A Strategic Industrial Asset Europe Cannot Afford to Lose

FuelsEurope

FUELLING EUROPE'S FUTURE

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Executive summary

Refining is a strategic pillar of Europe's energy security, defence readiness and industrial resilience, not a legacy industry. Liquid and gaseous fuels will remain essential for aviation, maritime transport, petrochemicals and other hard-to-electrify sectors, while also continuing to support parts of road transport because of their energy density, storability, transportability and reliability.

Our refining and fuel manufacturing base powers Europe's industrial ecosystem, supplying transport, defence and other critical services, feedstocks for chemicals, construction, agriculture and manufacturing. Yet high energy costs, carbon prices, regulatory fragmentation and investment uncertainty are eroding competitiveness and risking further closures.

Failing to recognise the sector as strategic would have far-reaching consequences: greater import dependence, price shocks, job losses, industrial decline and slower transport decarbonisation. Every refinery closure is irreversible, and a hypothetical replacement through greenfield low-carbon manufacturing plants would be unsustainable in cost and time needed. Europe must choose: produce fuels and feedstocks at home while transforming its industry, or rely increasingly on others.

A credible transition requires converting existing refineries. This is the fastest, most cost-effective and most secure path to scaling renewable and low-carbon fuels, while preserving strategic autonomy and avoiding stranded assets.

Europe needs stable policy, regulation enabling de-risked investment and pragmatic frameworks that reflect energy system realities. The refining sector is ready to lead a transition that is industrially viable, economically credible and geopolitically resilient.

Preamble

The fuel manufacturing and refining industry is a strategic industrial pillar today and in the future. It is not a legacy industry.

It underpins Europe's energy security, defence readiness, and economic resilience across multiple critical sectors.

Liquid and gaseous fuels supply today around 56%[1] of global final energy demand, and are expected to represent 40 - 55% by 2050[2] even under an accelerated decarbonisation. In Europe, demand will decline but not disappear.

Liquid fuels remain essential in aviation, maritime transport, petrochemicals and other hard-to-electrify sectors, and will remain an efficient and customer convenient solution for road transport, because of their energy density, storability, transportability and reliability. This is not a matter of resisting to change, it is a matter of physics.

1. The World Economic Forum Study, Fuelling the Future: How Business, Finance and Policy can Accelerate the Clean Fuels Market (2026)
2. Ibid

1.
Refining's Integration into Europe's Industrial Value Chains

Refining and Fuel Manufacturing are Foundational to Europe's Industrial Ecosystem.

They fuel all transport modes, support defence and emergency mobility, and supply essential feedstocks across the economy.

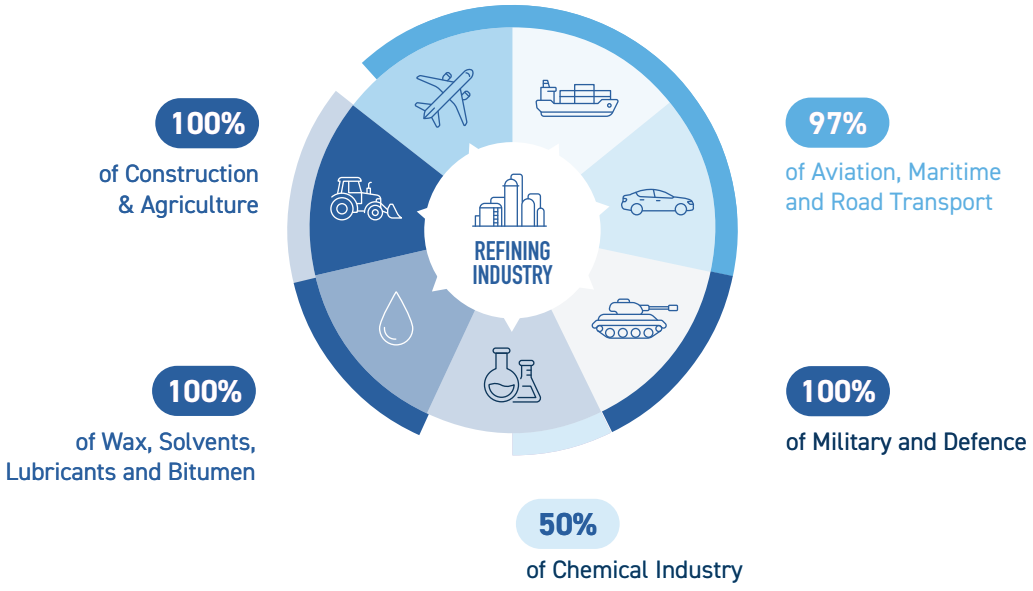
The EU refining system supports the full spectrum of transport modes and supplies 100% of defence and military mobility. It ensures emergency response and the continuity of critical services.

