Fit for 55 –
How is the regulatory framework developing?

Lars Hummel, Policy Officer

Who are we?

Our Members

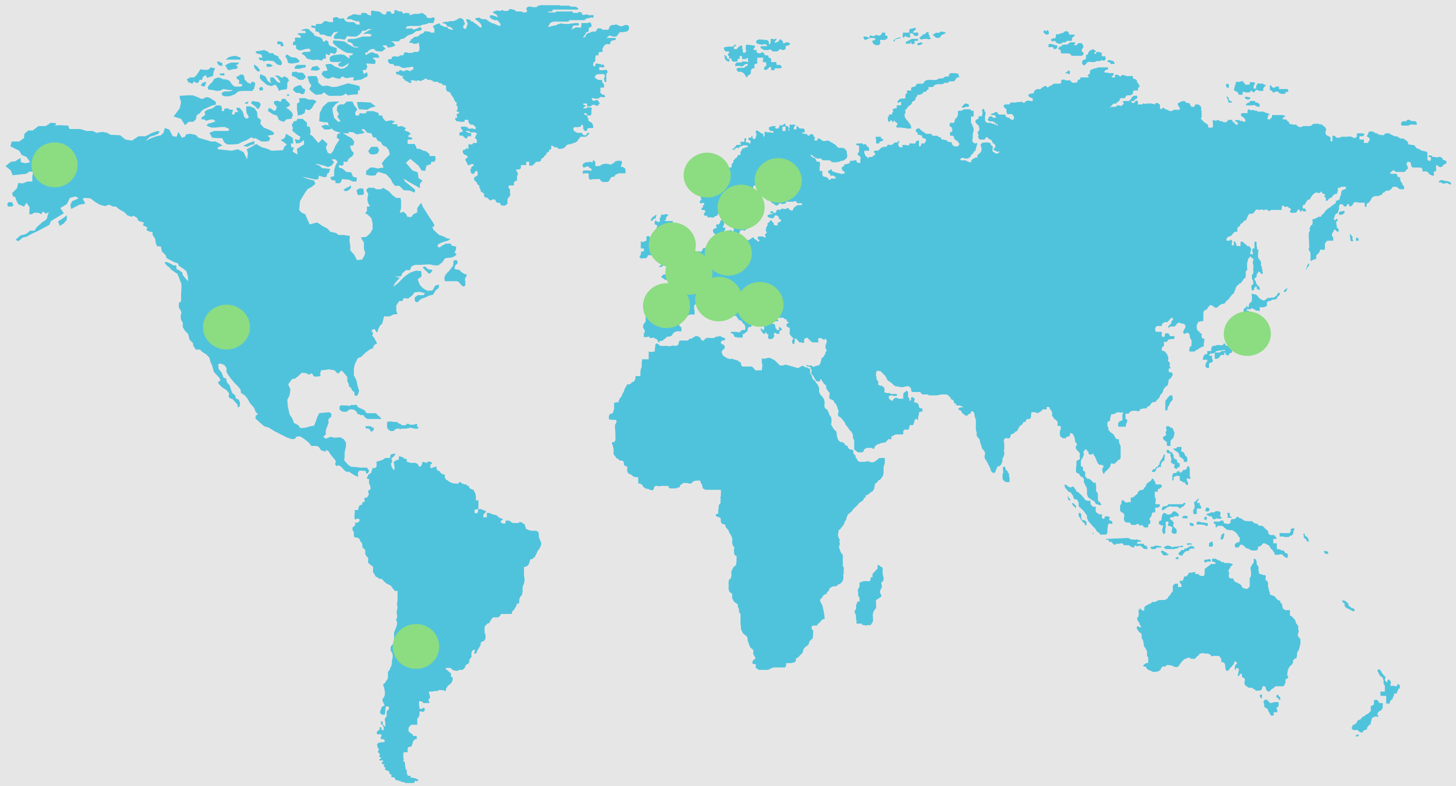
eFuel alliance

MORE THAN 170 COMPANIES, ASSOCIATIONS AND CONSUMER OGRANIZATIONS, INCLUDING:

