

## **Briefing for Deputy Director-General Mechthild Wörnsdörfer**

### **Request (ENER/6450) - Meeting with John Cooper, Director General of Fuels Europe**

**18 January 2022 11:00-11:30**

Contact points: [REDACTED] (ENER.C2, [REDACTED]), [REDACTED] (ENER.A4, [REDACTED])

#### **SCENE SETTER**

FuelsEurope represents the interest of 40 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.**

Fuels Europe is concerned about the **increasing focus on e-mobility** in the EU's decarbonisation strategy and argues that low carbon liquid fuels such as sustainable biofuels, renewable hydrogen and power-to-liquids are a necessary complement to electric mobility in especially for long haul heavy duty road transport, aviation, and marine, as well as for petrochemical feedstocks, lubricants and other products.

Further, they are of the view that low carbon fuels have the advantage that they can contribute to decarbonisation by reducing emissions of all the vehicles in circulation, while the rollout of electric vehicles will take much longer to provide significant results. They will likely present the **results of a study conducted by the Imperial College London which found a substantial potential for producing biofuels and other low carbon fuels** and may also refer to the Own Initiative Opinion on "Automotive Eco-systems" which also sees a role of renewable and low carbon fuels.

The **EU Refining Forum** – regular gathering of stakeholders from the refining and associated sectors co-organised by the Commission and FuelsEurope - was launched in 2013. It has met twice a year – in a high-level format with the participation of the Commissioner and in a technical format. It debates energy policy issues, which impact the refining industry as well as security of supply of oil and petroleum products in the EU. The EU Refining Forum provided room for discussions on planned and future EU regulatory proposals and policy initiatives with the industry, Member States and non-governmental or international organisations. In the past, the discussions at the Forum have proved useful in discussing ongoing policy initiatives such as the refining fitness check, the industrial emissions directive (IED), the fuel quality directive (FQD) and the ETS reform.

However, the main focus of the European energy and climate policies are now focussing on green transition and climate neutrality, within the framework of the European Green Deal. This has a broader focus than strictly refining industry, and over the years, the **refining forum became of solely consultative nature, without tangible policy outcome for the Commission.** The last two forums took place in

January 2020 (expert level forum), and in February 2021 (high level forum with the Commissioner).

### **OBJECTIVES OF THE MEETING**

- Take note of the policy messages from Fuels Europe
- To inform the interlocutor, FuelsEurope, on the **Commission's intention to end the forum in the current format as the original purpose no longer exists**
- To discuss whether other options of replacement are needed, such as:
  - To remain **open to meetings between DG ENER and FuelsEurope** to discuss policies
  - To propose to **join the thematic of the forum to other existing fora**

## KEY MESSAGES

### Transport decarbonisation and biofuels

- Implementing the Green Deal, achieving climate-neutrality by 2050, will require a deep transformation of our economy and of the way we produce and consume energy. On the cost-effective path towards climate-neutrality, we proposed to step up our greenhouse gas reduction target to at least 55% by 2030.
- The transport sector plays a key role in this context, as it is responsible for 32% of final energy consumption and 24% of total greenhouse gas emissions. In addition, the transport sector relies on oil for 94% of its energy needs.
- Decarbonising the transport sector will require a gradual transformation of the entire transport system and hence an integrated approach to transport policy. The Commission has outlined its vision to decarbonise transport in the Energy System Integration and the Sustainable and Smart Mobility Strategies:
  - We consider that **transport should be electrified wherever possible** (e.g. passenger cars, light duty vehicles, rail, coastal or inland ships, etc) and be powered by increasing levels of renewable electricity.
  - Second, increasing shares of **sustainable renewable fuels will be needed to decarbonise those transport uses that cannot be electrified, such as aviation and maritime**. Our projection show that both biofuels as well as hydrogen and hydrogen-based synthetic fuels will need to play an important role in those sectors.
- However, **biofuels need to be truly sustainable**. The Commission believes that biofuels based on food and feed crops (conventional biofuels), including biodiesel produced from oil crops (e.g. rapeseed), have only a limited role in decarbonising the transport sector and their use should be minimised. This is due to their indirect effects on land use change, which may cause an increased level of deforestation.
- This is why the **revised Renewable Energy Directive limits the contribution of conventional biofuels towards decarbonisation of the transport sector**, while promoting a gradual shift towards advanced biofuels and other renewable fuels, including electricity.
- Our projections show that both biofuels as well as hydrogen and hydrogen-based synthetic fuels will need to play an important role in those sectors.
- The “Delivering the European Green Deal” package fully reflects the special situation of the aviation and maritime sector and includes a number of measures to promote specifically the uptake of sustainable renewable fuels in in these sectors.