At the same time, refining and fuel manufacturing play a central role in supplying feedstocks to key industrial sectors, including chemicals, construction, agriculture and manufacturing.

> *"Around half of the chemical industry's feedstock is derived from refinery outputs, illustrating the deep integration of fuel manufacturing within Europe's broader industrial ecosystem."*

In Europe, domestic biofuel production has displaced a share of fossil imports in transport, contributing to a more diversified energy mix. While the EU remains a net energy importer, renewable fuels have strengthened resilience and demonstrated their potential to reduce exclusive reliance on imported crude and refined products.

Our products cover most of the needs of strategic sectors
(refineries and biorefineries)



This diversification is becoming increasingly important in a geopolitical context characterised by extreme volatility, supply disruptions and strategic competition[3].

Strategic Risks of Neglecting the Sector

Failing to recognise this sector as strategic carries systemic consequences. These include rising import dependency, exposure to price shocks, loss of skilled jobs and erosion of industrial competitiveness.

Refinery closures represent an irreversible loss of industrial assets. Once dismantled, these assets cannot be replaced with greenfield[4] low-carbon capacity at comparable cost or speed.

The strategic question is therefore not whether Europe will need fuels and feedstocks. It will. The question is whether Europe will produce them while transforming its industry or increasingly rely on others. The answer directly affects energy security in both civilian and military uses, industrial resilience, and the cost and credibility of the energy transition.

1.8%
OF GDP

CONTRIBUTING TO EUROPE'S ECONOMY*

Our industry accounted for 1.8% of the GDP, confirming its vital role in Europe's economic engine. This contribution highlights the sector's strategic importance across value chains and markets.

75 900
PEOPLE EMPLOYED

CREATING AND SUSTAINING EMPLOYMENT*

The fuel manufacturing industry directly and indirectly supports approximately 76,000 jobs across Europe, offering stable, skilled employment and contributing to the resilience of local communities.

AROUND
4 €B
OF CAPITAL INVESTED IN 2024

COMMITTING TO RESPONSIBLE INVESTMENT*

We maintain a strong focus on regulatory compliance, with 25% of our total capital investment — amounting to €4 billion — allocated toward meeting environmental and operational standards across the EU.

228 €B
PAID IN TAXES

SUPPORTING WELFARE, GROWTH, AND SERVICES**

A total of €228 billion was paid in taxes, covering employment, property, and environmental taxes, including EU ETS carbon taxes.

31.17€B
IN THIRD-PARTY BUSINESS REVENUES

SUPPORTING BUSINESS ACROSS SECTORS*

It also generated €31.17 billion in third-party business revenues, strengthening local value chains, boosting employment, and acting as an economic multiplier.

* Solomon Refining Sector Economic & Social Impact Report (2025)
** Eurostat

3. IEA
4. Development initiative that starts from scratch, operating on a «blank slate» with no existing infrastructure, legacy systems, or previous work constraints

2.
Competitiveness First: No Transition without a Viable Industrial Base

Refining operates in a global and highly competitive market. Competitiveness is not optional, but instead a precondition for both operational continuity and transformation.

Structural Pressures on European Refineries

European refineries face a cumulative set of structural pressures.

Energy costs are higher and more volatile than in competing non-EU regions. This directly affects operating margins and weakens the economics of decarbonisation investments. Carbon costs are also increasing as the EU ETS tightens, further eroding margins and increasing the risk of negative profitability for a growing share of assets before the end of their economic life. These pressures weaken the business case for long-term investments, especially for projects with payback periods of 25 years or more requiring stability and predictability, both of which are currently lacking.

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Europe's industrial backbone, closely interconnected with refining and fuel manufacturing, is under increasing strain.