HIF, PORSCHE, Synhelion, HELLENiQ ENERGY, SIEMENS energy, ADAC, eni, IVECO, REPSOL, BOSCH, TOPSOE, Webasto Feel the Drive, INERATEC, NESTE OIL, METHANOL INSTITUTE, UNITI, mazda

Our Members

MORE THAN 170 MEMBERS IN 17 COUNTRIES WORLDWIDE



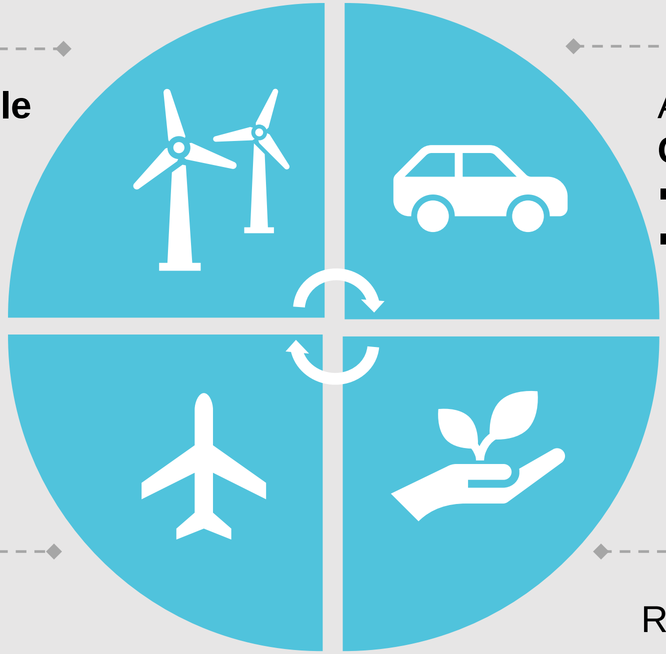
Fit for 55?

Key Fit for 55 legislative initiatives – our demands

Fit for 55 refers to the EU's target of reducing net greenhouse gas emissions by at least 55% by 2030

Press for a more ambitious revision of the **Renewable Energy Directive**

- Higher GHG reduction targets in the transport sector
- Binding 5% sub-quota for eFuels in all sectors



Account for renewable fuels in the revision of the **CO2 standards of new cars, vans and trucks**

- Life cycle analysis
- Introduction of voluntary crediting system

More ambitious goals and eFuel sub-targets in the **ReFuelEU Aviation** and **FuelEU Maritime**

- Long-term investment planning security

Reflect the climate benefit of renewable fuels in the revision of the **European energy taxation**

- Contribution to climate protection should be considered in taxation
- Additional price signal through EU-ETS

Renewable Energy Directive

On 29 March final trilogue reaches an agreement

Overall renewable energy targets are increased **to 42,5% in 2030** with an additional **2,5% indicative top up**, to which each member state should contribute individually

In the industry sector **42% of the hydrogen consumption** has to come from renewable fuels of non-biological origin (RFNBOs) **by 2030** and **60% by 2035**

- That equals approx. a forecasted demand of **168 TWh in 2030**
- **<u>Hydrogen produced with nuclear power is included here</u>**

- This can be **reduced by 20%** if

→ Member States use **not more than 23%** hydrogen from fossil fuels in **2030** and
→ **20% in 2035** or if
→ Member States' national contribution to the binding overall EU target meets their expected contribution

Renewable Energy Directive

Preliminary trilogue agreement

REDIII – Transport targets:

- **Art. 25** : GHG intensity reduction: 14.5% by 2030 or 29% RE share by 2030
- **Art. 25 – sub-targets:**
  Combined quota for advanced biofuels (annex 9 part A) and Renewable Fuels of non-biological origin (RFNBO) – 1% in 2025 and 5.5% in 2030; thereof RFNBO quota of 1% in 2030;
- **BUT:** due to multipliers the de-facto targets are 0,5% RFNBOs and 2,75% combined quota

- **Art. 27 – multipliers:** Reintroduction of multipliers for the energetic quota:

2x multipliers for biofuels (listed in Annex IX) RFNBOs
4x multiplier for electricity supplied to road vehicles,
and 1,5x multiplier when supplied to rail transport

