least 40%, compared to 1990 levels.
- A binding target for at least 27% of energy used at EU level to come from renewable sources.
- An indicative target of a 27% increase in energy efficiency. This will be reviewed in 2020, with a view to increasing it to a binding 30%;

The package was announced one year prior to the COP21 United Nations Climate Change Conference to be held in Paris in November and December 2015, which will aim to achieve a legally binding global agreement on climate change. The EU Climate and Energy Framework can thus be seen as an attempt by the EU to take the lead in reducing worldwide GHG emissions.

However, EU efforts will only contribute to global reductions if other regions in the world provide similar contributions. Moreover, if the EU climate framework imposes much heavier costs on industry than other regions, Europe will lose competitiveness in vital industrial sectors. This could contribute to the shift in industrial production out of Europe to locations with weaker environmental regulation, undermining the climate objectives of the package while at the same time reducing European jobs. Relocation of production outside Europe would indeed have negative consequences on global GHG emissions as currently the average emission intensity of EU-refineries is lower than the average emission intensity of non-EU refineries.

In particular, the 40% by 2030 (vs 1990) target implies that energy intensive industries, such as refining, will have to cut GHG emissions by 43% by 2030 (vs. 2005). For the refining industry, even considering its world class energy and carbon efficiency, this is technologically and economically unachievable. To meet its obligation, the refining industry would therefore be left only with the choice to reduce capacity or to buy allowances.
DECLINING EU SHARE IN GLOBAL CO₂ EMISSIONS

Source: IEA, WEO 2014
EU climate regulations not followed by other regions would not lead to a lower carbon world but result in job losses in Europe and of relocation of production activities in countries with less stringent GHG emission limits.

FuelsEurope welcomed the European Council’s decision in October 2014 to maintain free allocation of emissions allowances after 2020, as long as no comparable efforts are undertaken in other major economies. However, we believe that the EU climate framework should safeguard the competitiveness of industry and allow 100% free allocation for the best performing installations based on technically and economically achievable benchmarks. Also we believe that the EU refining sector is still fully exposed to the risk of carbon leakage as most of it main competitors do not face any carbon cost at the moment.

On the issue of the multiple targets for 2030, FuelsEurope believes that it would have been more effective if the Council had simply set a technology-neutral GHG emissions goal rather than setting a target for renewables.

Indeed, learnings from the past show that in the implementation of the 2020 package the overlapping targets on energy mix (renewables) and energy efficiency distort the carbon price signal within the EU Emissions Trading System (ETS). This prevents the optimal adoption of technology that will abate carbon dioxide emissions, leading to a relative rise in energy costs in the EU compared to its competitors – just when the EU needs affordable energy to fuel an industrial revival.

FuelsEurope thus calls for a governance system that can achieve both the renewables and energy efficiency targets while avoiding such detrimental effects. An emissions goal and the ETS should set in motion both a greater use of renewables and work to improve energy efficiency in a cost-effective way.

On transport, FuelsEurope welcomes the support by Council for a technology-neutral approach to emission reduction and energy efficiency. The refining industry, which currently supplies over 90% of the fuel used for transport, recognises the importance of the transport policy debate and FuelsEurope wishes to contribute to it actively. Discussion should address fuels, vehicles, customer choice and infrastructure, while maintaining a single EU transport market.

FuelsEurope also welcomes the Council’s declarations of the need to increase the robustness and resilience of the EU energy system. An economically sustainable refining industry based in Europe plays an important strategic role in securing energy supplies for EU consumers.

The 2030 policy framework is expected to translate into regulations through specific pieces of legislation in the next year or 18 months.
In February 2015, the European Commission presented a blueprint for a future Energy Union. The recent EU proposals towards an energy union are a welcomed move towards ensuring secure, sustainable and affordable energy that is vital for European industry and for the EU's 500 million consumers.

Europeans have long suffered from high energy prices, which are a burden on households and reduce our industry competitiveness in the global marketplace. The battle against high energy prices should be an absolute priority for the EU, as industry fights to maintain a strong European base that creates jobs and growth.

A common policy could help unify markets for different types of energy, thus reducing the burden of energy costs for industry and consumers. While this idea has been around for a long time, it has gained momentum due to the unrest on the EU's eastern border, which has lifted energy security up the EU agenda.

Refiners – as both users and processors of energy – have a particular interest in keeping energy supplies secure and competitively priced. FuelsEurope is therefore pleased by the Commission’s objective to make progress towards an Energy Union.

