

From: [REDACTED] (MOVE)
To: [REDACTED]
Cc: [REDACTED] (MOVE)
Subject: Shell - DG MOVE meeting in December
Date: Thursday 19 January 2023 15:47:28

Dear colleagues,

Apologies for only sending the meeting report now, but it would be good to have in for our archive (we will ARESize).

Kind regards,

[REDACTED]

DG MOVE premises, 08/12/2022

Participants:

[REDACTED] - Shell [REDACTED]
[REDACTED] Shell
[REDACTED]

DG MOVE:

Henrik Hololei

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] *introduced his portfolio within Shell, he is in charge of all in all investments in the low-carbon ecosystem, especially those in all hard-to abate sectors (aviation, maritime, construction, heavy transport). He has mentioned that Shell is making big SAF investments, for instance building a new refinery (Sweden), while also doing biofuels from ethanol. Now they want to scale-up even further the required minimum quantities.*

Mentioning ReFuelEU Aviation he was clear that they are in favour of mandates as they provide clarity have created momentum. On the general market situation, where SAFs are really low in usage, while their customer (airlines) are still quite bruised from COVID. Margins are quite tight in the sector, but with ReFuel demand will be created. On the specifics, for Shell the priority is feedstock, for SAF the only option the available today is HEFA. Used cooking oil and similar from Annex IXA and B, but US IRA has been taking a lot of feedstock for US market, not coming to Europe. They would look like to look at interim solutions, such as intermediate crops, recycled carbon fuels from municipal solid heavy waste and the woody biomass (this critical for their project in Sweden, even selected by the Innovation Fund). Next thing is consistency of targets between MS, if not the same it gives them big trade flow challenges. They have cross border issues. Some of it because of feedstocks, and eligibility. Subscribe to the idea of a sunset provision, but they think there is a counter lever is to increase the cap in IX A and B. Longer term see the move to e-fuels.

DG MOVE clarified the open issues in trilogues, which are very close to completion and reiterated that ReFuelEU ensure consistency. Also stated the expectation that e-fuels share will expand. DG MOVE explained that current small differences between the MS when it comes to feedstock may

arise because of the fact that RED is a Directive transposed by the MS, not a regulation. Both have addressed the new US framework, acknowledging that for shorter gains, US looks more attractive, but in the longer timeframe EU gives a better assured framework.

Shell has explained that while there is an uncertainty of a political cycle in the US, in substance is quite bipartisan. IRA is well thought through, gives good incentives in supply, demand and infrastructure. It is really better for producers. But it is clear that IRA is for the US and in the US, while at the same time feedstocks will be attracted to that market. For instance, they do 2nd generation ethanol. Carbon sequestration is financially incentivised. In the end it can be said that IRA follows EU blueprint.

Shell explained the challenges of the transition, for their new multibillion investment in Sweden, it will produce 8000 barrels a day, while medium refinery today produces 50000-100000 barrels. The reality is, a lot of investment for a low volume. For e-fuels we need massive amounts of power to produce these fuels. For biofuels the challenge is the wide variety of feedstocks – for instance biomass from pulp mill, but if not at the same source, one needs to move a lot waste around. For instance our new facility will use 30 different feedstock from 6 source, a lot of complexity. All these sources we need to build a price from a multitude of prices, instead of one price (kerosene).

Final discussion was generally on hydrogen, and for Shell it is the endgame, but they understand that it has a lot of challenges in the meantime. For instance, they're investing in 200 MW facility for electrolysis (a big investment), but to get RePowerEU targets in 2030, the capacity needs to be 500x more than this.



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