

Call for action: The Clean Industrial Deal should be the cornerstone initiative to affirm the fuel manufacturing sector's role in achieving EU's climate and competitiveness goals.

Achieving the EU's 2050 climate neutrality goal requires a coordinated industrial strategy that protects competitiveness, fosters investment, promotes industrial transformation, and addresses the energy trilemma of sustainability, affordability, and security of supply. In this context, the European Commission, in the framework of the preparation of the Clean Industrial Deal (CID) should consult all industrial sectors that are, and will be critical to Europe's competitiveness and sustainability.

FuelsEurope's recommendations are as follows:

- ✓ **Uphold the recognition of the refining industry as a strategic sector and support the low-carbon transition of refining through a dedicated action plan addressing also the related industrial value chain.**
- ✓ **Implement true technology-neutral policies by prioritizing science-based, cost-effective approaches for low-carbon solutions.**
- ✓ **Assess the impact of recently adopted regulations on implementation costs and competitiveness. Consider postponing until necessary amendments are adopted.**
- ✓ **Simplify regulatory processes, including streamlining permitting and reduce administrative burdens to accelerate projects and help secure the business case for attracting investment.**
- ✓ **Enhance industrial competitiveness by strengthening carbon leakage protection and ensuring fair international competition of EU industries.**
- ✓ **Engage all contributing stakeholders equally and effectively through inclusive consultations to design impactful, fit-for-purpose legislation that supports the energy transition.**

➤ **Fuels & products for the industrial value chain will be critical to Europe's future competitiveness**

Liquid fuels and the refining industry are critical for Europe's energy security, affordable mobility, and industrial value chains. A low-carbon and renewable transition is essential to achieving the EU's 2050 climate neutrality goal while maintaining economic competitiveness and social stability. Europe's refining complexes not only produce fuels for road, non-road, military, marine and air transport: they also provide feedstock to Europe's petrochemical industry, produce lubricants and other products widely used in industries, and are able to reprocess plastic and other waste.

Today, liquid fuels and feedstock for the petrochemical industry are in majority of fossil origin and, by leveraging innovation, they will be progressively replaced by low-carbon and renewable products. These, in combination with other low-carbon solutions like electricity and hydrogen, will offer the optimal answer in terms of energy security, economic efficiency, resilience, social impact and industrial competitiveness. In this regard, we ask that that the CID:

- **Includes the refining industry among the strategic sectors for which to develop an action plan.** Refineries have been identified as critical infrastructure for many decades. As the demand for conventional fossil transport fuels is entering a gradual decline, the CID must help ensure that the sector can progress the transition to the lower-carbon product portfolio. Member States have called for targeted sectoral action plans at EU level to restore the competitiveness of energy-intensive industries¹. In the case of refineries, the action plan should be developed through an ongoing dialogue with the broader industrial value chain and the stakeholder community, to ensure that all affected parts of the ecosystem are brought together along the transition of the refining industry.
- **Is based on technology neutrality /science-based approach as a key principle in policy making, prioritizing cost-efficiency and GHG reduction across the products life-cycle.** EU policies should deliver an energy transition at the lowest possible cost to society and citizens. For example, in the case of CO2 performance standards for light and heavy-duty vehicles, renewable and low-carbon fuels should be allowed to contribute to meeting the targets set on new vehicles.
- **Supports the European Strategic Energy Security**, by combining diverse energies and technologies to ensure a resilient, flexible energy system. Renewable and low-carbon fuels can contribute to the EU's strategic diversification of energy supply, enhancing industrial competitiveness and reducing external dependencies.
- Ensure that the **creation of industrial value** (with all its economic benefits in terms of jobs, innovation, prosperity, security, etc.) **becomes an integral part of the highest-level communication narrative**, including from the European Commission, alongside sustainability.

➤ **Liquid fuels, refining & related value-chain sectors must remain competitive throughout the transition**

The Clean Industrial Deal must safeguard the competitiveness, domestic jobs, and domestic production capacity of industries essential to Europe's economy and climate goals. A competitive low-carbon transformation of the fuel manufacturing industry is possible and necessary. Therefore, investors need clear, long-term signals from EU institutions, through measures preventing carbon and investment leakage and de-industrialisation. Accordingly, the CID should:

- **Protect the international competitiveness of the EU industry through effective carbon leakage protection measures, including:**
 - The development of fair ETS benchmarks, avoiding further weakening of the carbon leakage protection.
 - The inclusion of an effective export protection mechanism in the Carbon Border Adjustment Mechanism (CBAM), and a parallel engagement with trade partners to adapt the current rules to the new geopolitical and climate change challenges.
- **Develop an effective CO2 accounting in ETS**, to effectively incentivize the full value chain, involving all stakeholders active in the field of Carbon Capture, Usage and Storage.
- **Enhance public funding and incentives without industry sector or activity limitations, while avoiding market interventions:** EU R&D initiatives, including the proceeds of the EU ETS, should drive progress and investments in low-carbon technologies in the sectors that are financing such initiatives. At the same time, market interventions and extraordinary fiscal measures should be avoided. Projects and technologies that enhance resilience and competitiveness of EU industry whilst allowing for its decarbonisation should be prioritised, for example under the Net Zero Industry Act (NZIA) or Strategic Technologies for Europe Platform (STEP).
- **Preserve the framework for indirect cost compensation under the EU ETS including for CBAM sectors**, considering that a CBAM on indirect emissions would not fully compensate the indirect carbon costs passed on to European consumers through electricity prices.

¹ <https://data.consilium.europa.eu/doc/document/ST-16294-2024-INIT/en/pdf>

- **Facilitate the adoption of measures to lower production costs for decarbonized and renewable fuels** by facilitating affordable access to clean electricity, sustainable biomass, and other essential renewable and low carbon feedstocks
- **Recognise that EU regions vary in their starting points and challenges, leading to different transition paths and investment needs.** While preserving the internal market, the CID and broader European policy should aim to reduce disparities, not widen them. This approach is vital to maintain public and societal support by avoiding undue burdens on fragile industries and communities.

➤ **A regulatory framework to attract investments for renewable and low-carbon liquid fuels and the transition of the refining industry in the EU**

An unstable, unpredictable and overly complex regulatory framework risks jeopardizing investments in the transition and diverting valuable and limited resources, leading to a loss of competitiveness of the EU economy. By 2035, over EUR 50 billion will be needed for new production facilities for biofuels and e-fuels. Additionally, investments in hydrogen production, carbon capture and renewable electricity for e-fuels will raise the total required investment to between EUR 200 billion and EUR 300 billion by 2035. This is just a part of the total investments needed for the wider liquid fuels and refining sector output.

The development and construction of large-scale industrial projects usually take five to seven years. There is therefore an urgent need to accelerate the project pipeline for sustainable products and liquid fuels in order to ensure adequate supply and meet the EU's decarbonisation targets. To expand this pipeline, ongoing projects must be advanced through comprehensive de-risking strategies to facilitate quick financial investment decisions. We believe that the CID should:

- **Establish clear, attractive and predictable regulatory measures,** taking into account investment cycles in a realistic way.
- **Reinforce the business case for scaling up breakthrough and innovative solutions** for the energy transition. This requires a regulatory framework enabling the development of markets for renewable fuels, offering temporary public support to clean technologies for clean molecules and adopting risk-moderation measures (e.g. contracts for difference) for investors.
- **Make sure that EU R&D initiatives, including the EU Innovation Fund and the upcoming Competitiveness Fund, can stimulate progress and investment in low-carbon technologies.** The EC should envisage mechanisms to support voluntary demand for volumes additional to existing mandates, possibly coordinated at EU level, in order minimize distortions across markets and between operators.
- **Guide Member States to support investments that boost low-carbon fuel production while avoiding policies that regulate energy prices,** including retail fuel prices.

➤ **Better Regulation: Ensuring coherence, fitness-for-purpose and simplification**

Significant improvements are needed to support the transition of the EU's strategic sectors. This includes reducing unnecessary administrative and regulatory burdens through simplification while **ensuring that key policies,** such as the Renewable Energy Directive, are **implemented effectively to provide businesses with the certainty needed to enable our sector to be a part of the clean transition.**

Stress-testing the EU acquis is a necessary first step for the new Commission to maintain high standards whilst eliminating contradictions and overlaps. Moreover, it is **important to assess the impact of recently adopted regulations on implementation costs and competitiveness** and – if necessary - consider postponing implementation until necessary amendments are adopted

A legislative framework that is fit for a competitive industry must **ensure a level playing field both within the EU and in relation to third countries.** The CID should aim at the prevention of overlaps and duplication of efforts for reporting

requirements, minimising the administrative burden on companies, and averting the risk of loss of competitiveness of European companies.

All concerned industries and stakeholders should be equally consulted and addressed by the Commission and co-legislators to design and implement fit-for-purpose legislation. We especially welcome the Commission's intention to make greater use of stakeholder dialogues as a way of exploring alongside relevant stakeholders the steps needed to accompany energy intensive industries in the transition.

FuelsEurope, the voice of the European fuel manufacturing industry. FuelsEurope represents, within the EU institutions, the interest of 40 companies manufacturing and distributing conventional and renewable fuels and products for mobility, energy & feedstocks for industrial value chains in the EU.

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