Key sectors linked to fuel manufacturing, are approaching a tipping point:

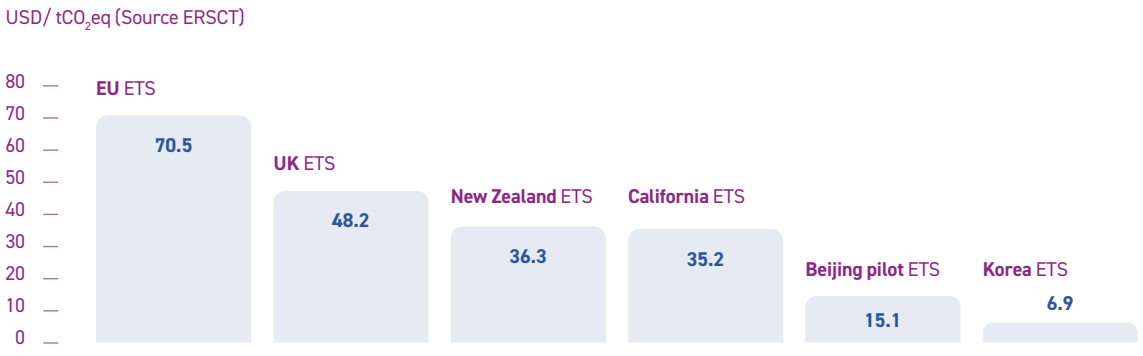
The European automotive industry, historically a global leader, produced around 14.4 million vehicles in 2024, yet output declined by 6.2% year-on-year and remains below pre-pandemic levels.

At the same time, the European chemical industry is experiencing a deep structural downturn, with around 9% of production capacity scheduled for closure and more than 11 million tonnes of capacity announced for closure across major sites between 2023 and 2024. Production has declined significantly across several countries compared with 2019 levels. These developments directly affect value chains that are tightly linked to fuel manufacturing.

Regulatory complexity further undermines the investment case for transformation. The sector is subject to multiple legislative frameworks often developed in isolation, including RED, CO_2 performance standards for vehicles, aviation and maritime decarbonisation mandates, methane regulation and chemicals legislation.

This creates regulatory inconsistency, higher compliance costs and reduced investment predictability. For capital-intensive projects this significantly increases risk, and can delay or cancel projects before Final Investment Decision (FID).

Level of carbon price of EU ETS compared to other jurisdictions



Loss of Transformation Potential

A progressive decline

Europe's overall refining capacity is steadily declining, due to a combination of structural factors and policy-driven forces. Since 2009, 35 refineries have permanently closed, representing around 30% of sites and approximately 20% of total refining capacity. Without successful transformation, a significant share of remaining capacity could become economically unviable in the coming decades.

> *This is not simply a question of declining capacity. It is a question of lost transformation potential.*

Europe is already structurally dependent on imports for key products. In jet fuel, net import dependency accounts for around 34% of demand[5], although this coexists with significant export flows to neighbouring markets such as the United Kingdom, Norway and Switzerland. It also remains exposed to structural diesel import imbalances.

> *Refineries experiencing sustained negative margins exit the market before they can be converted. Once closed, these industrial platforms required for low-carbon fuels production are permanently lost[6].*

Competitiveness and transition are inseparable. Preserving industrial viability today is a prerequisite for delivering the transition tomorrow.

The investment gap: ambition versus reality

The scale of investment required to deliver the transition is substantial, yet current investment levels fall significantly short of what is needed.

Global estimates indicate that around $100 billion per year will be required by 2030 to meet renewable and low-carbon fuel ambitions. However, current investment levels remain far lower ($25 billion).
In Europe by 2030, significant financial support is required to close the cost gap for advanced biofuels and to mobilise feedstocks:

- €3.8–7.5 billion per year in support for industrial units,
- €0.7–1.2 billion for feedstock mobilisation.

Yet only a limited share of announced projects has reached FID, highlighting a persistent gap between policy ambition and investable projects.

> *This gap reflects structural investment barriers, not technological limits.*

Investment is constrained by weak revenue visibility, uncertain policy frameworks, high capital intensity and regulatory complexity.

These factors make projects less attractive to investors and delay financial close. Investment decisions are made in a global context. Capital flows towards regions offering greater policy stability, lower risk and more predictable returns.

If Europe does not offer comparable conditions, there is a growing risk that investment, and associated industrial capacity, will shift elsewhere.

The implications are significant. It will not only slow the transition, but also increase reliance on imports for both conventional and low-carbon fuels, weakening Europe's industrial base and strategic autonomy. Competitiveness is therefore not an end in itself. It is the foundation of the transition.

