Briefing for Director-General Ristori

Meeting with [Redacted] of FuelsEurope

11/04/2017, 09:00

SCENE SETTER

Renewable Energy Directive

You are meeting FuelsEurope a few months after the Commission has presented a proposal for a revised renewable energy directive which includes an obligation requiring fuel suppliers to sell a gradually increasing share of renewable and low-emission fuels, including advanced biofuels and renewable electricity.

FuelsEurope supports the idea of an EU measure to support biofuels after 2020 and generally favours an energy-based obligation, provided the achieved GHG emission savings are reported and taken into account in other climate policies.

ETS Reform

The Commission adopted in July 2015 its proposal for a Directive amending the ETS Directive which should bring the ETS post-2020 in line with the 2030 objectives. Discussions have recently speeded up, with constructive positions taken by both EP and Council. The EP Plenary voted on the ENVI report mid-February, and proposed amendments further strengthening the ETS. The Environment Council agreed on a general approach on 28 February and went in the same direction as the EP in many aspects. The positions of the two co-legislators bode well for the upcoming trilogues.

FuelsEurope calls for a fair deal on ETS which provides effective protection from carbon leakage

Refining Forum

The 7th meeting of the EU Refining Forum took place on 2 February 2017, with record number of participants (more details in ANNEX). FuelsEurope is keen to continue the process, with the next meeting possibly held still in 2017. The industry hopes to get more concrete outcomes out of the Forum, in particular in terms of Commission commitments to ensure the industry's competitiveness.

OBJECTIVES

- To discuss the Commission's perspective on the future renewable energy policy (in particular biofuel policy) and the reform of the ETS.
- To receive feedback on FuelsEurope's position and views on the above issues.
- To discuss the future of the EU Refining Forum.
- [Redacted] will also address his meeting with Commissioner Arias Cañete.
KEY MESSAGES / SPEAKING POINTS

Revised Renewable Energy Directive

- As part of the Clean energy for all Europeans package, on 30 November 2016 the Commission presented a proposal for a revised renewable energy directive, a key element for fully implementing the EU's 2030 climate and energy framework. The Commission has an ambitious goal: achieving global leadership in renewable energies.

- Renewables will play a major role in the transition to a clean energy system. The EU has set a target to collectively reach a share of at least 27% renewables in the final energy consumption by 2030. Renewables are also important for employment: the renewable energy sector in Europe employs more than one million persons.

- The revised Renewable Energy Directive, together with the proposals on the New Electricity Market Design and Governance, will set a regulatory framework that leads to investor certainty and allows for a cost-efficient deployment of renewables in order to achieve the agreed targets.

- The RED proposal identifies six key areas for action:
  1. Creating an enabling framework for further deployment of renewables in the Electricity Sector, including the principles of gradual cross-border opening of support and of non-retroactivity;
  2. Mainstreaming renewables in the Heating and Cooling Sector;
  3. Decarbonising and diversifying fuels for the Transport Sector;
  4. Empowering and informing consumers, facilitating administrative procedures to get RES projects up and running;
  5. Strengthening the EU sustainability criteria for bioenergy;
  6. Making sure the EU level binding target is achieved on time and in a cost effective way, in interaction with the Governance proposal.

Decarbonising and diversifying the Transport Sector

- Transport plays a key role in the Energy Union, responsible for 32% of final energy consumption and 24% of total greenhouse gas emissions, and relying on oil for 94% of its energy needs. It is also vital for the EU economy.

- Decarbonizing the transport sector will require a gradual transformation of the entire transport system and hence an integrated approach to transport policy. There is no single fuel solution for the future of mobility. All main alternative fuel options must be pursued, with a focus on the needs of each transport mode.

- Advanced biofuels and other low carbon fuels can play an important role to reduce reliance on fossil fuels at costs similar to those of petrol and diesel in the medium term. Moreover, advanced liquid biofuels are the only low-CO2 option for substituting kerosene in aviation, as they have high specific energy content.
• However, advanced biofuels are currently more expensive than fossil fuels and conventional crop based biofuels and deployment at commercial scale is lagging behind.

• Similarly, the electrification of transport needs to accelerate. While the technology development of electric vehicles is making good progress, an adequate recharging infrastructure is often missing. Fuel suppliers should be incentivised to offer this infrastructure to their customers.