The Commission’s blueprint, released on 25 February 2015, is a non-binding document outlining a wide range of initiatives to foster an EU-wide energy policy allowing for a free flow of energy throughout the European Union. It consists of five main aspects, called “dimensions”, to underline their close interconnection: enhancing EU supply security; building a single, competitive energy market; increasing energy efficiency; reducing pollution by decarbonising the economy; and boosting renewable energies through investment in R&D.

However, the Energy Union falls short in a number of ways. FuelsEurope would like to suggest improvements that could help achieve the goals more effectively.

First, the role of petroleum products in the EU’s energy mix should be recognised. In one sense, it is understandable that the Commission make little mention of these: the EU already has an effective internal free market for our products. Over the years, our members have developed a highly reliable, flexible and interconnected supply system for oil and refined petroleum products. But the Commission pays little attention to the essential role of petroleum products in the European economy. Worse, the blueprint dismisses them as “old technologies.”
Currently, petroleum products supply over 90 per cent of the energy used in EU transport. According to the International Energy Agency (IEA), the EU will still need petroleum products for many years, and by the Commission’s own analyses, EU petroleum refining is very innovative and employs highly skilled labour.

Second, the Commission should place greater weight on market-based systems. Of course, regulations such as the emissions trading system (ETS) have a role in boosting energy efficiency, but the greatest contributions to efficiency and carbon dioxide reduction come from technologies that can compete on their merits without distortive mandates and subsidies.

Third, there is a huge gap between much of the vision for the future laid out by the Commission and the current reality of energy use. The transition will be a long one. It is therefore essential to describe how energy costs can be lowered during this phase, not just at the end of the transition. Without an assurance of competitive energy prices in the EU during this transition, industries will be reluctant to invest in Europe, thus harming the prospects for job creation.

The refining industry is highly innovative and has long experience of improvements in efficiency and energy saving. It would therefore welcome the opportunity, together with the European parliament and Member States, to complete the Energy Union.

**EVOLUTION OF END-USER ELECTRICITY PRICES FOR INDUSTRY**

Source: IEA

![Graph showing the evolution of end-user electricity prices for industry](image-url)
3.2.3 EU ETS

The EU Emissions Trading Scheme (ETS) is the cornerstone of EU’s climate policy. A market-based instrument, which, if well designed, has the potential to be the most cost-effective means of achieving the emissions reduction targets.

The ETS started with a carbon price of 30 €/tonne, but this declined to 6€/tonne by the end of 2012. Downward price pressure from allowances carried over from Phase II (2008-12) to Phase III (2013-2020) was aggravated by the Euro zone crisis and weak industrial output.

The continued decline of the carbon price and the fact that it has not driven a switch from coal to greener and more efficient energy sources, pushed the Commission to propose a number of measures to reform the ETS.

FuelsEurope believes it is important that measures to reform the ETS do not distort market mechanisms, as this would disrupt the long-term investments on which the refinery industry so vitally depends. There must also be continued vigilance over carbon leakage: if industries left Europe for jurisdictions with looser environmental regulation, the very purpose of the ETS would be undermined.

In early 2015, discussions took place between EU Member States and the European Parliament’s Environment Committee over two measures to reduce the surplus of carbon credits available for trading in order to artificially boost the price.

One measure proposed is the early introduction of the Market Stability Reserve (MSR), a mechanism that will take hundreds of millions of surplus EU allowances (EUAs) for carbon out of the market. EUAs placed in the MSR could later be put back into circulation if demand rises. The original plan put forward by the Commission in 2014 was to start this in 2021, but the Parliament’s Environment Committee called in February to bring this forward to 31 December 2018.

Another proposal in the Parliament concerned 900 million EUAs that are being withheld from the market in 2015 and 2016 in a process called back-loading. They had been scheduled to return automatically to the market from 2019, but MEPs want them to be put into the MSR instead.

FuelsEurope believes that interventions – most of which aim to steer ETS prices, during the current Phase III of the ETS are creating vulnerability in energy-intensive industries, including refining.

Free-allocation is in place until 2020, with flexibility foreseen in case of an international climate agreement.

Although Phase III has just started, the rules have already changed. Energy intensive industries will have to cope with artificially inflated carbon prices and considerably lower levels of free allocation than expected due to the effects of the cross-sectoral correction factor. Any structural adjustment of the ETS should address the period after 2020 and take a broader view of climate, energy and industry. It should also take global action into account.

