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FuelsEurope Vision Paper for the future of Transport

Brussels, 8 September 2016: FuelsEurope released today its Vision Paper on the Future of Transport in the EU. With this Paper the refining industry, currently supplying 94% of all fuels for transport, aims at constructively contributing to the future of transport debate by presenting a realistic, sustainable and cost-efficient vision for the EU. FuelsEurope recommends on the basis of the technology neutrality principle to take a holistic approach including low-carbon fuels & vehicles, traffic demand, infrastructure improvements, driving behaviour and to integrate in the approach all actors in the transport sector, including consumers, carmakers, infrastructure providers and fuel suppliers. FuelsEurope stresses the need for a cost-effective, predictable and technology neutral transport policy to safeguard the internal market and the interests of consumers and businesses.

Transport performs a fundamental service to society, offering the ability to move goods, people and services. Affordable mobility is a key contributor to the quality of life of European citizens and is intrinsically linked to economic growth. As a key contributor the EU transport system the EU refining industry represented by FuelsEurope released today its Vision Paper on the Future of Transport. John Cooper, Director General FuelsEurope commented "*We need to build a transport system that addresses both climate and air quality issues, but one that also remains effective and competitive for businesses and individuals*."

The transport sector is a significant contributor to GHG emissions in Europe, being responsible for 27 % of EU emissions, including aviation and maritime. The challenge is thus to reduce GHG emissions whilst maintaining fully the benefits of EU's transport system. John Cooper stated: "*all transport fuels and energy will produce GHGs to a varying extent based on the emissions generated during their life cycle*." He added "*road transport GHG emissions intensity in the EU are however already on a reducing trend as a consequence of vehicle efficiency which has been achieving significant improvements, including through contributions of high performance petroleum derived fuels and lubricants".*

FuelsEurope believes that efficiency in all forms of use of fuel and energy remains a highest priority; John Cooper commented "*From recent studies, including by the Massachusetts Institute of Technology, there are further improvements to efficiency that are possible from cars and other light duty vehicles, that can be achieved through careful regulation. We do support a further development of efficiency targets on vehicles, respecting the technology neutrality principle, with cost-effective and realistically set targets and achievable through different technologies*. "

FuelsEurope however warns that current regulation for cars and light vehicles efficiency whilst having successfully driven some major improvements over the last few years, some at extremely high costs partly hidden from the public, should not be simply extrapolated unchanged. FuelsEurope strongly believes that to ensure a fair comparison between transport energy sources and vehicles, it is important to take account of

life cycle analysis of GHG emissions entering the atmosphere, and, to avoid the highest cost solutions, the current carbon price signal should be reduced and an alternative marginal compliance route for carmakers should be introduced, by payment of a penalty possibly linked to carbon markets.

FuelsEurope's Vision Paper also looked at the air quality issues persisting in some areas in the EU. There have been many changes in fuels and vehicle regulation and many other measures in the last 10 years targeting air pollution, with significant improvements in European air quality. However, non-compliance with the Ambient Air Quality Directive remains in terms of specific limit values being breached in many cities. In some cases this is just a few occurrences a year, but in others it may be a regular annual exceedance.

From a recent study commissioned by Concawe, FuelsEurope can conclude that the fleet turnover to EURO 6 will already play a very big role in significantly addressing the urban air quality breaches in most of the areas. John Cooper commented "*the impact of vehicle fleet turnover from a range of Euro 1 – 5 vehicles to Euro 6 under several scenarios, on each of the affected Cities in Europe, over a timescale out to 2030 was very carefully modelled.*" He observed *"the study shows that Particulate Matter (PM) will keep decreasing between now and 2030. In fact, the major contribution to the total primary PM emissions is and will be the domestic sector and by 2020, the major part of primary PM emissions from road transport will consist of non-exhaust emissions from tires, brake wear and road abrasion, independent of powertrain, or fuel*."

John Cooper added "*for NOx we now recognize that the implementation of Euro standards has not been as successful. Reductions have been recorded in the official certification tests, but they have not been achieved in real "on-the-road" emissions. However, the Euro 6 standard, including the new WLTP drive cycle and Real Driving Emissions (RDE) testing, will make significant reductions also in real life NOx, emissions.*"
The results of the Concawe study anticipate that the number of non- or uncertain compliance zones will continue to decline between 2015 and 2030[1], and by 2030 the population living in 'likely compliant' zones increases to 93% leaving only discrete islands of non-compliance. John Cooper stated "*the fact that these remaining non-compliance zones are located in urban areas strongly supports the implementation of targeted, specific mitigation measures rather than sweeping or wide-ranging measures. Those targeted measures could be the support for the turnover of the vehicle fleet to accelerate the uptake of EURO 6/RDE compliant vehicles; a targeted use of low or ultra-low emission zones in a technology neutral way; and targeted measures for fleets operating in the urban area, such as buses and taxis.*"

FuelsEurope furthermore recommends the widespread use of digital technology in Transport, given the significant potential for the connected vehicle, together with automated and assisted driving technologies to contribute to operational efficiencies and therefore achieve useful GHG emission reductions. It is key that stronger technology support is provided earlier in the development cycle, to help create the new technologies in vehicles, fuels, infrastructure and operations that will be needed. Europe should focus on technologies that can be effective globally and will not need long term incentives. This means focussing on those technologies that show they can become cost effective routes to GHG reduction at scale. By doing this, we can also turn our response to the challenge to reduce GHG, into an industrial opportunity for Europe. However regulation that strongly drives implementation (often at high costs) does not appear to be an effective way of supporting new technologies, instead it drives implementation of the current generation technologies.

[1] A scenario that assumes regular fleet turnover to Euro 6 vehicles, with an average compliance factor of 2.8 showed that the percent population living in non-compliant areas falls from 31% to 7%.

FuelsEurope believes there will remain inherent advantages in a liquid fuel, and these will remain essential for many decades for many sectors of transport. John Cooper commented "*We will need to have as many options as possible to reduce the GHG intensity of liquid fuels, and so we will have an intensive dialogue with the Commission about how to support the development and implementation of lower carbon liquid fuel technologies in a cost-effective way over the longer timeframe necessary for these.*"

For the long term, John Cooper suggested that "*effectively reducing GHG emissions will be more cost-effective for the whole EU economy if we implement an economy-wide / cross-sectorial approach post 2030 to decarbonisation instead of a sectorial one. We believe we will need to progressively converge carbon price signals in our whole economy, across what is currently the ETS sector, and also across transport, agriculture and buildings.*" John Cooper concluded "*this will deliver value for the planet at the lowest cost for citizens. The current sectorial approach currently in place has as a result that the implicit cost for decarbonisation in transport can be much higher than in other sectors due to technological immaturity of alternatives*."

- ENDS -

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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