• To promote the deployment and development of low carbon fuels such as advanced biofuels we have proposed as part of the new Renewable Energy Directive to introduce after 2020 an incorporation obligation requiring fuel suppliers to sell a gradually increasing share of renewable and low-emission fuels, including advanced biofuels and renewable electricity (1.5% in 2021 to 6.8% by 2030).

• In particular, to promote innovation, the obligation includes a specific sub-quota for advanced biofuels, increasing from 0.5% in 2021 to at least 3.6% in 2030. Advanced biofuels are defined as all biofuels that are produced based on a positive list of feedstocks (mostly lignocellulosic material, wastes and residues).

• The proposal is building on the agreement reached on the ILUC Directive in 2015 which introduced an indicative sub target for advanced biofuels but no concrete support measures. Further, Council and Parliament agreed in the ILUC Directive on a list of feedstocks that can be used to produce advanced biofuels. The Commission did not consider it justified to change the approach agreed at the time but committed to assess whether additional feedstocks could be added to the list in the future.

• The obligation will provide the industry with certainty about future market demand/volumes for advanced biofuels, which is needed to ensure large-scale investment and innovation into the sector. This is expected to yield into further improvement of processing technologies and significant reduction of production costs.

• The proposal also addresses shortcomings of the current biofuel policy which has mainly led to deployment of conventional food and feed crop-based biofuels.

• Already in 2014, the Commission indicated in its Communication on the 2030 Climate and Energy policy that food and feed crop-based biofuels have a limited role in decarbonising the transport sector if indirect land use change effects are taken into account and that they should not receive public support after 2020.

• Consequently, the proposal does not include any provisions providing support for this type of biofuels.
Further, it is proposed that the share of crop-based biofuels that could account towards the EU renewable energy target would gradually decrease from 7% to 3.8% in 2030. Please note that this limitation by no means restricts the amount of fuels that can be produced or consumed.

The proposed gradual reduction of conventional crop-based biofuels and increase of advanced biofuels will promote the development and deployment of innovative advanced renewable fuels and at the same time provides farmers and producers of conventional crop-based biofuels with sufficient time to adjust.

ETS Reform

The Commission welcomes the recent progress in Council and Parliament and the move to further strengthen the EU ETS.

The Commission will continue to take a positive and constructive stance in the upcoming trilogues.

There is a strong willingness from all Parties to come to a first-reading agreement in the next months.

Free allocation to industry on the basis of benchmarks will be continued after 2020, but the system will become more targeted to sectors most at risk of carbon leakage.

Future Refining Forums

Let me thank you for the good cooperation on the preparation of the last meeting of the Forum on 2 February 2017 and your offer to provide a lunch after the meeting.

I believe that again we had a very useful exchange of views on the challenges faced by the sector and the possible impacts of some important policy initiatives. I received good feedback from the Commissioner who appreciated the high-level participation from the industry.

The regular discussion between the Commission, Member States, the refining industry and other stakeholders remains crucial and the EU Refining Forum should continue to have a pivotal role in this respect.

As has been the case to date, DG Energy will organise the next meeting of the Refining Forum in close cooperation with FuelsEurope. We are looking forward to your suggestions regarding the timing and the agenda.
BACKGROUND

Proposed obligation on renewables in the transport sector

Introduction of an obligation on European transport fuel suppliers to sell a gradually increasing share of renewable and low-emission fuels, including advanced biofuels, waste-based fuels (both organic and fossil based waste) and electricity from 1.5% in 2021 to 6.8% by 2030 (Art 25).

- Within the fuel supplier obligation, specific promotion of advanced biofuels, whose share in the supply of transport fuels is gradually increased from 0.5% in 2021 to 3.6% by 2030.
- The contribution of biofuels produced for wastes and residues with mature technologies is limited to 1.7%
- Advanced biofuels and the other biofuels that can count towards the obligation are defined based on the type of feedstock they are produced from. Annex IX includes two positive lists for this purpose. The Commission has committed itself to review whether additional feedstocks could be added to the lists.
- Specific promotion of renewable fuels consumed in aviation and maritime sectors, where it is most difficult to replace fossil fuels (accounted 1.2 times their energy content).
- The proposal allows the Commission to define detailed technical matters such as the methodologies to establish the share of renewable energy in certain fuels and the way to determine GHG emission savings of synthetic fuels (non-bio) in further detail via delegated acts. Further, the proposal includes a review in 2025.