- **Art. 27 – fossil reference factor:** Renewable electricity for charging electric vehicles receive a new fossil refence factor ($EC_{F(e)}$) which leads to another double counting – but the total amount of electrical energy is considered in the denominator and reduces the impact
- **Art. 27 – Caps:** Conventional biofuels 7%, Advanced biofuels part b: 1,7% in 2030

Next steps:

- Coreper was supposed to confirm the preliminary agreement on 17 May, but due to fears that France might vote against the compromise, the subject was taken off the agenda
- Transposition into national law (generally 18 months after entry into force)

CO2 emission standards for new cars and vans

On March 27 the Council approved the CO2 emission standards for new cars and vans with a **declaration to find a solution for eFuels**:

In a first step, the COM will submit an implementing act for type approval, setting up a robust and evasion-proof process for vehicles that are fuelled exclusively, in a permanent manner, with RFNBOs. The Commission will work with the Technical Committee on Motor Vehicles (TCMV).

A first scheduled meeting of the TCMV for **May 4th got postponed**

Further, the COM will present a **delegated act in autumn 2023** for the CO2 emission standards specifying how E-Fuels-only vehicles would contribute to emission reduction targets

If co-legislators reject the proposal, the COM will follow another legislative path such as a revision of the CO2 emission standards to implement the legal content of the delegated act.

CO2 Emission Standards for Heavy-Duty Vehicles

EC proposal 14 February

- **No consideration of renewable fuels**
- **Stricter CO2 fleet targets** for new HDVs: From 2040: 90 % emission reduction
- **Scope extended to all HDV,** including passenger buses and trailers:
- **New definition of zero emission vehicles (ZEV):** A zero-emission vehicle is defined as a HDV with not more than 5 g/(t·km) or 5 g/(p·km) of CO2 emissions. This enables Hydrogen combustion (Article 3 point (11)).
- **Review clause:** planned for 2028

- **EU Commission's impact assessment is questionable:** The IA got first rejected by the scrutiny board on 16 September. The board issued positive opinion with reservations on 6 December 2022.
- Commission uses the "scientific" IA to justify their decisions, but this fails to take into account many unresolved issues, lacks transparency on some parameters and makes questionable assumptions.

CO2 Emission Standards for Heavy-Duty Vehicles

European Parliament

ENVI lead committee

Rapporteur: Yannick Jadot (Greens/FR)
His position:

- -90% by 2040 is "imperfect signal", needs to be raised to -100% and possibly brought forward to 2030/2035
- Scope to be expanded as currently 20% of sales and 12% of emissions from the sector are not within regulation
- Definition of zero-emission vehicles to be limited again to pure electromobility, since hydrogen vehicles use diesel at startup

S&D and **Renew** shadows **in support** of Green position
EPP and **ECR** shadows call for technology openness

Timeplan:

- DD AM 04.07.
- AD Report 23.10.2023

Council

- **No significant progress** has been made so far: Most Member States are still examining the proposal and have not yet defined their position.
- Only **CZ government has expressed concerns**.
- Unclear whether General Approach will be reached under SE Presidency.
- **Trilogue** negotiations likely to start under ES Presidency in **Q4 2023**.

FuelEU Maritime

Compromise in trialogue from 22 March :

