

To: HOLOLEI Henrik (MOVE)

Cc: [REDACTED]

Subject: Record of meeting with FuelsEurope with Henrik Hololei on 12/09/2016

Record of meeting with FuelsEurope

Date: 12 September 2016 (11h30-12h30)

Participation:

FuelsEurope: [REDACTED]

European Commission: Henrik HOLOLEI & [REDACTED]

FuelsEurope:

Points made: FuelsEurope supports the development of CO₂ standards for cars but technology neutrality of these standards is important for their members. Policies need to be better focussed on lowest-cost solutions. They considered that electromobility was given emphasis in the recent Low-Emission Mobility Communication. Electric Vehicles (EVs) "will and should have a role", but FuelsEurope is concerned about their "over-subsidisation". EVs are over-supported as compared to other technologies, sometimes at an implied carbon cost of over €1000 per tonne of CO₂ abated. EVs could potentially account for about 30% of the vehicle fleet, but EVs are not suitable for many types of journey (e.g. freight) and liquid fuels would still be needed for HDVs, maritime, aviation and machinery. FuelsEurope feels there's a need for much more balance.

FuelsEurope would like the processing of fuels to benefit from more policy support: electricity isn't "zero-emissions" today, and the manufacturing of liquid fuels has the potential to perform much better. Fuel itself could also enable car engines to perform much better (with additional oxygenates). Car-makers want to use better fuels and then be rewarded for doing so under the CO₂ standards.

FuelsEurope explained several ways in which the manufacturing of transport fuels could be improved, including energy efficiency improvements on site, CCS at the site, power-to-gas and green hydrogen. They could potentially almost halve the carbon content of fuels that could be used in all modes of transport. FuelsEurope wants a long-term policy framework. Liquid fuels can be both relevant to decarbonisation and be competitive.

A way must be found of crediting this improvement in the CO₂ impact of fuels. At the moment, car makers are selling electric cars at a loss in order to comply with the CO₂ standards; they can't make money on EVs. Penalties of the CO₂ standards are so high they push car manufacturers to sell EVs at a loss. Why not subsidise CCS at the fuel manufacturing site to the same extent?

FuelsEurope argued for choosing cost-effective solutions and a proper assessment of what things cost in the Commission's Impact Assessment work. In the longer-term they wish the implicit price of carbon to converge between different policy tools.

On air quality they emphasised that EVs were not zero-emission, as power generation was not clean. The application through fleet renewal of Euro 6 standards for cars and trucks, combined with the

improvement of testing standards, would bring very substantial air quality improvements through to 2030.

Commission:

The Commission representatives underlined that the alternative fuels infrastructure Directive is technologically neutral, giving space for all alternative fuels. Technology neutrality was still respected by the Commission, also in its recent Communication of a Low Emission Mobility strategy.

The continued availability of liquid fuels is important for several modes for some time, and in some cases, e.g. aviation, for a considerably longer time. We are being realistic. Maritime might use natural gas in the future but aviation has few alternatives to kerosene (with possible exception of bio-kerosene).

Cost-effective was a very necessary criteria against which to assess all policies. Europe wanted to maintain its refining capacity. Transport was recognised as being crucial to maintaining the EU's competitiveness. However, moderating energy demand was one of the goals of the Energy Union, and not just for Climate Change reasons.

On air quality, the Euro6 standards are crucial, in conjunction with the improvements that the Commission has proposed to strengthen test cycles.

Revision of the Renewable Energy and Fuel Quality Directives is foreseen for later this year and revision of the CO2 standards for cars in 2017. FuelsEurope should follow this work closely. The transport sector as a whole must contribute towards the Paris Agreement's Climate Change goals, and the Commission would expect all modes of transport to contribute within the limits of cost-effectiveness and Impact Assessment work.

Reporting by: [REDACTED]

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