5. Eurostat
6. S&P Study on the potential evolution of Refining and Liquid Fuels production in Europe (2025)

3.
Converting Existing Assets: a Strategic Imperative for Europe

Converting existing refining assets is not simply a matter of cost-efficiency. It is a strategic necessity for the European Union.

Modelling shows that without transforming existing assets, Europe would face a higher-cost transition, accelerated industrial decline and long-term dependence on imports. Repurposing existing refineries can reduce capital expenditure by 30–50% compared with greenfield projects, while avoiding infrastructure duplication and stranded assets.

Scaling the transition requires building on what already exists.

A recent study by S&P Global[7] estimates that by 2050 the EU will require between 22 and 48 biorefineries to meet projected demand and climate targets.

Without conversion, this capacity would need to come largely from stand-alone greenfield projects, significantly increasing capital requirements, risk and delivery time.

Leveraging existing refinery sites keeps investment within a feasible range and enables timely scale-up of sustainable fuel production.

Evidence[8] confirms that existing infrastructure delivers lower costs per unit of emissions abatement, particularly in the early and mid-phases of the transition, when financing constraints are most acute.

Existing Assets Enable Rapid Scaling

Existing refineries are currently the only industrial platforms capable of scaling renewable and low-carbon fuels at the speed and volume required by EU policy.

Achieving this scale in realistic timeframes depends on rapid mobilisation and conversion of existing assets, making asset conversion a precondition for a cost-effective, secure and credible transition.

> *“Failing to integrate existing refining capacity into the transition pathway would turn an industrial challenge into a strategic vulnerability for Europe.”*

This transformation must be managed. Conventional fuels remain essential during the transition period to ensure affordability, system stability, and security of supply, especially in aviation, maritime transport, emergency response and defence.

7. S&P Study on the potential evolution of Refining and Liquid Fuels production in Europe (2025)
8. WEF «Fuelling the Future» Paper (2026)

4.
Transition in Practice, not Theory

The fuel manufacturing industry has already entered a phase of active transformation.

Over the past decade, companies have deployed a wide range of technologies and pathways, including:

- Conversion of refineries into biorefineries or dedicated units integrated into existing refineries
- Co-processing of sustainable feedstocks
- Scaling of Sustainable Aviation Fuels
- Availability of renewable diesel in more than 6000 fuelling stations in Europe
- Early RFNBOs and low-carbon fuel projects.

These developments demonstrate both technical capability and commitment.

The next phase will be more demanding. Investment needs will rise sharply as the sector must convert existing assets, develop new capacity and maintain sufficient conventional supply at the same time.

Investment Needs and Challenges

Around €400 billion in cumulative investment will be required by 2050, even in the most cost-efficient scenario. This is a significant undertaking, but one the industry is capable of delivering, under the right conditions.

Today, a clear gap remains between ambition and delivery. Only around 10% of announced clean fuel capacity has reached FID due to high capital intensity, regulatory risk, and uncertain revenues.

The issue is not technological feasibility; it is whether they can be financed with confidence.

As investment needs are increasing to meet policy targets and mandates, project economics remain fragile. Projects stall not because they cannot be built, but because they cannot be financed with sufficient confidence.

Integrated processes, multiple outputs

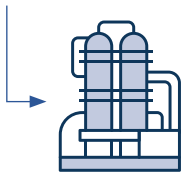
Refineries are complex, integrated systems that produce multiple outputs at the same time.

Whether processing crude oil or renewable feedstocks, fuels and intermediate feedstocks are generated through a single process. Co-products remain unavoidable due to chemistry.

Policy frameworks must reflect this reality. Single-product assumptions are neither technically nor economically viable.

Conventional Refinery

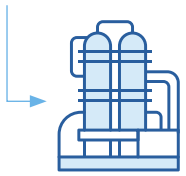
Crude Oil



Naphta/gasoline	10 - 37 %
Jet/Kerosene	**8 - 13 %**
Diesel/gas oil	20 - 40 %
Fuel oil	10 - 50 %
Others	< 13 %

