

Scene setter

You will meet [REDACTED], BP [REDACTED] for Strategy, Sustainability and New Ventures. [REDACTED] leads the work on BP's new strategy and is very much involved in the transition to low carbon energy solutions. The discussion is likely going to focus on some of the transport challenges, in particular SAF and electromobility.

In relation to SAFs, BP will likely share its views on ReFuelEU Aviation proposal, mainly its level of ambition and eligible feedstocks. BP is committed to supplying 10% of SAF by 2030 and supports the ReFuelEU Aviation initiative overall. However, the company advocates (i) higher SAF blending targets; (ii) broadening the eligible feedstock so to include recycled carbon fuels; and (iii) a more efficient delivery of SAF through a so called "book and claim" mechanism (i.e. a virtual SAF market).

BP is part of the 'Informal SAF Value Chain Group', which you met on 8 July on the topic of book and claim and [REDACTED] [REDACTED] has met with our Commissioner on 6 September.

BP is also a member of the Renewable and Low Carbon Fuels Value Chain (RLCF) Alliance and is an active member in the just started RLCF roundtables.

On electro-mobility, the discussion is likely to revolve around the level of ambition of the agreement on the new CO2 standards for cars and vans and the upcoming CO2 standards for heavy-duty vehicles as well as the regulation on alternative fuels infrastructure.

Objective(s)

- To clarify COM's position on key points on ReFuelEU Aviation and legislative files related to electromobility and alternative fuels.
- To explain latest developments in the Fit-for-55 files
- To encourage continued BP participation in the Renewable and Low Carbon Fuels Value Chain (RLCF) Alliance.

Key Messages

- We are going through an energy crisis that threatens not only our climate goals, but also our energy security and independence. The unjustified and illegal Russian invasion of Ukraine has meant a huge change in our geopolitical environment
- With the RePowerEU plan, the EU has committed to diversifying our energy supplies, increase savings and accelerate the ramp up of renewable energies in order to significantly reduce our dependency on Russian imports well before 2030 and overall increase energy security and sustainability.
- RePowerEU builds on and accelerates the policy ambition laid out with the Fit for 55 proposals, through higher targets for renewables and energy efficiency *[45% and 13% respectively]* and through further

advocating for behavioural changes by both households and industry, better preparedness as well as external engagement.

SUSTAINABLE AVIATION FUELS (SAF)

- During the summer, Parliament and Council adopted their negotiation positions on the ReFuelEU Aviation proposal. The file is advancing now in trilogues.
- Time is of the essence. Requirements should enter into force as early as 2025 and industry needs legal predictability to prepare. The positions of Parliament and Council are not too far apart, so we expect adoption to be within reach around the year's end.
- Our priority in negotiations is to preserve a harmonised EU-wide approach and SAF targets that maintain the environmental integrity of the proposal.

Harmonised EU-Level SAF Targets

- Council amendments that allow Member States to introduce higher e-fuel national targets are incompatible with the core objective of the proposal, which is to preserve a well-functioning internal market.
- A patchwork of national measures would distort the integrated European aviation market for airlines and airports. It could also lead to higher ticket prices and SAF shortages in certain regions.

I therefore welcome the fact that Parliament's opinion reinforces a harmonised EU approach.

Increasing Ambition in SAF Ramp-Up

- We must be very cautious about amending the initiative's overall level of ambition. While the fuel industry may welcome higher targets, this would come at a cost for airlines and passengers, ultimately affecting an already effective aviation market, competitiveness and connectivity in European air transport, while also taking into account where we stand at present with the availability of such fuels.

Of course, we do welcome the possibility that some supply or use more SAF on a voluntary basis.

- However, COM designed the proposed mandatory SAF targets very carefully, based on the 2030 Climate Target Plan. Setting higher SAF targets risks shortages of supply, significant fines on industry for non-compliance and a disproportionate financial burden on airlines and passengers. This could undermine the credibility of the framework.

Well-functioning anti-tankering

- Some flexibility could be carefully introduced where operational challenges are demonstrated.
- The proposed exemptions in the Council position for all flights under 1200 km could risk opening the door to circumvention of the blending mandate, including carbon leakage, and could potentially undermine the level playing field in the internal market.
- The position of the Parliament is much stricter.

Renewable and Low-Carbon Fuels Value Chain Industrial Alliance

- Zero-emission mobility is progressing rapidly in road transport. However, in the aviation and waterborne sectors, zero-emission options require further technological progress. Zero emission seagoing ships are expected by 2030, and large scale zero-emission airplanes by 2035. And then it will take time for uptake. Renewable and low-carbon alternative drop-in fuels are available now. We need to push for their quick ramp up as soon as it is possible.
- That is why we established the Renewable and Low-Carbon Fuels Value Chain Industrial (RLCF) Alliance which focuses on boosting the production and supply of renewable and low-carbon fuels in the aviation and waterborne sectors. We have passed the threshold of 200 active members some time ago.
- I am glad that BP is an active member of this alliance and contributed on the thematic Roundtables that just started earlier this week. We would like to conclude with those roundtables on all the necessary steps needed to quickly build up a pipeline of projects as of next year. This will be critical to flank our initiatives on RefuelEU aviation and FuelEU maritime.