Introduction of national databases that ensure traceability of the fuels and mitigate the risk of fraud.

Visualisation of the obligation

![Graph showing the obligation on renewables in the transport sector](image-url)
Establishment of a **gradual reduction** of the contribution of food-based biofuels towards the calculation of the EU 2030 renewable target, with a limit starting at 7% in 2021 and going down to 3.8% in 2030 (Art. 7). Member States would have the right of setting a lower limit for the contribution of biofuels produced from oil crops (biodiesel)

### Development of the CAP for food based biofuels

![](chart.png)

### The EU Emissions Trading System (ETS)

The ETS is a centrepiece of the 2030 climate and energy policy framework and its binding target to reduce overall EU greenhouse gas emissions by at least 40% domestically below 1990 levels by 2030. To achieve this target cost-effectively, the sectors covered by the ETS will have to reduce their emissions by 43% compared to 2005. The European Council Conclusions of October 2014 outlined the main principles to achieve the reduction in the ETS. The Commission's proposal amends the legal framework of the ETS with a view to implement these principles set out by the European Council, addressing three main issues:

1. The 43% greenhouse gas reduction target in 2030 in the ETS is translated into a cap, i.e. an overall ceiling on emissions, declining by 2.2% annually from 2021 onwards, compared to the current annual decline of 1.74%.

2. Free allocation of allowances to EU energy intensive industry will continue to be provided on the basis of predictable, robust and fair rules, which aim to address the potential risk of carbon leakage in an adequate manner as long as no comparable efforts are undertaken in other major economies, maintain incentives for long-term investment in low-carbon technologies and build on positive experience with the harmonised allocation rules since 2013. This should be achieved in three ways: a more frequent alignment of the free allocation to production data will ensure that support is provided to growing companies and sectors, updating the benchmarks used to calculate the free allocation will reflect industries' technological capacities, and the list of sectors receiving the highest share of free allocation will be more targeted to those most exposed to the potential risk of carbon leakage. While carbon
leakage rules mainly address compensation for direct carbon costs, the proposal also addresses indirect carbon costs via continuation of the current possibility for Member States to provide compensation in line with State aid rules.

The new benchmark values will be established according to the rules set out in the Commission proposal, foreseeing a gradual decline of the benchmark in function of technological progress. The proposal foresees a derogation regarding the benchmark values for aromatics, hydrogen and syngas. These benchmarks shall be adjusted by the same percentage as the refineries benchmarks in order to preserve a level playing field for producers of these products.

(3) The proposal contains several funding mechanisms to spur the transition to a low-carbon economy. The proposal supplements existing support for demonstration of innovative technologies and extends this to breakthrough innovation in industry (Innovation Fund). Free allocation of allowances continues to be available to modernise the power sector in lower-income Member States (Article 10c) and a dedicated fund is established to facilitate investments in modernising the energy systems and improve energy efficiency (Modernisation Fund) in the same lower-income Member States.

As part of the Energy Union with Resilient Climate policy, the EU ETS revision is one of the priority files for agreement in 2017.

The Commission adopted already in July 2015 its proposal for a Directive amending the ETS Directive with a view "to enhance cost-effective emission reductions and low-carbon investments". The start of the discussions, notably on Council side, was rather slow as Member States were waiting to see the other elements of the package, notably the proposals on the non-ETS side (Effort Sharing Regulation and LULUCF Regulation, proposals for which were adopted by the Commission in July 2016). Recently however work has speeded up considerably, with constructive positions taken by both EP and Council.

The EP Plenary voted on the ENVI report mid-February 2017, and proposed amendments further strengthening the ETS, notably by withdrawing more allowances in the market stability reserve and allowing for more cancellations of allowances, thus decreasing the current surplus and tightening the cap further. The Environment Council agreed on a general approach on 28 February 2017 and went in the same direction as the EP in many aspects, including regarding measures to increase the feed-in to the reserve and cancellation of allowances.

**Update on the refining sector in Europe**

The European refining industry is under pressure from overcapacity (driven by a long-term decrease of regional demand), a growing mismatch between refinery output and demand (excess gasoline and shortage of middle distillates) and growing competition from refineries in the Middle East, Russia, the United States and India. In addition, European refiners claim that the costs of complying with EU regulation further reduces their competitiveness vis-à-vis their competitors. About 2 mb/d of refinery capacity has been closed in Europe since 2008, largely in line with the decline in regional demand and throughputs over the same period.

