Scene setter

You will meet with [redacted], [redacted] of FuelsEurope, who wants to discuss the **Low Carbon Fuels Alliance** and **catch-up on the Fit for 55 package**.

FuelsEurope has been an active advocate for the Renewable and Low Carbon Fuels Alliance. Numerous technical meetings took place between MOVE.B4 and FuelsEurope to discuss its objectives, scope and FuelsEurope potential role as the alliance secretariat. FuelsEurope maintains its interest into the alliance and continues to advocate for the full representation of road transport in the alliance.

The proposal for the Renewable and Low-Carbon Fuels Alliance has been presented to the Industry Strategy Project Group on 15 July 2021. All relevant CABs support the conceptual approach. CAB Valean has now reached out to CAB Vestager and Dombrovskis for recording the official written endorsement.

In the preparatory stage of Fit for 55, FuelsEurope underlined the relevance of enabling fuel credits under the Co2 standards to allow for a de-facto well-to-wheel approach. FuelsEurope also supported mandatory volume/Co2 intensity targets for aviation fuels.

You met with [redacted] on 18 February 2020 to discuss FuelsEurope 2050 Vision for Refining (low carbon fuels).

Objective(s)

- Update on the state of play regarding the preparation for the launch of the Renewable and Low-Carbon Fuels Alliance.
- Explain the need for continued focus on aviation and maritime transport motes within the alliance, while collaborating with road transport fuels supply chains to ensure no negative impact on each mode access to feedstock.
- Update on progress on other FF55 package initiatives.

Key Messages

Renewable and Low Carbon Fuels Alliance

- The accelerated uptake of low-carbon and renewable transport fuels is a priority for the European Green Deal and under the Fit for 55 Package.
- The ReFuelEU Aviation and FuelEU Maritime initiatives presented as part of the Fit for 55 package will incentivise the take-up of renewable and low-carbon fuels that can be blended at increasing levels with existing, conventional fuels for use in current engines.
- By 2050, we expect our regulatory proposals to create: (i) a demand for some 28.5 Mtoe of drop-in, sustainable aviation fuel production capacity and (ii) 42.6 Mtoe of renewable liquid and gaseous maritime fuel production capacity. Today, however, production capacity for such aviation and waterborne fuels barely exists. (e.g. 0,05% of market for sustainable aviation fuels).
- Many thanks for your ongoing interest and support to setting up a new dedicated industrial alliance to help meet this complex value chain challenge.
- As discussed we want this to be a collaboration of all relevant stakeholders from across the entire value chain, representing both supply and demand side and with a clear focus on aviation and waterborne.
- I know that our views diverge somewhat on this focus. Focusing on aviation and maritime does not mean that we do not see potential use for these fuels in other transport modes. By focusing on these two modes and getting traction and stability for investments we will, in fact, ensure that also other modes of transport gain access to those fuels.
- The alliance will build on the tested and successful framework pioneered by already established alliances, notably the EU Battery Alliance and the EU Clean Hydrogen Alliance.
- Industry needs to show commitment through an active participation in the inner management of the alliance. The secretariat will be formed through a partnership with selected representative stakeholders, with adequate safeguard measures to ensure that the exchange of sensitive information is not in breach of antitrust and competition legislation.

- [*it should be checked ahead of the call if the written endorsement from CAB Vestager and Dombrovskis has been already recorded]*
- We are nearly done with our internal validations and should initiate consultation with the industry soon in order to draft the alliance declaration and formally launch if by end of this year or beginning of 2022.

FF55:

- **AFIR:** The reception in the council has been positive, with general support indicated by almost all Member States. Fast progress has been made in the Council working party - already 9 working party meetings on AFIR were held and work on compromise proposals by the presidency has started. The proposed change to a regulation and the binding target structure are non-opposed; however, there is, of course, a discussion about the level of the overall ambition.
- **CO2 standards:** The first working party to discuss the impact assessment and legal text was held on 14th September. The overall discussion was rather smooth. Many of the Member States delegations taking the floor welcomed the Commission proposal.
- **Fuel Maritime** – Similarly, we have started the discussion process about FuelEU maritime.
- **ReFuel Aviation –** reception in Council has been rather positive, with some Member States already explicitly supporting the proposal *[DE, FR, NL, DK, AT, SE, FI, ES]*. However, some of them request the possibility to adopt national higher targets. The Commission should continue to advocate against the possibility of different national targets. The transition to SAF can only be successful if embraced by all airlines (EU and non-EU) operating at EU airports. This will guarantee a level playing field for the industry.

