

FuelsEurope Recommendations on Strengthening EU Sustainability Framework for Renewable Fuels

FuelsEurope welcomes the European Commission's (EC) ongoing efforts to strengthen the EU sustainability framework for renewable fuels. Over decades, such framework has ensured the sustainability of biofuels, supported by long-standing certification practices and well-developed market oversight, bringing the Union closer to its climate goals.

Nevertheless, targeted improvements are needed to prevent fraudulent sustainability claims and further reinforce the robustness of the system. In order to support this process and help deliver prompt, practicable, and impactful measures, *FuelsEurope* has prepared the following recommendations for the Commission's consideration.

1. Protect the mass balance system – the cornerstone of EU renewable fuels policy

The mass balance system is the cornerstone of EU renewable fuels policy – principally the Renewable Energy Directive (RED) – ensuring that renewable fuel supply chains are **operationally efficient while maintaining environmental credibility**. Decades of industry, regulator, and voluntary scheme collaboration and delivery have yielded a robust, efficient system that fulfils the key RED objective of EU-aligned sustainability performance via the minimum administrative burden across the supply chain.

Given the need to maintain system efficiency while further preventing fraud, *FuelsEurope* urges targeted action on infractors while protecting the well-developed mass balance system:

- **Strengthen oversight mechanisms via improved resourcing and training;**
- **Enhance verification through targeted audits;**
- **Swift, successful implementation of the Union Database (UDB).**

Additionally, the core principles of the mass balance structure should be clarified and, where necessary, preserved. This would ensure more effective implementation and verification, while avoiding any further increase in complexity or reactivity. In particular:

- **The definition of product group should remain intact, with targeted simplifications applied where they add clarity;**
- **Existing permissions for physical mixing and the allocation of sustainability attributes should continue to apply;**
- **The current 3-month mass balance period should be upheld.**

Revisions that would, in effect, move away from the mass-balance approach towards a model resembling physical segregation risk undermining the fundamental purpose of the system. Such a shift would entail significantly increased logistical requirements, parallel supply chains, and higher administrative burden, leading to substantially higher certification and compliance costs, without improving the robustness of verification or enforcement.

2. Protect the operational principles of the RED sustainability assurance framework

Interventions to discourage and penalise bad faith actors in renewable fuels supply chains are undoubtedly needed to safeguard the integrity of the overall EU renewable fuels system. **FuelsEurope is supportive of sustainability certification revocation as an available intervention provided such interventions are targeted, timely, and verified via a fit-for-purpose process.**

Operators at the end of the supply chain – including fuel suppliers – typically have limited visibility over upstream certification practices, including the integrity of initial certification, traceability across the chain of custody, and the consistency of audit and oversight frameworks, yet carry the ultimate compliance responsibility under ReFuelEU Aviation and transpositions of the RED. Efforts to strengthen the system should therefore focus on addressing these upstream gaps while ensuring no single commercial party in the value chain has authority to impose retroactive non-compliance.

Targeted enforcement against fraudulent EOs could be implemented via **a thorough legal process, led by a national regulator or equivalent competent authority within the compliance year.** Proofs of Sustainability (PoS) associated with confirmed fraudulent volumes only - not *any* case of revocation of an EO's certification – **could then be invalidated with a grace period granted to impacted obligated parties.** This would allow parties obligated under a renewable fuels mandate to source and resupply new volumes to ensure compliance. This design enables economically dissuasive action to be taken while minimising the additional risk management (and associated cost) burden.

Crucially, any rigorous process must address fraudulent actors in the supply chain **without distortion of the renewable fuels market. A poorly designed system would risk placing disproportionate liability onto supply chain operators** participating in good faith (based on valid certificates at the time of purchase); with associated operational and risk management costs that are ultimately passed through while not necessarily fulfilling the policy objective.

Swift, successful implementation of the UDB is a prerequisite of a successful system. Its operation will enable prompt identification of infractors in the supply chain and subsequent levying of penalties. **Effective and dissuasive sanctions for confirmed fraud should be imposed,** including financial penalties and legal consequences, to target fraudulent actors at source while preserving legal certainty for compliant operators. This is an approach that strengthens EU renewable fuels sustainability assurance and therefore confidence in the EU's decarbonisation delivery.

3. Base agricultural provisions on agronomic realities

Agricultural provisions under IR 2022/996 should be based on real-world agronomic conditions to deliver a credible and practicable sustainability framework. Current approaches to crop classification, land eligibility, and yield assessment often rely on theoretical assumptions that do not reflect the diversity of farming systems across the EU. This disconnect risks inconsistent implementation and unintended outcomes at farm level, falling short from being a real enabler for a viable scale-up of new supply chains.

A robust and proportionate methodology should:

- i) Reflect actual farm-level practices, historical crop rotations, and regional climatic conditions rather than theoretical cropping possibilities;
- ii) Clarify key definition and crop classification criteria to accurately reflect agronomic realities;
- iii) Consider commercial feasibility alongside agronomic factors to support practical implementation

- iv) Recognise the environmental and agronomic benefits of cover and intermediate crops, including their contribution to soil health, nutrient management, and carbon retention.

4. Only pursue proportionate, impact assessed, and operationally feasible measures

Added sustainability assurance measures should be systematically assessed for the delivered risk reduction, **operational feasibility, and impact on the functioning of supply chains**. Increased audit frequency and mandatory rotation of certification bodies introduce considerable administrative and economic burdens without evidenced improvements in system integrity. Such requirements risk diverting finite audit and compliance resources away from identified risk areas, creating bottlenecks, and disproportionately burdening compliant operators, potentially disrupting complex international supply chains on which the EU currently depends for its supply.

A robust, well-functioning sustainability assurance system requires that regulatory measures remain **proportionate to the risks they address** and adhere to the key principle of the RED in minimising the administrative burden on obligated fuel suppliers. Targeted interventions, including those outlined above, greater harmonisation, and avoiding unproven wholesale renovations will strengthen EU renewable fuels sustainability assurance.

5. Ensure operational alignment with EU customs law and international trade

Customs classification and clearance is critical in the process of deploying products to meet renewable fuel mandates into the EU market. However, the assurance processes for customs and sustainability verification differ due to their operational function and associated core competencies. Voluntary scheme auditors are not trained to be expert in customs and excise processes nor are customs authorities trained in sustainability assurance (by design). FuelsEurope believes the respective authorities' expertise should remain distinct but better utilised by leveraging the UDB and national customs systems, **improving information exchange between customs authorities, competent authorities, and voluntary schemes, to efficiently deliver more timely interventions/penalties on fraudulent actors**.

In addition, **any updated assurance approach that seeks to create sustainability chain of custody dependencies on customs must accommodate the globally traded nature of the renewable fuels supply chain**. For example, there must be provision for mass balancing sustainability attributes and maintaining the chain of custody of consignments customs cleared under procedures such as Inward Processing and Customs Warehousing (normally for re-export to non-EU markets).

Any potential linkages will, ultimately, depend upon a fully operational UDB. As aforementioned, **FuelsEurope calls for swift, successful implementation of the UDB** for the EU renewable fuels ecosystem to benefit from the functionality and associated assurance improvements.

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.

Contact: Alain Mathuren
T +32 2 566 91 19
alain.mathuren@fuelseurope.eu
www.fuelseurope.eu