

Brussels, 20th July 2016

On July 20th, 2016 the European Commission presented its European Strategy for Low-Emission Mobility. FuelsEurope welcomes the proposed integrated approach involving all relevant stakeholders, and the holistic view recognizing that fuels, vehicles, infrastructures, transport management systems and consumers all play an integrated role.

We appreciate also the principle of a trajectory to achieve overtime a major reduction in GHG and air pollutants emitted in transport, whilst at the same time safeguarding the competitiveness of the EU industry and economy.

John Cooper, FuelsEurope Director General commented *“FuelsEurope welcomes the comprehensive approach taken by the Commission including renewed commitments to technology neutrality and transparency but there is a great deal of work to do in designing the regulatory measures, and this will need care to ensure that the end result meets Europe’s objectives, in a cost-effective manner.”*

FuelsEurope has the following specific comments on the Commission’s Communication:

Air quality

FuelsEurope fully recognizes the air quality problems in European cities and the need to take action to meet air quality standards. However this does not necessarily require wide-scale electrification as best-in class Euro 6 ICE-based vehicles including hybrids already can achieve extremely low emissions levels.

FuelsEurope strongly support the adoption of “real driving” emission tests and a robust implementation of EURO 6 standards for all road vehicles, which – especially if accompanied by accelerated scrappage of the oldest vehicles – will result in rapid and cost-effective improvement in air quality in cities. . A recent study from Concawe¹ has modelled urban air quality based on fleet turnover to Euro 6 vehicles with a range of conformity factors. It concludes that while transport is already today a minor source of particulate matters (PM) in cities (the domestic sector is the main emitter), from 2020 onwards NOx emissions from urban mobility will progressively reduce to enable compliance with the air quality limits, with only a few residual geographical areas of non-compliance: for the latter, specific measures taken at city level, such as those presented in the Communication, can solve the remaining shortfalls.

Zero-emission vehicles and electrification

We recognise that there is a long term vision for electrification of light transport, and can see that electrification has high potential in several areas. In fact electrification is clearly already complementary to liquid fuels and ICE powertrains, as can be seen by the increasing use of hybridization in vehicles. The electric motor is a very effective propulsion device, however large batteries for full electric vehicles are very expensive despite recent progress.

¹ Concawe Urban Air Quality, Report 11/16 - <https://www.concawe.eu/publications/560/16/Urban-Air-Quality-Study-report-no-11-16>

The cautious approach taken by the Commission with regard a possible mandate for zero-emission vehicles is welcome, given the very high costs that can reasonably be expected. These costs have to eventually be covered by Member States (therefore taxpayers) and consumers. In addition, high costs for grid development and charging infrastructure will result in an additional burden for electricity users.

Currently, every electric vehicle (EV) on the roads of the EU has received incentives and subsidies.

Full electrification of light transport will be meaningful once the following conditions will have been fulfilled:

1. Significant reductions in costs of batteries,
2. Customers prepared to purchase EVs without heavy incentives and subsidies,
3. Significant life-cycle GHG emissions reductions from EVs compared with the latest generation of ICE vehicles and fuels, and,
4. Electrification becomes an industrial opportunity for EU businesses, not just a threat or a loss of jobs for our automotive industry.

Biofuels

Biofuels have the inherent advantage of being liquid fuels compatible with the existing infrastructure and vehicles.

FuelsEurope believes that over the longer term mandates might not be a cost effective method to reduce GHG emissions; however, if mandates or other incentives for new technologies were to be considered, these should set achievable targets, be based on well-to -wheel assessment of emissions and respect the single market. Moreover, mandates should be limited in time and cost since, in the long term, every technology should compete on its own merits in a free market regulated by an economy-wide carbon price.

Since 2009 the fuels industry has been required to blend biofuels but this has been largely invisible. In the future, measures on biofuels should make the GHG benefits visible to consumers and carmakers.

Regulation should define the sustainability of biofuels and we support the Commission's intention to drive the transition to the most sustainable biofuels.

Efficiency standards

A continuation of efficiency targets on vehicles should respect the technology neutrality principle with realistically set targets and achievable through different technologies.