#### Measures in the Renewables Directive (RED):

- RED proposal sets **transport-wide targets for renewable energy including a new target of -13% for GHG intensity of fuels supplied to transport sector, across all modes**.

- It further sets new sub-target for **renewable fuels of non-biological origin (RFNBOs) (2.6% by 2030) and advanced biofuels (2.2% by 2030)** across all modes. The use of these fuels in the maritime and aviation sector is incentivized by the use of multipliers.
- Apart from the review of the Renewables Directive, we are also preparing a number of pieces of implementing legislation, which are important for the promotion of renewable fuels.
- This includes methodologies for the production of renewable hydrogen and hydrogen based synthetic fuels also known as e-fuels or renewable fuels of non-biological origin. We will finalise these methodologies by end of this quarter.
- The methodologies will facilitate the uptake of renewable fuels of non-biological origin, which are key to decarbonise hard to abate sectors.

#### Next steps

- Discussions with Member States have started on all files. ITRE will be in lead for the Renewable Energy Directive (ENVI has exclusive competence on sustainability matters).
- We are hoping for a smooth co-legislative process. The French Presidency aims for an agreement on a general approach by June.

#### Refining Forum

- Since 2013 the Refining Forum has provided a **consultative platform for the most pertinent energy policy issues**, even if the Forum itself is not a binding decision making body.
- The focus of European energy policies is shifting towards the climate neutral energy transition and for the refining industry it is of particular importance to accommodate this trend.
- The traditional business of crude oil refining will not disappear, and will exist in the petrochemical production, however, for fuels, the transition to alternative fuels, low carbon biofuels and renewables is inevitable.
- Over the last fora, this trend was clearly visible, as the focus of the discussion was mostly shifted to energy intensive industries, the impact of the European Green Deal, Fit for 55 package, sustainable transport, hydrogen, etc.
- **The focus of the topics is gradually shifting to issues principally falling in the remit of other DGs**, such as MOVE (transport), GROW (energy intensive industries), or crops used for biomass production (AGRI).
- Both, the Commissioner and DG ENER, are interested in having **regular meetings with FuelsEurope**, as we have views to exchange on general energy market situation and modelling results on low carbon biofuels and renewables in the future and other policy issues.
- However, given that the usual topics are mostly covered by **other fora in the Commission** (transport, hydrogen, etc.), we believe that **organising a dedicated refining forum is no longer necessary**, as it does not yield tangible results neither for the Commission, nor for the industry.