The refining industry, like others that depend on long-term investments, stresses the need for regulatory clarity.
3.2.3.2 Carbon Leakage

The EU endeavours to maintain its leadership role in global action against climate change and FuelsEurope agrees that the EU should do its fair share in an ambitious global GHG reduction commitment. However, if measures are unilateral, there is a significant risk that they will contribute little to global reductions in GHG emissions, while damaging the competitiveness and future of vital European industrial sectors and their associated jobs. Therefore, we think that the EU should take a realistic approach to emissions regulation.

The competitive disadvantage resulting from unilateral measures, augmented by high energy costs, weakens the position of the European industry in the global race for competition.

This risk is real for European refineries\(^2\) which, although they are amongst the most efficient in the world in terms of energy efficiency and emissions intensity, are undergoing a severe crisis, with the EU witnessing a sharp reduction in refining capacity in recent years. This will be further aggravated if the cost of carbon grows without carbon leakage protection and further reduces the margins.

\(^2\) Refining was also identified in the 2013 European Competitiveness Report as the most successful European sector for process innovation and the fourth most successful for product innovation.
Carbon leakage would not only harm jobs and investments in Europe, it would also result in higher greenhouse emissions as refining moves from efficient, tightly regulated European refineries to less-efficient facilities elsewhere with on average, a higher emission intensity. FuelsEurope therefore welcomed the European Council call in March 2014 “to rapidly develop measures to prevent potential carbon leakage, to guarantee long-term planning security for industrial investment.”

The EU tries to avoid carbon leakage by providing free allocation to industrial sectors that are exposed. The leakage list is revised every five years, most recently on 27 October 2014, when the number of industrial sectors allowed part relief from carbon trading costs was raised to 175, from 164. At their summit in October 2014, European leaders said that, “as long as no comparable efforts are undertaken in other major economies”, the protection would need to be extended beyond 2020. “Existing measures will continue after 2020 to prevent the risk of carbon leakage due to climate policy,” they said in a statement.

However, even if such protection is maintained, the level of free allocation could diminish in line with recently proposed higher levels of ambition – 43% reduction in GHG emission in 2030 vs 2005, translating in a linear reduction factor of 2.2% per year on the global emission cap. This may result – in case the indication of the European Council on the need to ensure continued and effective carbon leakage protection measures are not followed – in lower levels of free allocation and a consequent erosion of protection for industry. Even the most efficient installations would start to bear significant carbon costs after 2020.

For the Refining sector, it is vital to receive protection until competing refineries from other regions of the world are subject to GHG reduction policies of a comparable nature and cost. Until a global agreement on climate change provides for a level playing field for energy intensive sectors at risk of carbon and investment leakage, best performers should not be penalised by direct or indirect additional costs resulting from the framework. Knowing that the Commission will be looking at “an improved system of free allocation of allowances with a better focus” for 2021-2030 is not enough. Industry needs a clear outline of policy measures to effectively prevent the risk of carbon and investment leakage.

Refineries need a stable and long term legislative framework that effectively combines EU climate ambition with EU industrial competitiveness. The 2030 climate and energy framework must guarantee predictability for industry by setting the principles for measures against carbon and investment leakage now. This should include 100% free allocation of carbon credits for best performers based on technically and economically achievable benchmarks for industries with a risk of leakage.

In the case of the refining sector, since the EU is on average less emissions-intensive than non-EU firms, carbon leakage exceeds output leakage and is about 135 per cent. That is, every 100 units of CO₂ emissions reduced in the EU are replaced by 135 units outside it. Thus, incomplete environmental regulation is associated with a net increase in global emissions from the refining sector³

³ Vivid Economics – Study for the UK Department of Energy and Climate Change, June 2014.
The FQD [Directive 2009/30/EC] was adopted in April 2009 and sets technical standards for road transport fuels. In particular, Article 7a requires suppliers to reduce the greenhouse gas (GHG) intensity of automotive fuels that they market in the EU. By the end of 2020, fuels suppliers are obliged to reduce these fuels’ lifecycle GHG intensity by at least 6% compared to 2010.

However, since the adoption of the Directive and up until 2014, the implementation measures remained under discussion; in particular Article 7a of the directive, which spells out the methodology to calculate lifecycle GHG intensity of refinery fuels was the focus of an intense policy debate. Eventually, the Commission proposal published in October 2014 outlined a calculation methodology based on EU wide GHG intensity default values until 2020, one for gasoline, one for diesel; and a reporting obligation of the feedstock origins to monitor the evolution of the mix coming into the EU over time.

