

Brussels, 3rd of June 2020

FuelsEurope's response to the EU's recovery plan from the Coronavirus emergency: a call for a climate-neutral, resilient and socially just economy

FuelsEurope, representing the EU refining and marketing industry, welcomes the Recovery Plan published by the European Commission on the 27th of May. We recognise that the Covid-19 crisis has put our society and economic model under the most severe test in decades. As there won't be a return to business as usual, we believe that the EU refining industry is well placed, leveraging its technological excellence, to step up the ongoing low-carbon transformation while recovering the economic sustainability of its operation.

The EU refining industry is in fact already engaged in a transition aiming at contributing to the EU climate neutrality in 2050, through investments in R&D projects and the early demonstration and deployment of clean technologies. These technologies have already been proven at different readiness levels, but they need to be implemented at scale with *no delay*. Therefore, FuelsEurope firmly believes that the Recovery Plan should contribute to create the conditions for unlocking investments in low-carbon technologies for fuels, petrochemical feedstocks and other refinery products.

FuelsEurope would like to focus on the **LESSONS LEARNED** during the crisis in those areas that rely on this industry for their functioning during emergencies:

Transport: while the lockdown imposed in many countries on many sectors of the economy resulted in a dramatic decrease in the demand for transport, workers and goods involved in providing essential services to society still needed reliable transport.

The EU refining and marketing industry:

- Has kept refineries working, limiting the workforce to the essential tasks for safe and reliable operation of plants, protecting own personnel and contractors from the spread of contagion.
- Has quickly adapted its manufacturing cycle to supply fuels and other products according to the changes in demand.
- Has leveraged on its flexible logistics and distribution system to make products available where and when they were needed. This has allowed both medical equipment and personnel to travel to their destination and food and other essential goods to be delivered without disruptions.

Supply chain: the petrochemical feedstocks produced in refineries have kept flowing to the chemical industry, another strategic component of the EU industrial chain, and this has been crucial for the provision of essential products and material during the emergency.

Security of supply: while, during the crisis, challenges arose over the smooth supply of critical goods, for which the EU depends on imports, the reliability of refineries and the strategic reserves of refinery products (equivalent to 90 days of average supply volume) ensured self-sufficient, secure supplies for the EU economy and EU citizens.

Resilience: the EU refining industry so far has demonstrated its flexibility to adapt to unexpected and challenging conditions, providing an important contribution to the efforts of EU governments to overcome the Covid-19 crisis, even whilst experiencing a very difficult financial situation.

FuelsEurope believes that the EU recovery plan should give adequate consideration to the following interdependent objectives for our sector:

- Enabling the low-carbon transition of this industry in line with the EU ambition of a climate neutral economy by 2050.

Linked with

- Facilitating the economic recovery of the EU refinery industry, which has been severely impacted by the Covid-19 crisis so that it can keep going in the transition and build back better.

In this light, we would like to recommend the following measures:

1. CLUSTER “TRANSITION TOWARDS CLIMATE NEUTRALITY”¹: seize the opportunities from the Green Deal to transform the EU refining industry to achieve both climate neutrality and the resilience of the sector to future challenges and shocks:

- a) Adopt holistic regulatory measures for the uptake of low-carbon fuels that are instrumental to the climate neutrality.
- b) Secure investors’ access to economic stimulus and policy incentives for transformative projects in refining assets and distribution systems.
- c) Ensure that sustainable finance policies recognise the role of technologies that are instrumental to the energy transition (including CCS, CCU, hydrogen and others) and grant access to the EU funds dedicated to climate-related investments.
- d) Unlock investments: put in place regulatory incentives to create a stable, predictable market for refinery products with progressively lower carbon footprint and support the contribution of low-carbon fuels towards the EU’s 2050 carbon-neutral ambition.
- e) Ensure refineries’ access to affordable and sustainable energy and feedstocks.
- f) Enabling the use of end-of-life plastics to achieve both a fully functioning circular economy and the uptake of low-carbon liquid fuels.

¹ See also FuelsEurope’s Vision 2050 – <https://www.fuelseurope.eu/vision-2050/>

CLUSTER “HELP THE REFINERY SECTOR GET BACK ON TRACK”: in view of extraordinary circumstances created by the Covid-19 crisis, exceptional and temporary measures are needed to help the refinery sector to recover. In particular:

- a) Recognise the key role the refining industry plays in ensuring the resilience of the EU economy and safeguard the sector as strategic.
- b) Ensure protection from carbon leakage risk and unfair competition from outside of the EU until consistency on carbon pricing and ambition is achieved.
- c) Mitigate the risk of future under-allocation in the second sub-trading period of ETS phase 4 by taking into account that 2020, due to the economic crisis, is not a representative year to establish the reference historical activity level.
- d) Put in place the enabling conditions for the repurposing of conventional refining plants into low-carbon products manufacturing facilities in line with the EU’s 2050 climate-neutrality ambition, including by streamlining the refinery permitting process for all necessary changes in operations.
- e) Encourage Member States to make support programs available for employees displaced by Covid-19 in the refining and marketing sectors and to promote public procurement for low-carbon products.

3. CLUSTER “GENERAL MEASURES TO BOOST THE ECONOMY AND SUSTAINABLE GROWTH”:

- a. Re-establish the correct functioning of the EU Single Market as quickly as possible and in compliance with the health protection measures, including full intra-EU freedom of movement of workers and goods.
- b. Put in place appropriate measures to relaunch the economy, in particular hard-hit strategic sectors like vehicle manufacturing and air travel with a strong link to CO2 reduction. This could include support measures (e.g. purchasing grants, VAT reduction, etc.):
 - i. For the renewal of car and truck fleet with more efficient ICE (e.g. Euro 6d) and hydrogen/electric power train, as well as
 - ii. Enabling a broader use of low-carbon fuels in GHG-efficient vehicles, planes and vessels/ships.
- c. Launch infrastructure projects in support of the broader objectives of the EU climate neutrality ambition by 2050 (e.g. distribution network for renewable energy, CO2 pipelines, hydrogen etc.).
- d. Support for EU coordinated fiscal interventions to avoid detrimental consequences to the long-term growth and intra-EU distortions while keeping the level playing field as well as fair competition among economic actors inside and outside the EU.

NO ONE LEFT BEHIND

As the EU delivers the EU Green Deal objectives, the recovery phase should leave no one behind. The economic and social recovery after the Covid-19 crisis and also the energy transition clearly indicates that there will not be a return to business as usual for the fuels industry. As well as a move to lower carbon intensity fuels, through investment in new technologies, there will also likely be a lowering of the overall consumption of the different types of liquid fuels in the EU. As this has many implications for businesses and stakeholders including employees, support and services industries, the towns and communities around them, policymakers should

be ready to support a socially “just transition” dedicated to the EU refining and marketing industry.

FuelsEurope, the voice of the European petroleum refining industry

FuelsEurope represents with the EU institutions 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.

FuelsEurope aims to promote economically and environmentally sustainable refining, supply and use of petroleum products in the EU, by providing input and expert advice to the EU institutions, Member State Governments and the wider community and thus contributing in a constructive and pro-active way to the development and implementation of EU policies and regulations.