ELECTROMOBILITY

- As outlined in RePowerEU, increasing energy efficiency in transport is an EU priority. An agreement reached last month on the revision of CO2 standards for light-duty vehicles outlines a clear pathway towards 2035, with 100 % emission reductions from new vehicles required by then. This push for zero-emission vehicles means that industry needs to rise to the occasion. We see massive investment by manufacturers. This leads to more models in the market and increased affordability, which is very welcome.

In parallel, COM is preparing a proposal on the revision of CO2 emission standards for heavy-duty vehicles, to be put forward later this year. The proposal will align with the ambition level set out in the RePowerEU Plan while still taking full account of the specificities of the heavy-duty vehicle market. Again, we see a lot of investment going into zero-emission technologies. Because of their inherent operational efficiency, in a very competitive and low margins sector such as road haulage, hauliers have no choice but take up these vehicles as they become available, in order to stay competitive.

- But the success of ramping up zero-emission vehicle sales requires a recharging and refuelling infrastructure that supports seamless trans-European mobility. That is why COM proposed a regulation on alternative fuels infrastructure (AFIR) with mandatory deployment targets. The trilogues have started in October and continuing still, we have hoping for a quick resolution early in 2023.
- The revised Renewable Energy Directive complements AFIR with provisions to promote smart recharging functionalities for non-publicly accessible charging points. The directive reflects the crucial link between electric vehicles and the electricity system.

Defensive Points

SUSTAINABLE AVIATION FUELS

Why not propose a “book and claim” mechanism for more cost-effective SAF delivery? What are your views on the parliamentary amendment requiring COM to develop such a mechanism by 2025?

- The Regulation already provides a flexibility mechanism in the transition period until end 2029 which would simplify SAF logistics for fuel suppliers in the early years. Both co-legislators propose to extend it until end 2034.
- We must keep in mind that SAF should be gradually available at all airports and that the regulation's priority is to “kick start” (currently non-existent) SAF production and uptake in the EU.
- The regulation contains a revision clause which could allow consideration of “book and claim” based on early experience of implementation of the regulation. Before any such system is decided, its feasibility, necessity and functioning must be thoroughly considered, including its compatibility with other EU laws [ETS, ETD, RED].
- The Renewable and Low Carbon Fuels Alliance work plan foresees a discussion of market-based flexibility mechanisms, such as book and claim. As the member of the alliance, BP is welcome to contribute to this work.

What about SAF allowances under ETS to bridge the price gap?

- The SAF blending mandate will facilitate initial investment in SAF capacities and help achieve economies of scale making SAF investment more attractive.
- Despite a rising carbon price, we can expect a persistent, high price gap over the coming years, in particular for advanced biofuels and e-fuels, affecting the competitiveness of aviation.

Thus, Parliament's proposal for SAF allowances under the EU ETS, with a focus on e-fuels, is worth considering.

ELECTROMOBILITY

Why propose a ban on internal combustion engine cars and vans in Europe? What about technology neutrality?

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

COM 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.

- Vehicle manufacturers are already preparing for the switch to zero-emission vehicles - as illustrated by the 2020 surge in registrations of battery electric car registrations. We note too manufacturers' recent ambitious pledges on carbon-neutrality.
- Moreover, further innovation - such as fuel cell electric vehicles or hydrogen combustion engine vehicles - cannot be excluded, It is for industry to respond and find ways to meet the target.

Why did you oppose a mechanism to account for the contribution of renewable and low carbon fuels in the CO2 emission standards?

- The core objective of our policy on transport fuels is to reduce their GHG intensity and to do so in the most effective way possible.
- We considered mechanisms to account for renewable and low-carbon fuels when assessing vehicle manufacturers' compliance with the CO2 emission standards. However, we believe that such an approach would reduce the planning certainty for automotive manufacturers and their suppliers.
- Consequently, the market deployment of zero-emission vehicles would be lower, with negative impacts on air quality.
- The mechanism would also incentivise directing such fuels to road transport and away from sectors (such as aviation) that have fewer decarbonisation alternatives (thereby increasing compliance costs, administrative burden and complexity).

Will COM propose a phase-out of the internal combustion engine for heavy-duty vehicles?