In addition to the shutdowns, some market participants are responding to growing competitive pressures by increasing investments. For example, ExxonMobil and
Total both undertake large investments (of about EUR 1 billion each) at their Belgian refineries. In Finland, Neste is spending EUR 500 million to integrate its two refineries to make them more efficient.

While the upstream sector was suffering from the falling oil price, 2015 has been a good year for European refineries, with product prices falling to a lesser degree than crude oil prices. Increasing demand and strong refinery margins allowed European refiners to increase throughput (for the first time since 2005) by 0.65 mb/d and improve utilisation rates. After years of gradual decline, the consumption of oil products in the EU increased in 2015, helped by low oil prices, the economic recovery and weather impacts (relatively cold 2014-2015 winter after a mild winter in the previous year). Compared to the high number of refinery closures seen in 2011-2014, there was hardly any in 2015. No new plant shutdown was announced beyond those planned earlier.

In 2016, somewhat surprisingly, it seems that EU consumption of oil products continued to grow (by about 2% in the first 11 months of the year, compared to the same period of 2015), largely driven by industrial use. Refinery margins, however, were markedly lower than in 2015 and refinery throughput decreased (for the year as a whole, the IEA forecasts a decline of about 0.2 mb/d). As a result, the rationalisation of the sector is likely to continue. In 2016, Total shut down its La Mède (France) plant and reduced capacity at its Lindsay site in the UK.

In October 2016, The International Maritime Organisation (IMO) decided to impose the reduction of marine fuels' sulphur content to 0.5% (from the current 3.5%) from 2020, putting further pressure on the refining sector. (They will have to invest to produce more gasoil and/or to reduce sulphur levels of fuel oil.)

**EU action to address the concerns of the European refining sector**

The Commission set up a dedicated *EU Refining Forum* in 2013 to maintain a close dialogue with stakeholders on the impact of EU legislation on the sector. The meetings of the Forum have proved particularly useful in bringing the Commission into more direct contacts with the industry to discuss ongoing policy initiatives such as the refining fitness check, the industrial emissions directive, the fuel quality directive and the revision of the carbon leakage list. The Forum had seven meetings so far; the last meeting took place on 2 February 2017.

The Commission has also carried out a *fitness check* of the sector which looked at the cumulative impact of EU regulation on the costs and competitiveness of the European refineries. The fitness check found that European refineries' loss of competitiveness can be attributed mainly to the relative increase in their energy costs which was largely driven by the increase in energy prices. (Energy costs represent up to 60-70% of the total operating costs in complex European refineries.) The cost of regulation is also noticeable (0.47 €/barrel) but falls short of the impact of energy costs. The results of this exercise will serve as important inputs in impact assessments of future EU initiatives.

**Facts and figures**

Oil is the main fuel in the EU energy mix, representing 34% of gross inland consumption in 2015.
EU crude oil production peaked in 1999 (178Mt) but since then decreased to 69 Mt, covering only 12% of consumption (i.e. 88% import dependency).

Oil product consumption in the EU has been in decline since 2005; between 2005 and 2014 it decreased by 19% (on average 2.3%/year). Helped by low oil prices, consumption showed a small increased in 2015 (1.3%) and 2016 (2.0%).

According to the projections of the Reference Scenario, EU oil consumption is to decrease from 580 million tons in 2015 to 488 million tons in 2050, a decrease of 16%.

Oil refining transforms crude oil and other feedstock into oil products which can be used for final consumption. 66% of oil products is used in transport (of which 83% in road transport and 15% in aviation), while 21% is used in industry and other sectors consume 13%.

The EU is the second largest producer of oil products after the United States, with a production capacity of some 14.1 million barrels per day in 2015, about 14.5% of global refining capacity.

According to FuelsEurope, 80 "mainstream" refineries (those with an annual capacity of at least 2.5 million tons/year) were operating in 22 Member States of the EU at the end of 2015. Since 2008, 17 refineries were closed, reducing capacity by about 2 mb/d.

