

## FuelsEurope welcomes ITRE vote providing more breathing space for industry during ETS Phase IV

**Brussels, 13 October 2016:** The opinion adopted by the ITRE Committee on ETS reform this morning provides a sound basis for upcoming negotiations. FuelsEurope welcomes in particular the increased flexibility for industry regarding the free allocation budget, the full recalculation of product benchmarks before Phase IV and better reflection of variations in activity levels. FuelsEurope is however concerned about the application of the flat reductions to the benchmarks during Phase IV and the introduction of the CSCF exemption for the 10% best performers, which would lead to unintended consequences.

The vote in the ITRE committee this morning is an important step forward in the decision process that will lead to the revision of the EU ETS. FuelsEurope is confident that the opinion adopted by the ITRE committee on ETS reforms will provide a sound basis for upcoming negotiations.

FuelsEurope welcomes in particular:

- the recognition of the risk of investment leakage;
- the increased flexibility for industry to avoid the application of the CSCF;
- the full recalculation of product benchmarks based on the verified emissions of the 10% most efficient installations before Phase IV;
- the increased dynamicity of free allocation;
- greater harmonisation of indirect costs' compensation;
- the inclusion of CCU (carbon capture and utilisation) as eligible under the innovation fund;
- the increased exemption threshold for small emitters.

FuelsEurope nevertheless regrets that the flat reductions to the benchmarks are maintained during Phase IV, especially given there is no clarity on whether the so-called reality checks will look at the improvement rate for the 10% best performers or at the average population. This could give a significantly different result for a sector such as Refining.

Although recognising the good intention behind it, FuelsEurope regrets the CSCF exemption for the 10% best performers. This would, in addition to implementation difficulties, increase the burden on other installations, and create distortions of competition between best and nearly best installations even though their performance may be very similar.

FuelsEurope finds also very regrettable the absence of vote on those amendments that aligned the carbon leakage status of aromatics, hydrogen and syngas with the status of refineries. Finally, FuelsEurope believes that the lack of recognition of internally generated electricity when assessing sectors' exposure to indirect carbon leakage is unfortunate and should be re-addressed in the next phase of negotiations.

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## 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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