Energy Efficiency Directive

FuelsEurope, which represents 41 companies operating refineries in the EU that account for almost 100% of EU refining capacity, supports the goals of the Paris Agreement and the EU's ambition to reach climate neutrality by 2050. We are committed to provide input and expert advice to the EU Institutions, Member State Governments and the wider community, to contribute in a constructive and pro-active way to the development and implementation of EU policies and regulations.

FuelsEurope welcomes the European Commission proposal on the revision of the Energy Efficiency Directive (EED), in particular the efforts to encourage energy efficiency in the EU. Better energy efficiency will help to conserve resources, to improve international competitiveness, and to reduce the EU's greenhouse gas emissions.

The refining sector is keen to contribute with the following suggestions.

1. Setting a cap on energy consumption might hamper industrial output, as technologies for decarbonisation might be very energy intensive (Articles 1 and 4)

As a general remark, FuelsEurope believes that fixing absolute targets for energy reduction is not the same as improving energy efficiency. In fact, the decarbonisation of industrial processes (i.e. through electrification of processes or the use of alternative fuels) might mean more energy use, so setting a cap on energy risks to be counterproductive and to undermine the goal of deploying alternative technologies. In other words, if energy efficiency is measured in terms of energy consumption, then there is a risk that the closure or relocation of activity could be reflected in the target. As an alternative, the target could be expressed in energy intensity instead.

In addition, in the proposal the definition of 2030 target changed from an absolute value (reduction of final ***or*** primary energy consumption) towards two targets (reduction of final ***and*** primary energy consumption) to be achieved by 2030. This way, Member States would be obliged to provide the shares of energy consumption of energy end-use sectors (including industry, services and transport) in their national energy efficiency contributions. The European Commission should take into consideration that the absolute final energy reduction is directly linked to major shifts in the structure of primary energy use in each sector.

2. A proper inclusion of the transformation sector is needed, particularly refineries

The transformation sector includes the refineries, however they are not simple energy transformation sites but also industrial installations, technically very complex, where the energy products suitable for consumption as well as other products that do not have energy uses, such as lubricant bases, process oils, waxes and paraffin, asphalt products or solvents and propellants, are produced.

In order to carry out the manufacture of all these products, the refineries buy final energy (mainly electricity and natural gas) to a retail energy sales company, as any industry does. This final energy is consumed for the engines, furnaces, boilers or turbines operation that are necessary for running the process. In refineries, as in all industrial sites, energy efficiency actions are carried out to reduce final energy consumption per unit produced. Refineries have huge potential to carry out energy efficiency actions, and many of them are certified under the UNE EN ISO 50.001 "Energy Management Systems" scheme. Hence, these actions should be considered towards meeting the objectives of the Directive, enabling further energy efficiency improvements and supporting the achievement of the EU's ambition to reduce greenhouse gases.

3. The potential of the "Energy Efficiency First" principle must be better clarified (Article 3)

The proposal introduces the "energy efficiency first" principle into the EED. As noted above, energy efficiency is a key enabler of decarbonisation, and the potential for efficiency gains across the entire energy system must be exploited. However, clarifying the scope of action and application for this principle will be important: the lack of a clear indication on how to operationalize such principle creates significant uncertainty for future policy planning and investment decisions.

FuelsEurope welcomes that, to facilitate the implementation of the Energy Efficiency Directive provisions, the European Commission issued a recommendation to Member States including a guidance how the principle should be interpreted and applied in various contexts. This guidance document should help make the principle operational, and in particular it should include more details regarding the additional factors to be accounted in future cost and benefits assessments, such as impact on employment, GDP, public expenditure, GHG emissions reduction, public health, etc.

4. Energy saving obligations: reasonable target, flexibility for Member States and inclusiveness are required (Article 8)

FuelsEurope would like to comment on the following provisions under the proposal's Article 8 on Energy Saving Obligations:

- The increase of the annual energy savings obligation to be applied on Member States between 2024 – 2030, from 0.8% to 1.5%: this risks limiting the potential for industrial decarbonisation, while also introducing unrealistic energy savings requirements on industry and hindering the potential for growth.
- The removal of the flexibility options provided to Member States in order to comply with this obligation, makes it even more challenging to ensure compliance. National compliance schemes need to remain flexible, and the flexibility of aggregating the energy savings in various sectors should remain.

5. The exclusion of the use of direct fossil fuel combustion as from 1 January 2024risks to affect the deployment of low-carbon liquid fuels

The proposed revision of the Energy Efficiency Directive provides that from 1 January 2024 energy savings resulting from measures involving the direct use of fossil fuels will no longer be counted for meeting energy efficiency obligations. This is particularly affecting our industry, considering that the provisions refers to, amongst others, products, transport and vehicles: it could lead to the exclusion of energy efficiency interventions that involve the use of efficient technologies such as low carbon liquid fuels that, combined with other technologies such as electrification and hydrogen, play a key role for the decarbonisation of the transport sector (road, aviation and maritime). A few considerations follow:

- together with the requirements of stricter CO2 standards for vehicles, these changes risk to encourage a discrimination of low carbon liquid fuels in favor of electric vehicles, particularly if we consider that "*direct fossil fuel combustion*" is not defined in the proposal. Similarly, the deployment of alternative fuels for aviation and maritime, indispensable for the decarbonisation of the two sectors (ReFuelEU & FuelEU Maritime) would be in danger under such provisions. ;
- these requirements create uncertainty on how policies promoting renewable and low-carbon liquid fuels are going to be eligible since 2024;
- currently, other European legislations are better placed than the EED to regulate transport (e.g. the CO2 emission standards for vehicles, the Renewable Energy Directive, specific pieces of legislation dedicated to other transport modes than road transport – e.g. maritime and aviation).

6. The new EED should not reflect the deletion of the conditionality introduced in the ETS directive

FuelsEurope encourages the Commission to reconsider the proposal under the new EU ETS (referencing to delete Art. 8(4) EED). It envisages for the installations covered by the obligatory audits to have 25% of free allocation reduced unless they implement recommendations of the audit report (with pay-back time not exceeding five years and the proportionate costs of those investments), or demonstrate the implementation of other measures which lead to greenhouse gas emission reductions equivalent to those recommended by the audit report.

Such conditionality is in contradiction with the initial objective of the ETS that aimed at rewarding the best performers, early movers in the road to decarbonisation, allowing them to free allowances that the least performers would buy to meet their obligations.

7. The exclusion of the contribution of the ETS sector should be reconsidered (Annex V)

FuelsEurope welcomes the provisions aiming at avoiding double counting: the EU ETS is already aimed at promoting efficiency measures and resulting emissions reductions at the lowest overall cost (so need to avoid overlap EED/ETS).

However, Annex V point 2 (e) requires that Member States cannot count reduced energy use in sectors, including the transport and building sector, that would have occurred in any event as a result of emission trading pursuant to the EU ETS Directive. This provision may complicate the ability to meet the eligibility conditions for energy savings in the EU ETS sectors.

Moreover, one cannot assume that all energy efficiency projects in the ETS sectors would be realized solely on the basis of the ETS CO2-price incentive; this is why both investments under and outside the EU ETS should be treated equally: case-by-case assessments of the objectives/motivation of investments in the EU ETS sectors are needed to establish whether they qualify as additional and material (under Annex V), and therefore eligible for compliance with the EED target.

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.

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