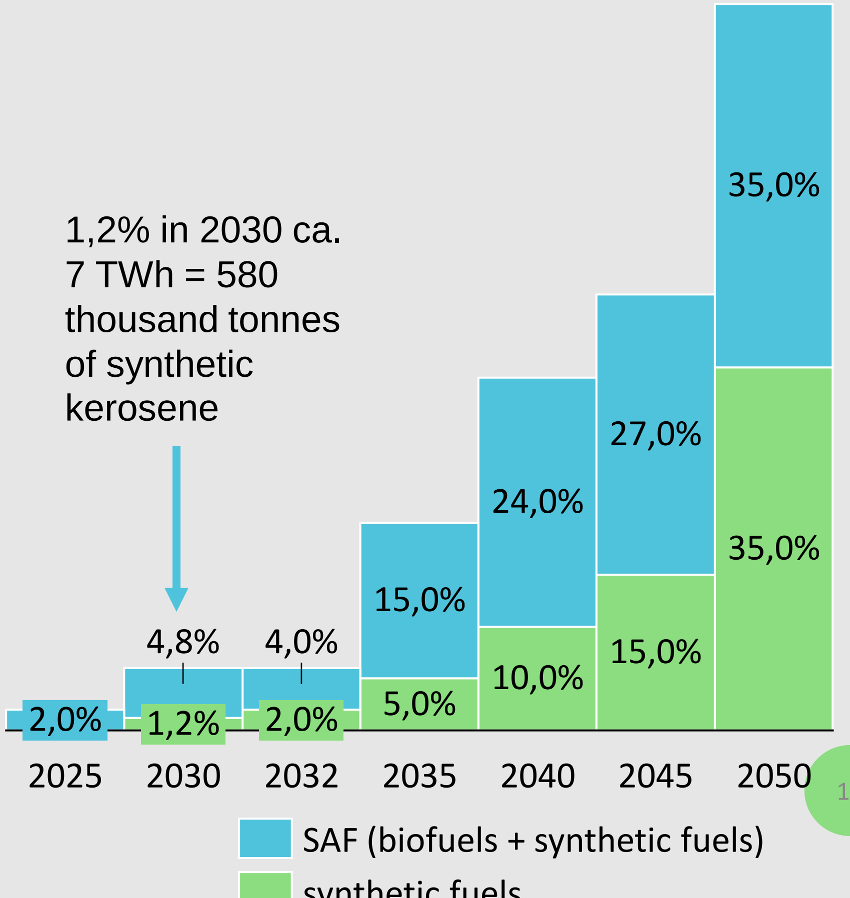
- Sunrise clause on RFNBO subquota: If in 2030, a 1% share of RFNBO is not reached, a 2% sub-quota will be mandated from 2034
  - 1% equals 3 TWh = 260 thousand tonnes synthetic marine fuel oil
  - Sub-quota can also be fulfilled with low-carbon fuels (if certified under EU legislation) and biofuels
  - Multiplier of 2 for RFNBO towards GHG intensity limits from 2025 until end of 2033
- Scope:
  - Ships above 5000 GT
  - 100% of intra-EU and 50% of incoming/outgoing voyages
- Review by 2028

Limits on GHG intensity	
2025	-2%
2030	-6%
2035	-14,5%
2040	-31%
2045	-62%
2050	-80%

ReFuelEU Aviation

Compromise in trialogue from 25 April

- **EU-wide mandates for Sustainable Aviation Fuel shares** (no higher national mandates possible):
  - 2025: 2% SAF
  - 2030-2031: 6% SAF, of which 1,2% synthetic fuels (minimum of 0,7% p.a.)
  - 2032-2033: 6% SAF, of which 2% synthetic fuels (minimum of 1,2% p.a.)
  - 2034: 6% SAF, of which 2% synthetic fuels
  - 2035: 20% SAF, of which 5% synthetic fuels
  - 2040: 34% SAF, of which 10% synthetic fuels
  - 2045: 42% SAF, of which 15% synthetic fuels
  - 2050: 70% SAF, of which 35% synthetic fuels
- RFNBO as intermediate not included
- Review foreseen in 2027
- Approval Delayed due to REDIII



Carbon Pricing: Emission Trading System (ETS) and Energy Taxation (ETD)

Energy Taxation: Presidency Compromise Proposal from 15 March

- Exact levels of taxation still to be determined
- Member States get opportunity to use actual (measured) net calorific values instead of those set in Annex II for the taxation

- **Flexibility for taxation in blended products**:
  - either by part (independent from CN code under which the energy product falls as a whole)
  - or by main component (to incentivize high-blended fuels)
  - or as average (to circumvent necessary accuracy in defining single components)

- **Natural gas and LPG** are still in separate tables, but possibility to tax them at lower rates than Annex I Table C category 2 energy products (low-carbon fuels, sustainable biofuels) has been removed