Defensive Points

The communication on the FF55 stated that the alliance will boost the supply and deployment of the most promising fuels for all modes of transport. How will the alliance consider the needs of road transport?

- The ultimate objective of the alliance is to ensure that all modes of transport have easier access to renewable and low-carbon fuels. Currently, supply of these fuels is concentrated on road transport, leaving other transport modes far behind. To rebalance the supply and enable that all transport modes have access, particular

focus is needed to develop fuel production, storage and distribution capacity for aviation and waterborne transport.

- The Alliance is not excluding any modes: in the medium term, different liquid and gaseous drop-in renewable and low-carbon fuels will continue to play an important role in the decarbonisation of road transport, and businesses active in road-transport fuel production, storage and distribution that are interested in diversifying their customer base and expanding into the aviation and waterborne sectors would be an added-value in the alliance. This would mean new business opportunities and would provide greater resilience over the entire value chain.

Could you clarify what types of <u>low carbon</u> fuels are covered currently by the Alliance and explain the reasoning?

- The alliance, as a flanking measure for the FuelEU initiatives under Fit for 55, focuses on fuels that could be counted towards the targets set in these legislative proposals. RefuelEU Aviation explicitly only refers to 'renewable fuels' (i.e. renewable fuels of non-biological origins (e-fuels), advanced biofuels and sustainable biofuels), therefore all low-carbon fuels to be in the scope of the alliance would be due to their eligibility under FuelEU Maritime carbon intensity targets. As there is no any strict legal definition of low-carbon fuels, the alliance will rely to any fuel that is suitable to attain the intensity reduction targets while at the same time allowing to start decarbonisation as soon as possible.

- The Impact Assessment for the maritime proposal suggested only these types of fuels would be suitable to achieve its targets: biofuels, bio-LNG, e-liquids, e-gas, hydrogen, ammonia, methanol, electricity. Crossing out those that are not compatible with existing fleets suggests that the alliance need to focus on biofuels and synthetic fuels in both liquid and gaseous state.

What is the timeframe for the alliance?

- The preparation phase will involve:
    - (i) Conclusion of the screening process – by mid-July;
    - (ii) Consultation with external stakeholders and potential secretariat organisations – Q4 2021;
    - (iii) Launch Event – Q4 2021 / Q1 2022.
- In terms of operation and reporting:
    - (i) First deliverables (prioritisation, investment needs, etc.) – 2022 H1;
    - (ii) First Investment Pipeline Cut-off – 2022 H2 (with subsequent cut-off dates deepening on demand, at least once a year);
    - (iii) Annual Interim reports – from end 2022;
    - (iv) Final report and dissolution of the alliance depending on agreement with industry.

Why do the maritime and aviation proposals have different approaches?

- Maritime and aviation differ substantially in two important aspects:
    - There is a much greater variety of clean fuels and technology in maritime than there is in aviation. Different technologies in maritime are suited to different types of ships and businesses. It would be impossible to adopt in maritime a prescriptive approach identifying only two or three fuels to be used. A goal-based approach that leaves the choice of technologies to operators is necessary in maritime;
    - Contrary to airplanes, ships can cover very large distances on a single tank. This means that obligations to supply only clean fuel in EU ports would not guarantee actual use of those fuels. Ships would bunker cheaper fuel outside the EU, generating carbon leakage.

Are you proposing a date to ban internal combustion engine cars and vans in Europe? Is this a technology neutral approach?

- We have clear, scientific evidence showing us the level of emission reduction that we need to achieve to help keep climate change within acceptable limits. Achieving climate neutrality by 2050 means that nearly all cars and vans on the road will need to be zero emission by then.

- In this context, being technologically neutral means promoting technologies that contribute to these objectives, in a way that is proportionate to the level of their contribution. The market will then determine which of the technologies that are compatible with our need to become carbon-neutral will play a stronger role in each sector.

- The Commission therefore proposes more ambitious targets for cars and vans starting to apply from 2030 onwards. By 2035, all new cars and vans will need to be zero-emission.

- It will be for manufacturers to decide which technologies they choose to use to achieve this target. They have already started increasing their offer of battery electric vehicles, and in the longer term we can expect other options to gain prominence, such as fuel cell electric vehicles. It will be for industry and market actor to decide in which zero-emission technology to invest: the legislation is technology neutral.

- The proposal therefore sends a clear signal to the EU industry to invest in innovative zero-emission technologies, which will also be key for maintaining its technological leadership as well as for the employment of highly-skilled workers.