Bio-refinery (bio SAF via HEFA) in max Jet mode

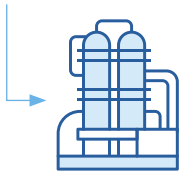
Fatty acids and vegetable oil



Naphta/gasoline	15 %
SAF	**60 %**
Diesel/gas oil	25 %
Fuel oil	-
Others	< 5 %

e-SAF via Fischer-Tropsch in max Jet mode

H_2 + CO_2



Naphta/gasoline	25 %
SAF	**55 %**
Diesel/gas oil	20 %
Fuel oil	-
Others	< 5 %

(Source: Concawe)

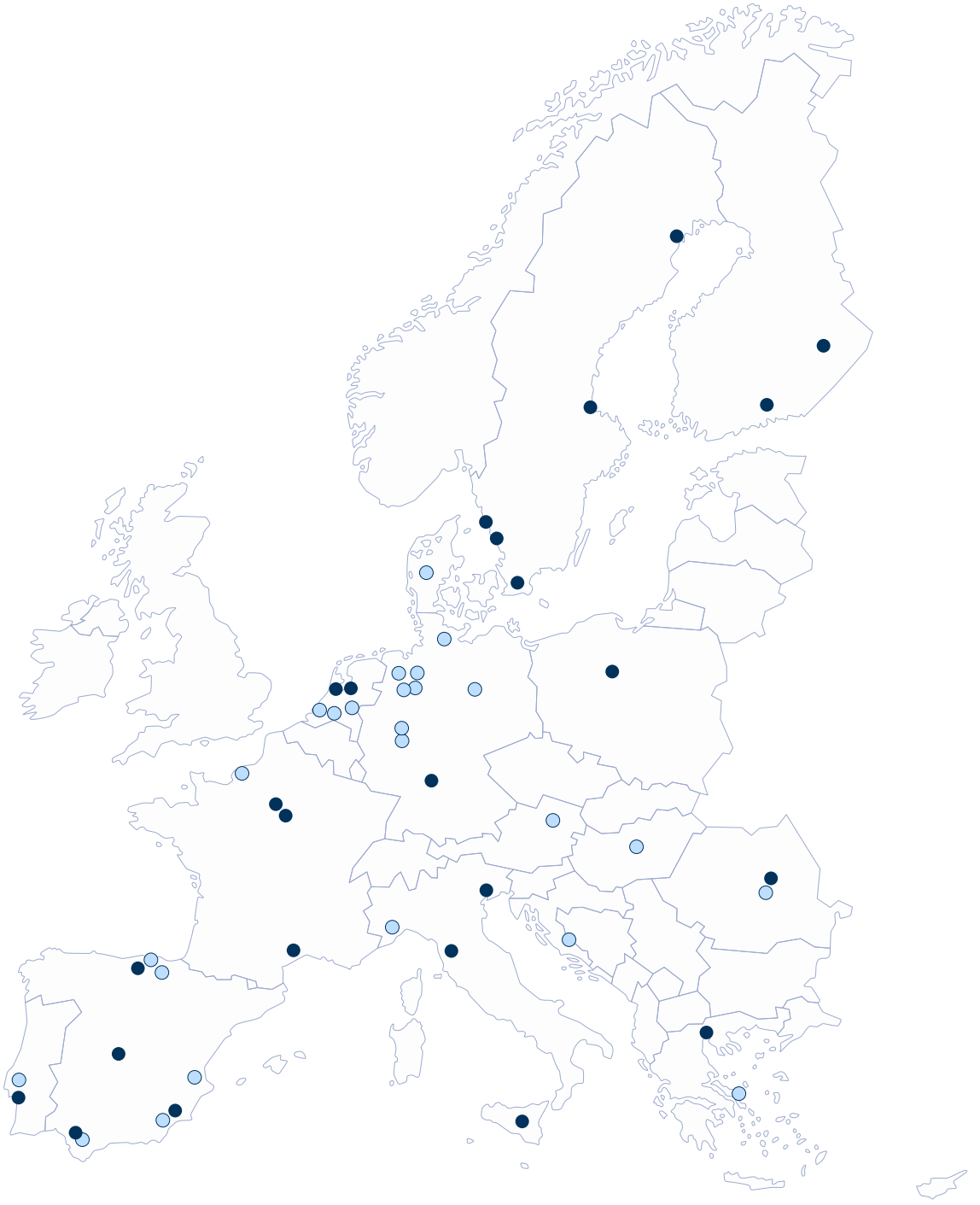
Clean fuels and energy projects of FuelsEurope's Members in Europe

● RENEWABLE LIQUID FUELS

24 projects beyond Final Investment Decision (FID).