## **KEY INFORMATION**

<b>Topics</b>	
<b>Study on Available sustainable biomass by Imperial College London (commissioned by Fuel Industry)</b>	<p>The study estimates a sustainable domestic potential in advanced biofuels under Annex IX of RED II of up to 80 Mtoe by 2030 (with imports 100 Mtoe) and up to 135 Mtoe by 2050 (with imports 175 Mtoe).</p> <p>The study takes into account overall biomass production potential under the RED II sustainability criteria and subtracts non-transport needs based on Commission scenarios from the Impact Assessment of the 2030 Climate Target Plan.</p> <p>Estimates of total sustainably available biomass from agriculture, forestry and waste are similar to recent JRC and RTD estimates.</p> <p>Since algae and other Annex IX feedstocks are not assessed due to lack of data, the estimates could be considered conservative.</p> <p>However, accuracy of the estimates depend also on the availability of renewable hydrogen for fuel processing by 2030 and 2050 as well as how well degraded and abandoned lands are utilised for cellulosic crops.</p> <p>Furthermore, the study suggests taking advantage of previously unused forests (non-protected areas), and includes stumps and roots as well as stem wood not required by material demand as part of the bioenergy potential.</p> <p>It is therefore unclear how realistic the sustainable forest biomass potential is considering the Commission proposal of the RED II revision excludes stumps and roots as well as quality round wood (stem wood that could be used for materials). Furthermore, it seems not to account for the LULUCF Regulation, which aims to maintain and increase forest carbon sink.</p> <p><u>Microsoft Word - Sustainable Biomass Availability in the EU Part I and II - final version (fuelseurope.eu)</u></p>

## **DEFENSIVES**

### ***Do you think that biofuels are required for decarbonising transport?***

- Decarbonising the transport sector will require a transformation of the entire transport system and hence an integrated approach to transport policy, including both increasing the efficiency of the transport system and its vehicles and replace fossil with renewable and low-carbon fuels.
- Research shows that there is no single clean 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. Electrification is going to play an increasingly important role for passenger cars and light duty vehicles. Advanced biofuels are needed to decarbonize sectors difficult to electrify, such aviation and maritime.

### ***How does Commission see the future of conventional biofuels?***

- The Commission considers that the contribution of biofuels produced from food and feed crops towards decarbonisation is limited and their use should be minimised. Against this background, the Renewable Energy Directive introduced limits for conventional biofuels and focusses on the promotion of biofuels produced from wastes and residues such as advanced biofuels.

### ***The criteria to account hydrogen under the renewable energy target for the transport sector that are proposed in the draft DA on additionality are too strict.***

- The Commission is requested under RED II to set out methodologies ensuring that the use of renewable fuels of non-biological origin (RFNBOs) is contributing the decarbonisation effort. This concerns in particular rules for the production of renewable hydrogen from grid electricity as well as a methodology to determine emissions savings. The delegated act is specific for renewable hydrogen counted towards renewables target in the transport sector under REDII.
- We are aware of the importance of this topic for the uptake of the renewable hydrogen market and we are looking at it in a way that supports the achievement of the goals of the EU Hydrogen Strategy, which gives a key role for RES Hydrogen to achieve climate neutrality.
- The obligation to adopt this delegated act stems from existing legislation and applies independently from the ongoing revision of REDII. The delegated act will therefore determine the regulatory framework for the production of RFNBOs for at least 3 years.
- Services are working on how to translate input into delegated act that corresponds with regulatory requirements including how to implement additionality requirements, including requirements for temporal and geographical correlation.
- It would not be appropriate, however, to comment on the leaked text. Work on these methodologies is still ongoing. They have not yet been politically validated. The Delegated Act will be adopted by the Commission by end of this quarter.

***In addition to renewable fuels, we also need to support low carbon fuels and gases (e.g. blue hydrogen, turquoise hydrogen).***

- We consider that low carbon fuels can play an important role for decarbonisation in a transition phase. While the RED will continue to focus on renewable fuels, low carbon fuels and gases are covered by the gas decarbonisation package tabled by the Commission on 15 December. The package includes definitions as well as a fully-fledged certification scheme for such fuels. Rules for determining the carbon intensity of low carbon fuels and gases.

***Europe represents around one sixth of global refining capacities and demand for refined products in the EU is more than 10 of the global demand. Why does the Commission want to discontinue the forum, as it represents an important industry?***

- The Commission wants to continue discussion with the industry, as we did in the past, we can exchange our views on the energy market developments and modelling results with FuelsEurope, the umbrella organisation of the European refining industry or with any of its member companies.
- However, for this we do not need to have a dedicated forum, and stakeholders active in refining and energy intensive industries regularly attend other fora organised by the Commission in various areas, such as transport, hydrogen and biomass.