EU imports and exports of petroleum products are of a similar magnitude (339 million tons and 349 million tons, respectively in 2015) but this hides the fact that the EU is a net exporter of gasoline (56.5 million tons) but a net importer of diesel/gasoil (24.4 million tons) and jet fuel (16.9 million tons). Net gasoline exports are equivalent to 45% of EU gasoline output. Net imports of gasoil/diesel and jet fuel cover 9% and 32% of EU consumption, respectively.
FUELSEUROPE PROFILE

- Formed in 1989 to represent the interest of companies conducting refinery operations in the EU with the EU institutions
- Aims to promote economically sustainable refining, supply and use of petroleum products in the EU by providing input and expert advice to the EU institutions
- Was known as EUROPIA until June 2014
- Represents 41 companies
- Members account for almost 100% of EU petroleum refining capacity, and more than 75% of EU motor fuel retail sales
- It is a division of the European Petroleum Refiners Association (an AISBL operating in Belgium)
Some 150 participants from 20 EU Member States, the oil refining industry, the European Commission, the European Parliament as well as other stakeholders gathered to discuss policy and market developments of relevance to oil refining in the EU.

Dominique Ristori, Director-General of DG Energy, opened the meeting of the Forum and welcomed speakers and participants. In his welcome address, he highlighted the role refining plays for innovation and security of supply. Therefore, it is important to maintain a solid refining sector in Europe and avoid the risk of the refinery industry relocating. This requires fair competition and the right balance between energy and climate objectives and international competitiveness of the EU refineries.

In his keynote speech, Commissioner Arias Cañete, in charge of Climate Action and Energy, stressed the strategic role of refining industry for innovation, employment and security of supply and noted the challenges faced by the sector, including energy prices and costs.

He highlighted the proposals tabled by the Commission during 2016 and underlined that the EU will stick to its commitment to a low carbon economy. He stressed the key role of renewables where the EU has the ambition to become number one in the world. In the transport sector, where oil-based fuels still supply 94% of our energy needs, the proposed new measures will boost the use advanced biofuels and other alternative fuels.

The Commissioner emphasised that clean energy transition is here to stay and is already happening. The refinery sector must adapt to decarbonisation. The refining industry has a strong track record in innovation and will need its innovative spirit more than ever to adapt and to play its part in the energy transition.

He also underlined the importance of maintaining a constant and constructive dialogue with stakeholders notably on the impact of regulatory proposals on the sector and to better understand and discuss the challenges that we face.

László Varró, chief economist of the International Energy Agency (IEA), focused in his presentation on the future of energy technology and oil in the transport sector. Oil is still the backbone of transport, supplying 94% of energy used in the sector and low oil prices make it difficult to break this dependence. Electricity provides an alternative and electrical vehicles are becoming more popular but so far they have displaced only a fraction of oil-based fuels. Electric engines are more efficient than internal combustion engines but storing electricity remains a challenge. Storage technology is advancing rapidly but European companies are not among the frontrunners in this field.

By 2030, electric vehicles are not likely to have a significant impact on oil demand. A large scale electrification of the car fleet requires a strong policy push and further technology development. The sustainability of the current high level of fiscal incentives is questionable. In case of heavy duty vehicles, gas seems to be a more viable alternative.
Globally, oil demand will not peak within the next 25 years: lowering oil use in the power generation, buildings and passenger cars sectors will be more than offset by an increase in aviation, freight transport and petrochemicals. In case of the EU, oil demand in transport sector will decline, especially if governments act on the Paris agreement; oil demand will also fall in the buildings and industry sectors.

Pedro Miró Roig, the CEO of CEPSA, underlined the heavy burden posed by regulation which resulted in the idling of the company’s Tenerife refinery three years ago, with significant social repercussions. EU refineries have to undertake massive investments to comply with current and forthcoming legislation, thereby reducing their profitability. Such investments will be possible only if investors are confident in the future competitiveness of the sector.

The reduced competitiveness of European refineries could have repercussions to other sectors. In particular, the closely integrated petrochemical sector, which receives over half of its feedstock from oil refineries, is also at risk.

He pleaded to policy makers for a broader, long-term policy approach, giving investors reasons to believe in the competitiveness of the sector.

Jaime Martin Juez, Director of Technology and Sustainability at Repsol, stressed the company's long-term commitment to sustainability and the significant investments made to reduce emissions and increase the yield of lighter products. The sector is exposed to international competition with the non-EU competitors not facing comparable regulation. He referred to the fitness check published by the European Commission according to which EU regulation added a cost of 0.47 Euros/barrel. The challenges of emission reductions and competitiveness must be addressed together. With reference to the ETS reform, in particular, carbon leakage protection must be effective.