The penalty level should be based on a reasonable carbon cost and also taking into account fuel cost savings (based on a long-term average fuel price). Where manufacturers chose to pay such a lower penalty price, this could be regarded as an alternative compliance mechanism.

We welcome the Commission's idea for a holistic approach in giving better information to customers, including GHG emissions associated with fuels and energy.

In the future, the CO₂ methodology of the current vehicle efficiency regulation should be reconfigured to take into account the real GHG intensity of electricity, liquid fuels (including biofuels contribution) and life-cycle for vehicles. We note this will create methodological challenges as a result of the sectoral approach, but the current distortions must be addressed.

Aviation & Shipping

For Aviation & Shipping, we welcome the Commission's proposal to seek global solutions through global standards. These modes will likely continue to rely on liquid fuels for decades to come, providing further argument for the need for a technology strategy that includes advanced biofuels and other technologies for lower-carbon liquid fuels.

Technology Strategy

We welcome the Commission's commitment to research, innovation and competitiveness, and the proposal to make funds available for the development of innovative technologies.

We also note that mandates to deploy today's technology for alternative powertrains are not the same as a well-constructed technology strategy.

Europe needs stronger support for R&D, managed as a technology neutral portfolio, and to include electrification, advanced biofuels, other routes to lower carbon liquids, and vehicle efficiency, to produce cost effective solutions, so that EU technology can be not only create solutions for meeting EU climate goals but also offer the opportunity for the EU industry to export its technology and products.

Convergence of carbon costs

Historically the cost of transport GHG reduction measures have been opaque in terms of costs, to customers, fuels suppliers, vehicle makers and taxpayers. We call for transparency of carbon abatement costs, so that wise decisions can be taken, finding the most cost-effective measures, and also those supporting the industrial growth objectives of the EU.

For the longer term, we will need a policy pathway to give convergence of carbon prices across the economy.

For the medium term, we can move in this direction by having penalties that operate in fuel and vehicle efficiency regulation referenced to a carbon price in a transparent manner.

Impact Assessment

The Commission's proposals could have far-reaching implications for many stakeholders. As part of the better regulation agenda we call for independent impact assessments that assess benefits and disadvantages, direct and indirect effects and costs in a fully transparent manner.

Fossil Fuel Subsidies

FuelsEurope believes that the definitions of “fossil fuel subsidies” need urgent rethinking. While we have advocated for some time that fuel taxation across petrol and diesel should be levelled, it is a fact that in 2014 fossil fuels gave a net contribution to the EU states budget of €270 billion, in the form of tax revenues.

Business Transition

We welcome the Commission’s commitment to the competitiveness of the European economy.

To meet Europe’s climate goals, solutions will have to be implemented by Europe’s energy and transport industries, supplying transport energy, fuels, vehicles, and services to citizens and businesses.

If they are successful at this then Europe’s industry will have the opportunity to export these solutions to other countries of the world. Solutions that are cost-effective will be exportable, and adoptable by other countries.

We believe that a successful strategy for EU GHG reduction will need to enable viable business models for vehicle, fuel and energy providers. A key objective of EU’s policies should be to provide a stable, fair, long term policy framework to ensure predictability to investors. We believe that this framework will ultimately need consistency of carbon costs across the economy to achieve this aim.

Conclusion

John Cooper concluded *“FuelsEurope on behalf of all its members will be a proactive and constructive contributor in the efforts to achieve low-emission mobility. We firmly believe that this long term transition will best be achieved through cost-effective, technology neutral and predictable policies which also safeguard the internal market. Our Association makes available the experience of an innovative and continuously evolving industry to contribute to this transition.”*

FuelsEurope, the voice of the European petroleum refining industry

FuelsEurope represents with the EU institutions the interest of 41 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 inform and provide expert advice to the EU institutions and other stakeholders about European Petroleum Refining and Distribution and its products in order to:

- Contribute in a constructive way to the development of technically feasible and cost effective EU policies and legislation.
- Promote an understanding amongst the EU institutions and citizens of the contribution of European Petroleum Refining and Distribution and its value chain to European economic, technological and social progress

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