The proposal was approved by the Council in October 2014, and by the European Parliament in December 2014, finally giving fuel suppliers a clear basis on which they can comply with.

This decision provides a balanced and workable methodology to comply with the 6% GHG reduction target by 2020 and puts an end to five years of debate, allowing Members States to implement the measures with minimal administrative burden and hundreds of fuels suppliers to plan how they comply.

Any other methodology based on a feedstock differentiation would have not yielded any GHG reduction on a global scale. In fact, crude oil and refined products would have had to be moved around more, producing higher global GHG emissions. It would have also damaged the competitiveness of EU refining and required both burdensome and very unreliable reporting.

FuelsEurope believes that the EU fuel supply industry will contribute significantly to EU GHG intensity reduction goals in a balanced way under the adopted implementing measure for Article 7a of FQD. The competitiveness of EU refineries and the EU security supply will not be further compromised as the approved methodology has the merit of being both verifiable and with the least administrative burden. It allows fuel suppliers to achieve this through the use of biofuels; lower-GHG fuels such as natural gas, LPG and possibly electricity. Fuel suppliers can also make efforts to reduce the GHG emissions from energy used or GHG emitted during the crude oil extraction.

<table>
<thead>
<tr>
<th>Lifecycle GHG intensities (g CO\textsubscript{2} eq/MJ) for petrol (diesel)</th>
<th>Petrol</th>
<th>Diesel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional crudes petrol (diesel)</td>
<td>93.2 (95.0)</td>
<td></td>
</tr>
<tr>
<td>Natural bitumen</td>
<td>107 (108.5)</td>
<td></td>
</tr>
<tr>
<td>Oil shale</td>
<td>131.3 (133.7)</td>
<td>93.3</td>
</tr>
<tr>
<td>Coal to liquids</td>
<td>172.0</td>
<td>95.1</td>
</tr>
<tr>
<td>Natural gas to liquids</td>
<td>94.3</td>
<td></td>
</tr>
</tbody>
</table>
European oil refiners have worked closely with the automotive sector and have helped make the EU the world leader in fuel specifications and many clean-fuel and engine technologies, contributing to air quality improvements.

This partnership has phased out leaded gasoline in Europe, an achievement made possible by European refiners’ technological advances.

- Refiners have reduced aromatics, olefins, benzene and PAH (Polycyclic aromatic hydrocarbon) in motor fuel, helping reduce pollutants in exhaust gases (see graph).
- They have also eliminated sulphur from fuels, which is a precondition for catalytic convertors to operate effectively.

These reductions, whilst greatly contributing to better air quality in Europe, are expensive for refineries to carry out and should therefore be achieved in the most cost-effective ways possible in order to avoid that compliance investments displace investments for other improvement projects, such as technological upgrades or energy efficiency.

Unit: Gigagrams (Gg)

NOx - Nitrogen Oxides
SOx - Sulphur Oxides
NMVOC - Non Methane Volatile Organic Compounds
CO - Carbon Monoxide

Source: European Environment Agency
3.3.1 Industrial Emissions Directive – Outcome


The IED is the legislative framework for regulating emissions from industrial sites to the air, water and soil. The Directive regulates emissions of about 50,000 industrial installations across the EU through the establishment of sector-specific BREF (BAT REFerence document) containing information about the sector and the latest emission control techniques used. The key chapter of the BREF, the BAT Conclusions, are then passed as secondary legislation. BATs cover both the technology used and the way in which the installation is designed, built, maintained, operated and decommissioned. It aims to achieve a high level of environmental protection under economically and technically viable conditions.

The binding BAT Conclusions include BAT-Associated Emission Levels (BAT-AELs) which shall be the reference for authorities in Member States to set permit conditions for operators through Emission Limit Values (ELVs).

The BAT conclusions for refineries include emission levels of various individual metal compounds or total suspended solids emissions to water; they set emissions levels of nitrogen oxides and sulphur dioxide to air, depending on the combustion mode of the fluid catalytic cracking process; and they set emission standards for non-methane volatile organic compounds (NMVOC) and benzene for storage and handling processes. The BAT conclusions also include the integrated emission management technique for NOX and SO2 from several process and combustion units within a site, as an alternative to the unit-by-unit BAT-AELs approach. This allows for refineries to achieve cost-effective overall reductions, based on the specific characteristics of that site.