Two Board Members of FuelsEurope took the floor. Janet June Matsushita (ExxonMobil) noted that, despite the difficult circumstances, her company continues to believe in the future of refining in Europe and is undertaking significant investments. She argued that the sector needs transparent, predictable policy and stable regulatory framework, imposing the lower possible cost on refineries. Krystian Pater (PKN Orlen) pointed out the sectors’ good track record of adapting to new regulations but called for an efficient way of implementation.

Ian Duncan, Member of the European Parliament and the rapporteur on the ETS reform, gave a short update on this important file. His report, which reflects a delicate compromise, was adopted by the ENVI committee in December 2016 and will go to the plenary very soon. He underlined the need for a well-functioning emission trading system in which market player have confidence and provides stability for industry.

Allard Castelein, President and CEO of the Port of Rotterdam, explained that the Port hosts Europe's largest refinery cluster and also supplies refineries in the surrounding countries. The five refineries located within the Port, together with electricity generation units and petrochemical plants, cover a large part of Dutch CO2 emissions.
Mr Castelein presented the Port's ambitious energy transition strategy entitled "renew the existing, welcome the new" which intends to decarbonise the Port's activities. Refineries have an important role to play in this energy transition, including the deployment of technology using residual heat and CCS. The EU can contribute to such a transition by, inter alia, providing a stable and predictable policy and legal framework.

In the absence of the representative of the Maltese presidency, Mechthild Wörsdörfer, Director for Energy Policy provided an update on the most important files to be discussed by Council during 2017.

Representatives from eight Member States took the floor and reported on recent developments and expressed their views on the most relevant issues for the international competitiveness of the refining industry. They underlined the importance of the sector for the economy and for security of supply. While in most Member States consumption has been stable in 2016 and no refineries were closed, the situation of the sector remains challenging: there is an overcapacity, the cost of energy and capital is on the rise and refineries have to cope with a number of EU regulations and strong competition from non-EU refiners.

Member State representatives highlighted the difficulties and the related costs imposed by the implementation of EU legislation, including the industrial emissions directive and the fuel quality directive. The revision of the emissions trading scheme was also mentioned and delegates called for addressing the risk of carbon leakage and any intra-EU distortions, and avoiding the discriminative treatment of new investments. The recent IMO decision on the sulphur level of marine fuels was also highlighted as an important development having an implication on the refining sector.

Some Member State representatives also commented on the future of transport, emphasizing the importance of technology neutrality. Furthermore, energy prices and costs were highlighted as key elements of the sector's competitiveness which should be monitored.

Member State delegates underlined the importance of continuing the EU Refining Forum and recommended to focus the agenda on the key issues affecting the competitiveness of the EU refining industry. Some Member States also called for the update of the fitness check, extending it to post-2012 legislation.

Ralf Diemer, head of the economic analysis unit of DG Transport and Mobility, stressed that low-emission mobility is an essential component of the transition to a low-carbon economy. He presented the three pillars of the Commission's low-emission mobility strategy adopted in mid-2016: efficiency of the transport system, low-emission alternative energy for transport and low/zero emission vehicles.

Extensive modelling was carried out to project possible pathways towards low-emission mobility. Transport activity is projected to increase under all scenarios but this is offset by improvements in energy intensity, resulting in declining energy demand and CO2 emissions in the sector. The share of alternative fuels is projected to increase to 15-17% in 2030 but oil products are to remain predominant in the EU fuel mix in the next 15 years. By 2050, alternative fuels are projected to cover about 60% of transport demand, driven by electrification and the extensive use of biofuels.
John Cooper, Director General of FuelsEurope, commented on key market developments having an impact on the sector, including the IMO decision on marine fuels, lasting low oil prices and a shift towards gasoline in the vehicle fleet. He stressed that oil products will be needed for many decades ahead and EU refineries need to compete on an international level playing field. This requires a fair deal on ETS which provides protection from carbon leakage and a pragmatic approach for renewables. In the longer term, global carbon price convergence and an economy-wide carbon price is needed.

He pointed out that the evolution of the transport system will pose a big challenge for the refining industry. Tomorrows' vehicle fleet is chosen by today's regulations and, therefore, it is important to have the best possible regulation for vehicles, today. These regulations should consider the life-cycle carbon emissions throughout the manufacturing, use and recycling of the vehicle. They should also recognise GHG improvements in fuels.

