



Mr. Valdis Dombrovskis

Executive Vice-President for An Economy that Works for People
European Commission

Mrs. Mairead McGuinness

Commissioner for Financial Services, Financial Stability and Capital Markets
Union
European Commission
Rue de la Loi 200, 1049 Brussels

Madrid, 11th December 2020

Dear Executive Vice-President Dombrovskis,

Dear Commissioner McGuinness,

Let me first congratulate you for the European Commission commitment in the fight against climate change and continuous engagement with the business community in this global effort.

One of the key pieces of the European regulation on climate is the Sustainable Finance Package, and in particular the **Delegated Regulation on a climate change mitigation and adaptation taxonomy**, which is currently in the process of being adopted. After reviewing the draft, and in light of the current state-of-the-art of the technologies to achieve a reduction in our carbon intensity, I would like to advocate for a more comprehensive approach, as described hereinafter.

Repsol is an energy company undergoing a profound transformation from an oil and gas to a multi-energy company, serving the customer with the energy products and services that they and our planet need. You may be aware that in December 2019, Repsol was the first company in its industry that committed to net-zero CO2 emissions by 2050, with associated interim targets. Other European oil and gas companies followed suit. Just some days ago, Repsol communicated its new Strategy for 2021-2025 and beyond, re-affirming its net-zero 2050 commitment and accelerating the decarbonization path with more ambitious interim targets.

As shown in the energy scenarios developed by the European Commission, decarbonization towards net-zero will be driven by a combination of an intense electrification based on renewables combined with low-carbon liquid and gaseous fuels, with a growing share of advanced biofuels from organic waste, synthetic fuels and renewable hydrogen.

Repsol shares the vision of a hybrid decarbonized energy mix and will strongly play on both fronts. We have already entered the generation of renewable energy with hydro-based assets and have just started to produce electricity using wind power. We will continue growing our wind and solar energy footprint, taking advantage of the privileged resource availability in Spain to reach 7.5 GW in 2025 and 15 GW in 2030.

With regards to the second pillar of the hybrid decarbonized energy mix, we are going to deeply transform our oil refineries. As of today, Repsol owns in Spain one of the most competitive and energy-efficient refinery networks in Europe. This is going to be the base to progressively substitute oil and natural gas as feedstocks and energy inputs to our refineries with residual organic biomass and renewable electricity. These are not just words. We have announced and launched specific projects that are already being engineered to be on-stream from 2023 to 2025 in our refineries: advanced biofuels from used oils and fats, fuels from recycled plastics, renewable hydrogen from biomethane and electrolysis, and synthetic fuels.

We firmly believe that the production of low carbon fuels can be deployed and accelerated in a more competitive way by using today's first-class refineries in Europe, thus avoiding delocalization of the manufacture of these industrial products, which will be an essential part of the solution to climate change.

Therefore, we are convinced that all the activities described above should be included in the Taxonomy with their adequate classification in order to avoid the risk that financial markets are already perceiving, that a too narrow taxonomy can hinder the necessary investments instead of accelerating them. That is why the financial markets are already creating new instruments to include them in a broader concept of sustainable finance, like the transition or the Sustainability-linked bonds.

Accordingly, we kindly request, as included in the allegations we are sending to the European Commission, the following changes to the draft delegated act:



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- **Manufacture of biogas and biofuels for use in transport:** we welcome the effort to align the technical screening criteria with the Directive (EU) 2018/2001 (RED II), but a complete alignment between these two pieces of legislation will be necessary to promote all sustainable forms of biofuels. The RED II already provides the sustainable criteria that all biofuels need to meet to be considered eligible. In this line, for the sake of completeness, the description of the activity needs to be amended in order to include not only gases as biofuels can be liquids as well.
- We also call for the explicit inclusion in this section of **liquid and gaseous transport fuels of non-biological origin and recycled carbon fuels** as they are defined in the RED II.
- Likewise, **the manufacture of biofuels should classify as an environmentally sustainable activity, instead of transitional.** Its use is key for achieving the emissions reductions needed in the transport sector. This consideration would bring stability in the long term and regulatory certainty. As a reference, according to the Commission's impact assessment on the 2030 climate target plan, aviation will need 63% sustainable aviation fuels, made in large part from advanced biofuels.
- **Manufacture of low carbon technologies for transport:** it currently uses a tailpipe methodology approach, which, in our opinion, is misleading for the objective of the fight against climate change. The "life-cycle approach" used along the draft should apply to all transport sections, in line with the purpose pursued, as well as with the main pieces of legislation and the European Green Deal. Zero direct tailpipe CO2 emissions are only achievable with electricity or hydrogen. This is not consistent with the Emission Trading System, the Effort Sharing Regulation, the RED II and the Fuel Quality Directive, where CO2 coming from biomass combustion is considered to be zero.
- **Manufacture of hydrogen:** this section, which we highly welcome, should include all sustainable production methods of hydrogen. This could be done in a consistent manner with the thresholds proposed by the TEG in its report.

Repsol is fully committed to the EU efforts geared towards fighting climate change and understands that the proposed amendments would improve the availability of funds and projects to reduce CO2 emissions faster.



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We remain fully confident in your understanding, and we continue at your service, as European citizens, to promote and serve the highest objectives of our common ground.

We are at your disposal should you wish to further discuss the issues addressed in this letter.

Yours sincerely