● GREEN HYDROGEN

25 projects beyond Final Investment Decision (FID).



This creates a critical risk for Europe. Companies are faced with a strategic choice: investing under uncertainty, or directing these investments to more favourable jurisdictions.

The consequence is a weaker transition. Instead of transforming existing assets, companies may opt for exit instead of transformation, leading to refinery closures and irreversible loss of industrial capacity.

The sector is nearing a tipping point. Transformation has begun, but its continuation beyond 2030 depends on stronger enabling conditions in the near term.

A credible transition must reflect how the energy system actually operates. For it to succeed, it must be:

- **Gradual**: aligned with asset lifetimes, infrastructure turnover and investment cycles.
- **Affordable**: avoiding disruptive cost impacts for consumers and industry.
- **Geopolitically realistic, with a strong European dimension**: balancing domestic production, diversified supply and strategic autonomy. A strong European production base across all technological pathways remains essential. An integrated EU-wide approach strengthens resilience, avoids fragmentation and ensures that domestic resources are used where they deliver the highest value. Strategic imports can complement the system, but they cannot substitute a competitive and coordinated European industrial base.
- **Synchronised**: Ensuring that technological development, regulation and investment support evolve together.

Ignoring these constraints will not accelerate the transition. It will weaken Europe's industrial base and increase exposure to external dependencies, price volatility and supply risks.

A credible transition must therefore remain technologically neutral and support a portfolio of solutions. Maintaining optionality strengthens resilience, reduces structural risks and enables cost-effective emissions reductions.

In this context, the EU fuels manufacturing industry reaffirms its strong willingness and commitment to remain a pillar of Europe's strategic autonomy, while continuing to invest in transformation, provided the necessary enabling conditions are in place.

About us

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

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www.twitter.com/FuelsEurope

www.youtube.com/fuelseurope

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Europe's fuel transition will only succeed if it is anchored in industrial reality. The EU policy framework must therefore pursue two objectives in parallel: preserving the competitiveness of the existing fuel manufacturing base and creating a robust investment case for its low-carbon transformation.

POLICY RECOMMENDATIONS TO ENSURE COMPETITIVENESS OF THE FUEL MANUFACTURING INDUSTRY.

ETS Revision: The current ETS framework fails to **enable a business case** for decarbonisation investments in the EU and risks incentivising carbon and investment leakage, with consequences for industrial competitiveness and energy security. Under the current EU ETS parameters, no new allowances will enter the market after 2039, neither through free allocation nor auctioning. On this trajectory, the ETS risks becoming unsustainable for EU industry. Without structural adjustments the system risks driving both emissions and investment outside Europe rather than enabling decarbonisation within it.

To deliver on EU climate ambitions while preserving industrial resilience, the ETS must evolve to support competitiveness, safeguard jobs and enable investment in decarbonisation in Europe.

FuelsEurope recommendations regarding the re-design of the ETS1 are:

- **The linear trajectory of the cap should be aligned with the 2050 EU climate objective** (the Linear Reduction Factor should be lowered);
- The share of allowances allocated for free should be increased to prevent carbon leakage resulting from a premature trigger of the cross sectoral Correction Factor (the current 43% should be increased to better reflect the industry share versus the power sector);
- The **Market Stability Reserve should be reformed** to address the emerging scarcity of allowances rather than oversupply. Invalidation should be halted, previously invalidated allowances restored and intake/release thresholds dynamically adjusted to reflect evolving market conditions. The MSR should help ensure sufficient market liquidity and prevent excessive EU ETS price volatility;
- **Engineered removals certified under the CRCF should be eligible for use by EU ETS entities for compliance purposes.** The use of nature-based removals should remain conditional on the maintenance of the environmental integrity;
- For global sectors, like the aviation and maritime ones, **a global approach represents a better solution compared to regulating at regional level.** In this regard, the focus should be on the harmonization with global initiatives (ICAO and IMO), rather than on the extension of the EU ETS framework.

EU Methane Regulation: The implementation of the EU Methane Regulation must remain workable in practice and must not undermine security of supply, industrial operability and competitiveness.