Mr Cooper underlined the role of innovation and investment, highlighting that EU refineries are already the most efficient in the world. He called for stable and predictable regulations and remarked that that innovation in policy is also desirable. He also stressed the important role of the EU Refining Forum which provides a useful platform for the discussion between stakeholders.

Mechthild Wörsdörfer, Director for Energy Policy, concluded by saying that refining remains a strategic industrial sector in the EU. The transition to low-carbon economy poses challenges but also provides opportunities for the EU refining industry. It is essential that the sector remains innovative and competitive in the long run.

There is no shortage of topics to be discussed and hence the Forum will definitely continue, possibly already in 2017, and the Commission will try to devote more time to discussion. Participants are invited to contribute ideas to the topics to be included in the agenda.
ANNEX 2: FuelsEurope’s press release on the 7th meeting of the EU Refining Forum

The 7th Refining Forum concludes that EU refining is a strategic asset for the EU economy. Innovation and fair regulations are key enablers for international competitiveness.

The 7th EU Refining Forum attracted more than 150 participants representing Member States, Commission, European Parliament, Industry and others. Whilst recognising the strategic role for security of supply, innovation, social and economic value of refining in Europe, the Forum debated on the short-term challenges impairing sector’s competitiveness as well as the long-term role of refining and petroleum liquid fuel in the EU fuel mix.

The 7th EU Refining Forum under the auspices of the Commission, DG Energy, gathered once again more than 150 participants from Member States, Commission services, European Parliament, Industry and other stakeholders.

Dominique Ristori, Director General in DG Energy, opened the Forum by underlining the need of a fair balance between emission reduction and international competitiveness of the EU refineries.

In his keynote speech, Commissioner Arias Cañete stressed the strategic role of refining industry for innovation, employment and security of supply in Europe. This industry needs to use its strong innovation capability to contribute to the energy transition.

CEPSA CEO, Pedro Miro, underlined that “oil will continue to play a dominant role in the coming decades, accounting for almost 80% of total energy supplies in 2035.” He however stressed that EU refineries need massive investments as a result of current and forthcoming legislation which only allow refiners to stay in business without generating any returns.

John Cooper reflected on the recurrent support and active attendance of Member States at the Forum. He commented: “We welcome the intervention of eight Member States who expressed their concerns over the international competitiveness of EU refining sector, calling for an update of the Fitness Check and using the results to assess the cumulative impact of new legislation.”

Member of the Parliament Ian Duncan, Rapporteur in the ENVI Committee on the Revision of the EU ETS, gave his views on the unfolding policy debate and stressed that ETS is an integral part of EU’s solution to climate change.

John Cooper commented “EU refineries need to compete on an international level playing field. Until other significant regions of the world take up binding commitments in GHG reductions, translating into a carbon cost for their industries, the best performing EU refineries must have effective and complete protection from carbon leakage.”

For the longer term, John Cooper said that “post-2030 we will need global carbon price convergence through innovation in policy to ultimately achieve an effective economy wide carbon price.”

Jaime Martin Juez, Director of Technology and Sustainability at Repsol commented: “Climate challenges require us to be ambitious in emissions reduction targets, however we can’t ignore competitiveness. The two challenges must be addressed
together and try to be mutually reinforcing. This will only be achieved through a serious, rigorous and reality-based debate, away from ideological debates that do not have solid support.” He also stressed that “innovation and technological development are essential for ensuring reliable and sustainable energy supply in the long term.”

Finally, John Cooper underlined that “one of the biggest challenges for our industry is the evolution of our transport system. Tomorrow’s vehicle fleet is chosen by today’s regulations, these should consider carbon life cycle”. Furthermore, he said that “Europe’s longer term strategy seems to be an ambitious technology approach, but with limited options and a tendency for picking winners. We strongly believe in the capability of the market to deliver the most effective solutions to achieve environmental targets in an economically sustainable way”.

John Cooper welcomed the continued interest from Member States, Commission and other stakeholders in the next Refining Forum and thanked the Commission, DG Energy, for organising this constructive discussion platform.

Mechthild Wörsdörfer, Director in DG Energy, closed the Forum taking stock of the high level of interest for this multi-stakeholders platform for debate and mentioning the plan for the next edition.