Next steps: Likely on the agenda at ECOFIN Council, 16 June 1

Carbon Pricing: ETS and ETD

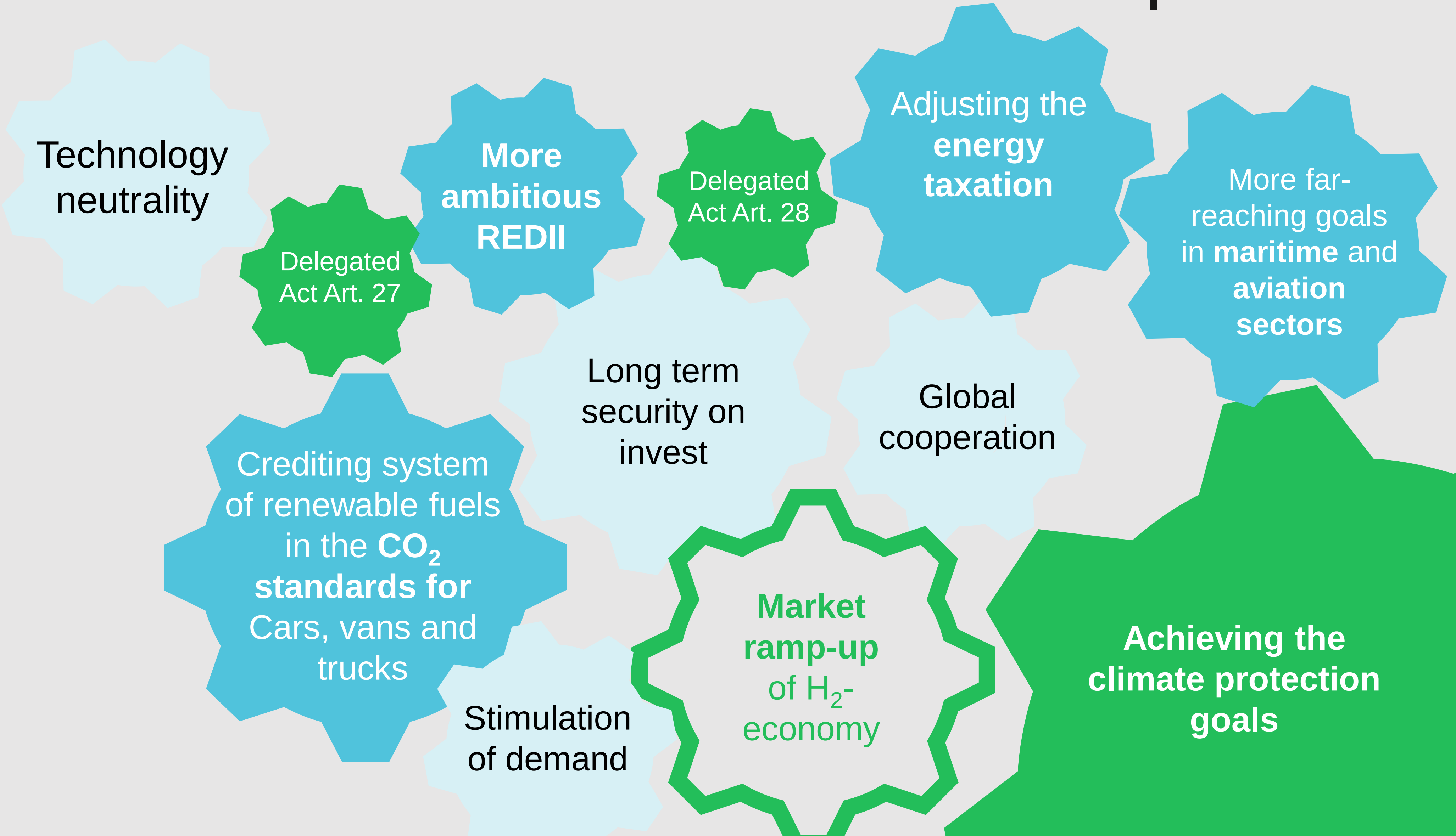
ETS

- Text published in the Journal of the EU
- Finalized on 25 April
- The agreement will gradually phase out free emission allowances and **phase in the CBAM** between 2026 and 2034 for the sectors covered.

- EU-ETS sectors shall reduce emissions by **62% until 2030** (compared to 2005).
- The speed of annual emission reductions will increase, from 2.2% per year under the current system to **4.3%** from 2024 to 2027 and **4.4%** from 2028.

- Includes certificates for **green hydrogen** production exceeding 5t/day
- Certificates for the uptake of clean fuels for the maritime sector
- ETS II for Transport/Heating, **capped 45€**

THE MOVING PARTS POLICYMAKERS NEED TO TURN



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