FuelsEurope supports the IED as a policy tool to deliver continuing improvements in environmental performance. However, the new standards set by the Refining BREF will be extremely challenging and costly for the sector. Therefore, implementation must be carried out in a manner that does not unnecessarily impair the competitiveness of the EU refining sector.

Following the publication of this decision on BAT conclusions, authorities will have to reconsider permit conditions to ensure that emissions do not exceed the emission levels associated with BATs. If necessary, they will have to update them. They must also ensure that installations comply with those revised permit conditions within the next 4 years starting from the date of publication in the Official Journal.
3.3.2 Air Policy package

The EU refining industry supports the principle of seeking cost-effective solutions to improve air quality. However, the high ambitions proposed by the Commission’s Clean Air Programme for Europe (CAPE) will lead the industry to take measures which are disproportionate, not cost-effective and resulting in a further impairment of the international competitiveness of the EU refiners.

The model used in designing the policy is subject to a high degree of uncertainty since it is based on only one energy scenario which may prove wrong. It also makes a number of key assumptions about the baseline emission reductions on which the policy scenario related targets are based.

There is a significant risk that the proposed 2030 targets will actually be unachievable, or only met with additional technical measures that are neither cost-effective nor affordable for industry.

3.3.2.1 National Emission Ceiling Directive (NECD)

The targets set out in the CAPE strategy are to be primarily delivered through: the proposal for a directive on the reduction of national emissions of certain atmospheric pollutants NECD and a new Directive for Medium-sized Combustion Plants (MCPD). The NECD sets national ceilings (caps) for six pollutants (PM, SOx, NOx, VOCs, NH3 and now CH4). It also includes two important interim milestones: ratification and national transposition of the EU’s new obligations under amended Gothenburg Protocol for 2020, and intermediate reduction obligations for 2025 to maintain the trajectory towards 2030 (unless it is demonstrated they can only be met with disproportionate costs).

With regard to the NECD, FuelsEurope urges the Parliament and the Council to:

- Adopt more moderate emission reduction targets
- Targets which are realistically achievable and cost-effective will balance environmental protection with the goal of promoting a competitive European refining industry.
- Ensure that those installations that are applying BAT and are complying with their air pollutants emission limit values, as set out in their IED permits, shall not be forced to implement additional measures, even in the case national emission reduction commitments would not be met.
- Ensure that the emission reduction commitments (annex II of NECD) that are based on one reference energy scenario are subsequently adapted according to the update of the energy scenarios in order to ensure their achievability in a cost-effective way. For this purpose, a revision clause involving the active participation of stakeholders should be included in the NECD.
3.3.2.2 Medium Combustion Plants Directive (MCPD)

The proposal for a Directive on Medium Combustion Plants (MCPD) aims to control emissions of nitrogen oxides, sulphur dioxide and dust from combustion plants between 1 to 50 MW. It is part of the Clean Air Policy Package tabled in December 2013, and is intended to close a regulatory gap between the eco-design Directive, 2009/125/EC, and the Industrial Emissions Directive (IED) 2010/75/EU.

Emissions of pollutants from the combustion of fuel in medium combustion plants are generally not regulated at EU level although they contribute increasingly to air pollution, due in particular to an increase in the use of biomass as a fuel, driven by climate and energy policy.

Emissions of pollutants from oil refinery MCPs are however already regulated under Chapter 2 of the Directive 2010/75/EU (Industrial Emissions Directive) and through the Best Available Technique conclusions adopted for refining oil and gas. Hence FuelsEurope has argued against their inclusion in the scope of the MCPD.

FuelsEurope believes that oil refinery medium combustion units already regulated under the IED should not be covered again by the Medium Combustion Plant Directive - especially in the spirit of better regulation.

We thus welcomed the approach adopted by the Environment Council on 17 December 2014. This explicitly excluded “combustion plants firing refinery fuels alone or with other fuels for the production of energy within mineral oil and gas refineries” from the scope of the MCPD.

The Parliament Committee on the Environment, Public Health and Food Safety (ENVI), the leading Committee, adopted, on 6 May 2015, a draft report amending the Commission’s proposal. ENVI decided that refinery medium combustion plants, upon request by an operator, shall be exempted from compliance with the MCPD annex II ELVs.
FuelsEurope remains confident that the EU institutions will agree on an acceptable formulation which will ensure full consistency between both IED and MCPD, allowing the refinery combustion plants to be unambiguously regulated in a harmonised way across the EU.