- We are currently doing an impact assessment on our proposal for CO2 emission standards for heavy-duty vehicles. It is too early to discuss the contents of the proposal in detail. However, we have an ambitious target for 2030 in place and it is already having an impact on manufacturer investments and cycles.
- We understand that long-haul trucks will go into series production in 2024 and that many manufacturers consider total cost of ownership parity possible by the middle of the decade. In a business that is oriented towards total cost of ownership, the critical question between now and 2030 will be adequate vehicle supply and the availability of recharging and refuelling infrastructure.

Background

ReFuelEU Aviation – State of Play

The Council adopted a General Approach on 2 June 2022 (AT, DE, BE, LU, ES voted against FR PCY compromise text due to the inclusion of low-carbon fuels). EP adopted its report on 7 July. 1st introductory trilogue is planned on 8 September. Final adoption of the Regulation is expected in early 2023. The main differences between the positions of the co-legislators are as follows:

On level playing field: EP's position reinforced the need for harmonised EU-level targets. Council included the possibility of higher targets at national level: up to 1% by end 2029 and up to +3% by end 2034 (and unlimited at airports operating mainly domestic flights).

On ramp-up of SAF targets: In Council's text SAF targets have been marginally revised. At the same time, EP's amendments suggest a substantial increase of RFNBO targets, which raise the SAF overall targets:

Total shares in the fuel mix (in %)	2025	2030	2035	2040	2045	2050
SAF ramp up out of which:	2	5 / 6	20	32 / 37	38 / 54	63 / 85
Specific sub-mandate on RFNBOs	0 / 0.04	0.7 / 2	5	8 / 13	11 / 27	28 / 50

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On SAF definition: Council and EP both broadened eligible SAF. Council included all bio-feedstock from the grey zone (albeit respectively with a cap of 3% until 2050), recycled carbon fuels (waste plastic and industrial gases) and low-carbon fuels (nuclear-/gas-based hydrogen e-fuels). EP included, until end 2034, all bio-feedstock from the grey zone except PFAD (palm fatty acid distillates), intermediate crops, all palm/soy derivatives, soap stock. It also included recycled carbon fuels (only industrial gases – no waste plastic), renewable hydrogen and renewable electricity.

Revision of the CO2 emission performance standards for Cars and Vans

The proposal improves the ambition of the 2030 emission reduction targets for OEMs: by 2030, the average emissions of new passenger cars are required to be 55% lower, and the emissions of new vans to be 50% lower, compared to the limits applicable in 2021. By 2035, all new cars and vans will need to be zero-emission.

Because of the rapid increase in the share of zero-emission and low-emission vehicles in new registrations, and of the greater role they will have to play in the future, the proposal removes the incentives for zero- and low-emission vehicles from 2030 onwards. It also removes the possibility for manufacturers responsible for between 1,000 and 10,000 new passenger cars or between 1,000 and 22,000 new light commercial vehicles in a calendar year to apply for a derogation; however, manufacturers responsible for less than 1,000 new vehicle registrations per calendar year continue to be exempt.

State of play: agreement reached at the trilogue of 27/10/2022. The agreed text confirms the targets and timeframe of the Commission's proposal, notably the 100% reduction of the limit value in 2035. The zero- and low-emission vehicle (ZLEV) support mechanism is retained until 2029, with higher thresholds of 25% for cars and 17% for vans (as opposed to 15% in the Commission proposal). A new recital 9a on cars running exclusively on CO₂ neutral fuels is introduced, as well as requirements for a life cycle emissions methodology by 2025, and voluntary reporting by manufacturers from 2026.

State of play of the review of the heavy-duty vehicles CO₂ standards

The HDV CO₂ standards currently apply to lorries over 16 tonnes generating around 73% of the CO₂ emissions of the whole sector. The CO₂ standards require a reduction of the average emissions of the new vehicles of each manufacturer by 15% from 2025 and 30% by 2030 with respect to reference values of the year 2019.

The Commission is currently working on the revision of the HDV CO₂ standards. An open public consultation was closed last 14 March.

The standards will be revised to ensure they are in line with the increased climate ambition of the European Green Deal and will decisively contribute to alleviating the current EU energy dependency of the Union through the reduction of imported fossil fuels in consonance with the REPower EU Plan.

Several elements will be looked at in the ongoing corresponding Impact Assessment, among others: level of ambition of targets, possible new targets for currently unregulated vehicle categories (scope extension), the zero-emission incentive scheme and the role of renewable and low-carbon fuels. All options remain open for the moment.

AFIR

State of play: Council GA adopted on 2/6/2022, EP mandate adopted by Plenary vote on 19/10/2022. First trilogue took place on 27/10, technical meetings took place 11/11 and 14/11, next trilogue 7/12; agreement expected under the Swedish Presidency. Both co-legislators agree with the overall approach, but introduce some substantial changes.

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