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An ambitious EU-wide governance energy regulation

FuelsEurope welcomes the Commission's proposal on the Governance of the Energy Union as the policy instrument to create an appropriate framework for the EU's energy transition in the coming decades. It aims to harmonise the implementation of the legislation, ensure policy coherency, and create a robust system of reporting, monitoring and enforcement measures, in line with Better Regulation.

The Governance Regulation will allow comparison of national plans which ask Member States (MS) to define long-term energy and climate strategies, in line with the goals of the Energy Union. A coherent policy across the EU will be key for establishing conditions that remain predictable and stable over the upcoming decade and enable an EU-wide energy market.

FuelsEurope also welcomes Article 40 and Article 49 in the proposal regarding reporting requirements of origin and place of purchase of supplied fuels and energy under the Fuel Quality Directive.

Generally, it needs to be ensured that the chosen instruments and mechanisms do not lead to excessive bureaucratic burdens for Member States and subsequently for companies. Doubling of existing reporting requirements should be avoided.

The governance regulation: about how and not about what

The Governance, as proposed by the Commission, shall enable to achieve the objectives of the energy and climate framework by ensuring the coherency and the adequacy of the specific legislation (energy efficiency, renewables, greenhouse gas emissions). A comprehensive governance system must be brought into line with existing legislation in order to avoid potential overlaps or contradictory guidelines through different directives.

Specific targets, when set, should be discussed within the related specific legislation and not in the framework of the Governance regulation. The Governance, indeed, should not be transformed into an instrument to supersede or bypass other legislative processes.

This is in our view neither appropriate nor effective, as it would relegate the individual directives to a lower ranking status, since the important decisions would be taken in the Governance only.

Governance, energy efficiency and a lower carbon economy

Binding measures to promote efficiency and improve the use of energy are more effective if applied to the sectors whose energy costs represent only a small proportion of operating costs and that may not actively respond to economic or market signals (e. g. buildings).

This is not the case of energy intensive industries such as refining, where the main driving force for efficiency improvements is cost-effectiveness.

Lower carbon emissions do not necessarily mean a lower use of energy: the refining industry, for instance, achieved a 10% improvement in energy efficiency over the last 20 years despite the fact more energy intensive refining operations are needed to produce cleaner fuels and meet shifts in market demand.

Governance should promote the transition towards a lower carbon economy, avoiding any negative side effect. This means, for instance, addressing any overlaps that would result from the implementation of EE and ETS (avoiding any unintended consequences), as the two pieces of legislation complement each other by focusing on different aspects.

Overlaps with regulations affecting the transport sector should also be avoided. Vehicle efficiency standards, labelling, taxation of road fuels, incentives to favour fuel efficient cars, for instance, are more effective means of tackling this complex area (considering the strong fragmentation of an heterogeneous market and the absence of contractual relationships between the fuels distributors/retailers and the customers).

EU Competitiveness

The Governance regulation should promote the competitiveness of the European Union, increasing the predictability for MS and investors, and ensuring viable and cost-effective delivery. The European industries, indeed, will be key in delivering several elements of the Clean Energy Package, as they are encouraged by the current EU legislation to work on low-carbon solutions in order to help Europe transitioning to a low-carbon, energy efficient economy. These industries wish to contribute to growth in Europe while, at the same time, investing in their energy efficiency performance in order to face the worldwide competition.

To do so, it will be key to keep flexibilities for MS and focus on least burdensome solutions, avoiding unnecessary bureaucracy. Therefore, FuelsEurope believes that the Commission should not call for a linear approach to targets and allow MS to adopt the most suitable measures for the national situation.

A long-term perspective

Generally, the amendments on the Governance regulation aim to go beyond 2030, recognising a shift to a highly energy efficient and an electric system fully based on renewables at the latest by 2050. We recommend that any projections beyond 2030 should set the direction of travel for the economy rather than binding targets. Furthermore, the implementation of the Regulation should be assessed by 2030 and allow any technological improvements to be assessed and their impact taken into consideration.

FuelsEurope supports the transition to a lower carbon economy. However, oil & gas and the refining industry will be necessary for many years¹ to contribute to secure EU's security of energy supply during such transition period, so that it can occur in a cost effective and technically sustainable way without impairing the competitiveness of the EU economy.

¹ According to IEA's World Energy Outlook 2016, oil products will still play an important role in the world primary energy mix. Oil demand tops 103 million barrels per day (mb/d) by 2040 (New Policies Scenario)

FuelsEurope, the voice of the European petroleum refining industry

FuelsEurope represents with the EU institutions the interest of 41 companies operating refineries in the EU. Members account for almost 100% of EU petroleum refining capacity and more than 75% of EU motor fuel retail sales.

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

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