The ENVI Committee also moved ahead (2020, 2022 and 2027 depending on the size of the plant) the dates by which operators need to comply with the very challenging emission limit values set up in the initial Commission proposal.

FuelsEurope urges the EU institutions in view of the Trilogue negotiations to allow the industry sufficient time to comply with cost-effectively achievable emission limit values.
3.4 Other legislative developments

3.4.1 Degassing of barges

During 2013 the CCNR (Central Commission for the Navigation on the river Rhine) countries started to examine how to avoid gaseous residues of liquid loads transport by barges on inland waterways being released into the atmosphere through venting. FuelsEurope, Cefic and the Federation of European Tank Storage Associations (FETSA) are cooperating with the CDNI authorities to ensure that the degassing prohibition of such gaseous residues is done in a cost-effective, market-based and progressive way in order to avoid significant cost impacts in this logistic chain, which is today already considered as an environment-friendly transport mode.

A first proposal of legislative text is expected by the end of 2015. Further ratification by involved national parliaments is required, which could take several years.

3.4.2 Electronic Payment

As a member of the European Payment Users Alliance, FuelsEurope supports new regulation to make interchange fees transparent and harmonised.

The current multilateral interchange fee (MIF) system costs retailers and consumers €9 billion per year, and has been condemned as anti-competitive by the highest European Court. In July 2013 a proposal of regulation on the multilateral interchange fees for card based payment transactions as well as a draft review of the Payment Service Directive were published. The objective of these legislations is to cap the level of interchange fees for consumer debit and credit card payments in-line with the best practises applicable in Europe, protect consumers’ interests and stimulate competition in the payment service market.

In March 2015 the European Parliament adopted the Interchange Regulation in the plenary. The adopted proposal caps the debit card payment fees at 0.2% of the transaction value and to 0.3% for the credit card payments. Member States are allowed some flexibility in using some deviations for the debit card payments during a limited amount of time.
3.4.3 Cyber Security

FuelsEurope welcomes the European Union’s desire to improve cyber security, but we think it would be done best through a voluntary approach.

The European Commission in 2013 proposed for a Network and Information Security Directive (NIS Directive) aimed at improving cyber security – one of the biggest issues currently facing governments and businesses in the EU. The proposal would require Member States to establish a minimum level of national capability to deal with information security. National teams would then exchange information and cooperate to counter NIS threats and incidents. In addition, operators of critical infrastructure – including the energy industry – would have to assess their risks and take action to ensure network and information security. They would also be required to report significant incidents.

Our sector believes it is already well equipped to assess and manage risks. Voluntary exchange of information with authorities has had a positive impact on market operators, and mandatory notification might not provide additional benefits. It might even be counterproductive, by encouraging unnecessary monitoring and reporting.

FuelsEurope therefore believes that the industry can best deal with cyber security challenges through a voluntary approach. This could be modelled, for example, on the U.S. “Executive Order on Improving Critical Infrastructure Cybersecurity”, which President Barack Obama issued in 2013 in order to improve resilience to cyber-attacks that might disrupt power, water, communication and other critical systems.

However, should the Directive go ahead establishing mandatory requirements on operators, FuelsEurope recommends that it focus on the following priorities:

- Taking a harmonised approach to ensure consistency across all Member States, establishing a reasonable scope, so that only truly critical infrastructure is included,
- Simplifying the regulatory and reporting process, by having a single sectoral regulatory body,
- Maintaining the limit on incident disclosure requirements to protect commercially or competitively sensitive information,
- Allowing audits to be conducted internally
- Ensuring compliance through incentives rather than penalties.

In March 2014 the European Parliament voted through the amendments of the IMCO Committee, as the file continued to be debated in Council. As of December 2014, the Network and Information Security Directive is in trilogue, as the different institutions try to find agreement on divisive areas, particularly regarding the Directive’s scope.

3.4.4 ADN regulation HFO

The European Agreement concerning the International Carriage of Dangerous Goods by Inland Waterways (ADN) entered into force on 29 February 2008. Within this agreement heavy fuel oil (HFO) has been classified as a hazardous substance and thus vapour displaced during operations have to be collected for treatment. Under ADN a derogation was granted on mandatory use of such vapour recovery systems until 31 December 2016, thus allowing for a detailed evaluation of the associated risks.