Background

FuelsEurope was founded in 1989 (previously EUROPIA) to represent the interests of companies conducting refinery operations in the EU to the EU Institutions. FuelsEurope is one of the two divisions of the European Petroleum Refiners Association. The other division is Concawe, which does research on environmental, health and safety issues relevant to the oil industry. Concawe is one of the three JEC

research partners (Joint Research Centre of the European Commission, EUCAR and Concawe) that have elaborated the Well-to-Wheels Report assessing the use of energy and greenhouse gas emissions for a wide range of potential future fuel and powertrain options.

FuelsEurope position on FF55 package:

FuelsEurope has not published a reaction paper to the presented proposals. Below is a summary of the position shared before the adoption:

In June 2020, FuelsEurope published the “Clean Fuels for All” describing the strategy of the refining industry’s transition, which thanks to the progressive adoption of low-carbon technologies using low-carbon and sustainable, renewable feedstocks, has the potential to substantially cut GHG emissions from refineries and fuels.

FuelsEurope believes that the decarbonisation of the transport sector has unique challenges but is also an opportunity for the EU economy to develop and deploy innovative low-carbon technologies in vehicles and in fuels/energy and create economic value for the transport ecosystem and to help the relevant EU industries achieve world-leadership.

FuelsEurope also believes that low-carbon liquid fuels are a key instrument for the decarbonisation of aviation, maritime and long-distance road transport. However, for FuelsEurope it is the road transport at large, including passenger cars and vans, that is an essential trigger for unlocking the production of these fuels at industrial scale. In FuelsEurope view, the uptake of electrification will require time to turn over the vehicle fleet and to put in place the distribution infrastructures. During the transition of passenger cars and vans to EVs, FuelsEurope argues that low-carbon liquid fuels are the most efficient way to cut emissions from vehicles with an internal combustion engine and to allow the optimisation of the implementation plan of infrastructures for electricity and hydrogen.

FuelsEurope also pointed that the transition should carefully address the societal aspects deriving from changes in employment pattern, skills requirements and inequalities between EU regions and sectors of society. It stressed that no one should be left behind, and access to affordable mobility should be protected as one of the fundamental rights of all citizens.

FuelsEurope interest in the Renewable and Low Carbon Fuels Alliance

FuelsEurope interest in the Renewable and Low Carbon Fuels Alliance dates back to its announcement in the Sustainable and Smart Mobility Strategy. In February 2021, FuelsEurope shared with the Commission the following vision:

- Members: Industry (Association plus sample companies) at the core. The alliance to cover fuel suppliers, refineries, electrofuels, recycled carbon fuels, biomass producers, agriculture sector, Member States, NGOs. Academia and financial institutions not essential.

- Include: Road, Maritime and Aviation.

- Objective: numerical targets for production facilities and production capacity (not numbers suggested); regulatory conditions, access to resources, access to skills and manpower, 'no-body-left-behind', zero pollution ambition.

At a meeting with MOVE.B4 on 26 February, FuelsEurope asked to be considered for the role of secretariat.

FuelEU Maritime – overview

The proposal requires the reduction of the greenhouse gas intensity of the energy used by ships and is therefore technology neutral. It accommodates all sustainable alternative fuels in maritime transport. These include: liquid biofuels, e-liquids, decarbonised gas (including bio-LNG and e-gas), decarbonised hydrogen and decarbonised hydrogen-derived fuels (including methanol and ammonia) and electricity. On the other hand, biofuels of first generation are not considered sustainable and are treated like fossil fuels.

By leaving the choice of fuel to market actors, we expect some variety in the technology mix, to accommodate for different types of businesses and operating conditions. This would have the advantage of not creating dependence on a single feedstock and of stimulating further research in multiple fuels and technologies.

The proposal includes the possibility to pool results of different ships and reward those that have gone beyond the target through use of advanced technologies, such as those based on renewable hydrogen. The proposal also requires big emitters to use on-shore power supply in ports or alternative zero-emission technologies, which could also encourage fuel cells and hydrogen-based fuels.

ReFuelEU Aviation – overview

The Commission adopted a legislative proposal as part of Fit for 55. It consists of a SAF blending obligation on aviation fuel suppliers with increasing targets over time, starting in 2025 (see ramp up below). An obligation on airlines to uplift aviation fuel prior to departures from EU airports aims to ensure a level playing field between airlines and airports for intra and extra-EEA flights. The ramp-up of SAF binding targets is as follows:

Total shares in the fuel mix (in %)	2025	2030	2035	2040	2045	2050
SAF ramp up out of which:	2%	5%	20%	32%	38%	63%
Specific sub-mandate on e-fuels	-	0.7%	5%	8%	11%	28%

[redacted]

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Contact: [redacted]