FuelsEurope calls for:

- **Adopting a stop-the-clock proposal**, to allow time for a proper impact assessment of the Regulation as adopted in 2024 and to address key implementation issues through a targeted revision;
- **Providing producers, verifiers, certification providers and importers with sufficient time and legal certainty** to comply with importer obligations;
- **Adjusting disproportionate non-compliance penalty provisions** to actual implementation progress and the real availability of compliance options, in a harmonised manner across Member States;
- **Establishing a workable compliance framework** that enables the deployment of realistic solutions for complex crude oil supply chains, including traceability approaches where strict requirements are currently unfeasible or disproportionate;

- **Safeguarding the core methane abatement objective** while avoiding disruptions to crude oil and gas supply that would increase Europe's dependence on imports of finished fuels and raise costs for consumers.

Simplification: The EU regulatory framework must become simpler, more coherent and more investment-friendly for strategic industrial sectors.

FuelsEurope calls for:

- **Reducing administrative complexity** across the EU acquis affecting fuel manufacturing and its value chains;
- **Stress-testing EU legislation for contradiction, duplication and competitiveness impacts,** with a specific focus on strategic and hard-to-abate sectors;
- **Taking stock of all relevant legislation in a coherent manner**, rather than layering new obligations in isolation;
- **Organising strategic dialogues with industrial sectors**, to ensure that implementation challenges, investment barriers and inconsistencies are identified early and addressed pragmatically;
- **Ensuring that simplification supports delivery**, by improving legal clarity and reducing compliance burden without weakening core policy objectives.

IED: The implementation of the Industrial Emissions Directive must protect health and the environment in an integrated manner while remaining technically achievable, economically viable and coherent with industrial transition needs.

FuelsEurope calls for:

- **Timely transposition and implementation across Member States**, avoiding gold-plating and fragmented national approaches;
- **Ensuring coherence with related environmental legislation and reporting obligations**, to prevent duplication and unnecessary administrative burden;
- **Timely development of secondary acts and guidance**, to provide clarity and implementation certainty to operators and national authorities;
- **Establishing EU-wide minimum requirements through BAT conclusions** that are technically achievable and economically viable, based on robust data collection and a thorough technical exchange involving industry stakeholders;
- **Ensuring permitting requirements remain proportionate**, taking into account the technical characteristics of installations and local environmental conditions and avoiding unnecessary additional measures.

REACH: A future revision of REACH should strengthen risk management while preserving legal clarity, scientific robustness and industrial competitiveness.

FuelsEurope calls for:

- **Focusing the revision on identified shortcomings** and on measures that improve risk management;
- **Preserving REACH and CLP as the cornerstone legislation** and primary reference for definitions of regulated substances and related legal terminology;
- **Avoiding duplication with other legislation** and unnecessary administrative burdens for regulators and operators;
- **Ensuring that regulatory measures remain based on risk assessment and sound science**;
- **Delivering a targeted revision.**

PFAS restrictions must preserve operational safety, continuity of supply and the functioning of strategic industrial value chains until reliable alternatives are available.

FuelsEurope calls for:

- Science-informed, proportionate and enforceable PFAS regulation that preserves operational safety and the continuity of fuel and feedstock supply;
- An exemption allowing the continued use of PFAS-containing equipment for industrial and professional applications until suitable replacement solutions are available, to avoid severe disruptions across the EU energy value chain, safeguard fuel and feedstock supply and the functioning of strategic industrial value chains, while ensuring responsible operational and end-of-life management. In the absence of such an exemption, PFAS restrictions risk disrupting critical supply despite low operational exposure due to contained use and mitigation measures.

The sector remains committed to ensuring responsible operational and end-of-life management of this equipment in compliance with current and future regulatory measures.

CBAM: FuelsEurope calls for effective measures that restore a global level playing field to ensure the sector can remain globally competitive and enable its transformation by:

- **Levelling the playing field on carbon costs,** thereby avoiding growth of international emissions and enabling ambitious yet economically achievable environmental action;
- **Providing a predictable and enabling regulatory framework**, resulting in clear, long-term signals to guide investors, thereby preventing carbon and investment leakage;
- **Effectively creating the business case for scaling up breakthrough and innovative solutions for the energy transition.**

FuelsEurope urges the EU Institutions to address fundamental flaws in the current CBAM design before progressing a potential scope extension to refinery products. The following elements shall be considered:

- **CBAM should coexist with current carbon leakage risk mitigation measures**, which should not be further reduced compared to today's level until CBAM effectiveness for the refinery sector has been demonstrated;
- An effective and adequate solution for export related carbon leakage risk must be included in the carbon leakage framework;
- Provide a **level playing field** between EU and non-EU suppliers on GHG emission costs;
- **Address the risks of circumvention and resource shuffling;**
- The carbon leakage risk associated with **indirect emissions** costs should be addressed through an EU-wide harmonised system of indirect cost compensation for all trade exposed sectors, rather than being included in CBAM (as indirect costs are not directly related to indirect emissions);
- A fair methodology for the refining sector shall be developed.