To better understand the potential risk of airborne emissions as well as to identify the most cost-effective solution to implement it, Concawe initiated a health impact evaluation project dedicated to exposure to HFO fumes. The testing and analysis conducted in this study indicate that exposures, and therefore risk, do not present health concerns for workers handling commercial during barge loading operations. The final recommendation for consideration by the ADN Safety Committee is that,
On 21 April 2015, the COREPER approved a Council regulation which will allow to recover undue paid custom duties as a result of a change in the classification of certain imported crude oil products.

In early 2013, a change in the custom classification of certain imported crude oil products (atmospheric residue and vacuum gasoil) was introduced, requiring payment of import duties (1.7%) on certain crude oil products when their aromatics content exceeded their non-aromatics content. In June 2014, the custom duty suspension was implemented for such products starting from July 2014 for a period of 4 years.

The approved COREPER Council regulations will allow to retroactively recover such customs duties paid during the period April 2013 – June 2014. The final adoption of the Regulation is expected during Council's session on 11 May 2015, after which the publication on the Official Journal should follow (by end–June 2015).

3.4.5 Atmospheric Residue

On 21 April 2015, the COREPER approved a Council regulation which will allow to recover undue paid custom duties as a result of a change in the classification of certain imported crude oil products.

In early 2013, a change in the custom classification of certain imported crude oil products (atmospheric residue and vacuum gasoil) was introduced, requiring payment of import duties (1.7%) on certain crude oil products when their aromatics content exceeded their non-aromatics content. In June 2014, the custom duty suspension was implemented for such products starting from July 2014 for a period of 4 years.

However, due to the time required to obtain such a duty suspension, the payment of customs duty on certain imported crude oil products with high aromatics content started in April 2013.

The proposal was introduced at the ADN Safety Committee of January 2015 and is currently in the evaluation phase by the national authorities.

The proposal was introduced at the ADN Safety Committee of January 2015 and is currently in the evaluation phase by the national authorities.

compared to the risk management measures already in place and as this study indicated risks actually being negligible, no additional protective measures are required to control inhalation exposures.

The proposal was introduced at the ADN Safety Committee of January 2015 and is currently in the evaluation phase by the national authorities.
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4. ABOUT US

What is FuelsEurope?

FuelsEurope was known until June 2014 as EUROPIA, which was formed in 1989 to represent the interests of Companies conducting refinery operations in the EU with the EU Institutions.

FuelsEurope is a division of the European Petroleum Refiners Association, an AISBL operating in Belgium. This association, whose members are all 42 companies that operate petroleum refineries in the European Economic Area in 2014, is comprised of FuelsEurope and Concave divisions, each having separate and distinct roles and expertise but administratively consolidated for efficiency and cost-effectiveness.

To inform and provide expert advice to the EU institutions and other stakeholders about European Petroleum Refining and Distribution and its products in order to:

- Contribute in a constructive way to the development of technically feasible and cost-effective EU policies and legislation.
- Promote an understanding amongst the EU institutions and citizens of the contribution of European Petroleum Refining and Distribution and its value chain to European economic, technological and social progress.
Association members range from multi-national oil and gas Companies that operate in exploration and production, refining and chemicals, to European regional or National Companies operating one or more refineries. Many members have distribution, marketing and alternative fuels interests. Associate membership is also open to Companies located in Countries within the Council of Europe.
The General Assembly comprises all Members of the association and meets annually. It has powers to approve association budget and members fees; to approve the annual plan of activities; and to appoint or dismiss key officers of the association.

Fourteen members are elected to sit on the association Board of Directors. The Board chaired by the President meets four times a year and is responsible for the management of the association within the guidance from the General Assembly.
## Board of Directors*

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>NAME</th>
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<tbody>
<tr>
<td>BP</td>
<td>Peter Mather</td>
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<tr>
<td>Cepsa</td>
<td>Federico Molina</td>
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<td>ENI</td>
<td>Domenico Elefante</td>
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<td>ExxonMobil</td>
<td>Steve Cope</td>
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<td>Hansen &amp; Rosenthal</td>
<td>Detlev Woesten</td>
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<td>MOL</td>
<td>Bela Kelemen</td>
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<td>Ilkka Rasanen</td>
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<td>OMV</td>
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<td>Phillips66</td>
<td>David Blakemore</td>
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<td>PKN Orlen</td>
<td>Krystian Pater</td>
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<td>Repsol</td>
<td>Lourdes Rodríguez Gutiérrez</td>
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<td>Shell</td>
<td>Colin Crooks</td>
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<tr>
<td>Total</td>
<td>Philippe Sauquet</td>
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</tbody>
</table>

* Per 31 May 2015
FuelsEurope Secretariat

Director General
John Cooper*

Policy Director
Alessandro Bartelloni
Francisca Melia*

European Relations Manager
Daniel Leuckx

Executive Officer
Jean-Pierre Debruxelles

Executive Officer
Alain Mathuren*

Communication Manager
Didier De Vidts*

Finance, Administration & HR Manager
Florie Gonsolin

Senior Adviser
Alexander Ioannidis

Adviser

* supports entire Association
The Secretariat is led by the association Director General who is accountable to the Board of Directors and ensure the effective administration of both FuelsEurope and Concawe divisions of the Association.

The FuelsEurope secretariat carries out its work with the help of Issue Groups, composed of experts from Member Companies, and an Issue Management Committee. The Issue Management Committee consists of senior representatives of Member Companies and meets approximately 8 times a year. It advises Board members on decisions to be taken by FuelsEurope and facilitates company commitment and coordination with the Association organisation.

<table>
<thead>
<tr>
<th>Issue Group</th>
<th>Task Force</th>
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<tr>
<td>Automotive Fuels</td>
<td>Electronic Payment</td>
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<td>Energy &amp; Climate</td>
<td>Emissions Trading</td>
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<td>Compulsory Stock Obligation</td>
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<tr>
<td>Refining Environmental</td>
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<td>Refining Competitiveness</td>
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<td>REACH Advocacy</td>
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<td>Taxation</td>
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<td>Communication</td>
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</tbody>
</table>
### Partner organisations

FuelsEurope represents its members’ interests with the EU institutions, predominantly in Brussels. However, FuelsEurope members have operations in most of the 31 Member States of the European Economic Area. FuelsEurope works closely with National Associations which represent those Companies’ interests in Member States.

<table>
<thead>
<tr>
<th>Country</th>
<th>Association Name</th>
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<tbody>
<tr>
<td>Austria</td>
<td>Austrian Petroleum Industry Association - APIA</td>
</tr>
<tr>
<td>Belgium</td>
<td>BPF – FPB</td>
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<tr>
<td>Bulgaria</td>
<td>Bulgarian Petroleum and Gas Association – BPGA</td>
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<tr>
<td>Czech Republic</td>
<td>Ceska asociace petrolejarskeho prumyslu a obchodu – CAPPO</td>
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<tr>
<td>Denmark</td>
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<tr>
<td>Estonia</td>
<td>Estonian Oil Association</td>
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<tr>
<td>Finland</td>
<td>Finnish Petroleum and Biofuels Association</td>
</tr>
<tr>
<td>France</td>
<td>Union Française des Industries Pétrolières – UFIP</td>
</tr>
<tr>
<td>Germany</td>
<td>Mineralölwirtschaftsverband – MVW</td>
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<tr>
<td>Greece</td>
<td>SEEPE</td>
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<tr>
<td>Hungary</td>
<td>Hungarian Petroleum Association</td>
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<td>Ireland</td>
<td>Irish Petroleum Industry Association – IPIA</td>
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<td>Italy</td>
<td>Unione Petrolifera – UP</td>
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<tr>
<td>Latvia</td>
<td>Latvian Fuel Traders Association – LDTA</td>
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<tr>
<td>Luxembourg</td>
<td>Groupement Pétrolier Luxembourgeois – GPL</td>
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<tr>
<td>Netherlands</td>
<td>Vereniging Nederlandse Petroleum Industrie – VNPI</td>
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<tr>
<td>Norway</td>
<td>Norsk Petroleumsinstitutt – NP</td>
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<td>Poland</td>
<td>Polish Organisation of Oil Industry &amp; Trade – POPIHN</td>
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<td>Portugal</td>
<td>Associação Portuguesa de Empresas Petrolífera Organisation – APETRO</td>
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<td>Romania</td>
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<td>Slovenská asociácia petrolejárskeho priemyslu a obchodu – SAPPO</td>
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<td>Slovenia</td>
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<td>Spain</td>
<td>Asociación Española de Operadores de Productos Petrolíferos – AOP</td>
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<td>Sweden</td>
<td>Svenska Petroleum Institutet – SPBI</td>
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<tr>
<td>Switzerland</td>
<td>Erdöel-Vereinigung</td>
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<tr>
<td>Turkey</td>
<td>Turkish Petroleum Industry Association – PETDER</td>
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<tr>
<td>United Kingdom</td>
<td>UK Petroleum Industry Association – UKPIA</td>
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</table>
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