POLICY RECOMMENDATIONS TO CREATE ROBUST INVESTMENT CASE FOR ITS LOW-CARBON TRANSFORMATION.

RED: It should remain the central framework governing sustainability requirements for renewable fuels in the EU. Interactions with complementary policies (e.g. ReFuelEU Aviation, FuelEU Maritime, CO_2 performance standards for LDVs and HDVs), must be clear and coherent to ensure efficient delivery across sectors with overlapping and/or incoherent obligations. A future revision of the RED should therefore deliver a more harmonised, predictable and investable framework for renewable and low-carbon fuels in Europe. It should also set the conditions for a viable, long-term business case for the industry.

The industry supports an increase in RED targets in a gradual and realistic way, with enabling regulatory conditions for investments.

FuelsEurope calls for:

- Revising the RED **on best practices and lessons learned from the national transpositions of RED III**;
- Providing clearer, better **harmonised rules to reduce operational uncertainty** and to create more reliable ground for the investment cases needed to scale renewable and low carbon fuel production;
- **Avoidance of overly restrictive feedstock eligibility criteria and expand the range of RED-compliant bio-components, especially those domestically available;**
- **Synchronisation between technological maturity and regulatory ambition;**
- **Creation of demand-side lead markets;**
- **Investment de-risking measures;**
- Define a **long-term trajectory for the uptake of renewable and low-carbon fuels in Europe**, anchored in a strong and predictable investment framework for renewable fuels to preserve ongoing and planned investments.

CO_2 Standards for LDVs and HDVs & Clean Corporate Vehicles: The decarbonisation of road transport and corporate fleets should remain technologically neutral and recognise the role of renewable fuels alongside electrification.

FuelsEurope calls for:

- **Recognition of "Vehicles Exclusively running on Eligible Fuels, VEEF (as defined by the RED) and refuelling infrastructure. The VEEF should be considered as Zero-Emission Vehicles** through a dedicated vehicle category for vehicles running on fuels eligible under the RED, as foreseen in Recital 11 of Regulation (EU) 2023/851 and recognise them as zero-emission for the purposes of CO_2 standards, supported by robust monitoring and certification methodologies. This would complement electromobility and preserve multiple decarbonisation pathways.
- **Broader eligibility of sustainable fuels**. Extend the scope of eligible fuels under Article 5a to all RED-compliant sustainable fuels meeting the sustainability and GHG criteria under Articles 29 and 29a and related delegated acts;
- **Sustainable fuels should be credited with a zero-emission factor**, consistently with the Tank-to-Wheel methodology of the regulation. In fact, the CO_2 they emit during the use phase is circular (biogenic, absorbed from the atmosphere) and does not increase the CO_2 concentration in the atmosphere;
- **Improve the renewable fuel credits mechanism by removing the 3% cap and the 1% sub-cap for Annex IX Part B biofuels;**
- **Enable early deployment and allow renewable fuels to contribute to road decarbonisation before 2035;**
- Balanced approach in the Clean Corporate Vehicles initiative. Ensure the initiative does not become a de facto electrification mandate by preserving the role of renewable fuels, aligning it with CO_2 standards revisions, avoiding its use as a trade-off for regulatory flexibility, and designing fleet decarbonisation rules that reflect technological diversity, innovation and real market conditions across Europe.

ETS2: It should create a credible and technology-neutral market signal for decarbonised transport and heating solutions, while preserving affordability and social fairness.

FuelsEurope supports:

- **The creation of a market for road transport and heating** decarbonized energy solutions with an adequate carbon-price signal may help unlock investments in renewable and low-carbon technologies and fuels;
- **A free and transparent market functioning**, avoiding interference with market mechanism of price discovery;
- A balance between **supply and demand** and market liquidity;
- **Social aspects** to be taken into account: vulnerable households and citizen should be protected;
- A **market-based instrument ensuring that technology neutrality is a key driver of innovation.**