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## UPEI Position Renewable Energy Directive (RED) review

### Context

Independent fuel suppliers have experienced a substantial impact on their business activities, as COVID-19 outbreak hit harshly fuels demand across Europe. This unprecedented challenge represents a pivotal opportunity to **reshape the energy sector** as we know it. To achieve this goal, an ambitious and stable policy framework is crucial. UPEI members are fully committed to provide flexible, affordable, and clean energy to consumers in order to meet Europe's short- and long-term climate objectives.

### Relevance of the independent fuel suppliers' sector

UPEI members are in a unique situation within the fuel supply market. Today's individual fuel suppliers bring expertise, sound consumer knowledge and an established, comprehensive infrastructure which already delivers low carbon, energy efficient products in an affordable and competitive manner. They have a **strong track record in contributing to the EU target for renewables**, being the first to supply biofuels to Europe's energy market as early as 1992, showing their commitment to and flexibility in embracing new policies and delivering new solutions.

Independent fuel suppliers are not producers of liquid fuels and therefore have the freedom to diversify the products that they supply. However, they need **regulatory predictability and consumer demand as a guarantee for investments** in the renewables sector.

### A view at the current market

Priority should be given to the enforcement of the current legislation, promoting increased **harmonisation among Member States for the coherence of the internal market**. Indeed, due to diverging approaches to the implementation of RED, as well as different fuel quality provisions, there are hidden costs and regulatory barriers for market players operating across borders, undermining the efficiency of the entire supply chain. These obstacles have been documented in the report "***Obstacles to achieve an internal market for transportation fuels with bio-components***", prepared for the European Commission. We propose to mandate a **common approach and progress measurement mechanism at EU level**.

Moreover, after a decade a regulatory uncertainty, investments into renewable energy have stagnated, resulting in a market penetration below forecasts. It is therefore urgent to give a **strong push to renewable fuels** to fully reap their CO2 benefits, by establishing a favourable and practical framework.

### Regarding 2030 targets

We welcome the explicit endorsement in the recently published European Commission 2030 climate target plan, of renewable and low carbon liquid fuels as a key part of a holistic and integrated approach to decarbonise the EU transport sector.

UPEI supports the raising of the 2030 target to reflect Europe's new climate ambition, as long as the increase is based on a thorough impact assessment and equipped with clear and

realistic emission reduction trajectories, providing the transparency and certainty needed to attract the necessary investments to reach climate neutrality by 2050. Targets will have to be set at **realistically achievable levels, backed by science-based impact assessments, reflecting market realities** (such as technological maturity or availability of feedstocks), without resorting to draconic future policy U-turns. This will be especially crucial for the production, supply, and use of biofuels, as any future reforms and increases in ambition will have to consider the availability of sustainable feedstock.

### About the integration of the energy system

There is no silver bullet on the road to climate neutrality, so developing synergies in various parts of the European economy will be crucial in reaching this ultimate goal. We support the priority given to developing sustainable liquid fuels and reaching massive volumes of renewable and low-carbon hydrogen, for the production of hydrogen-derived synthetic fuels (e-fuels), which both have a high potential to decarbonise the transport sector, and call for this priority to be translated into policy action under the RED.

Achieving greater integration also requires **adopting a cross-sectoral approach and removing regulatory inconsistencies**. These inconsistencies can be demonstrated in the particularly problematic relationship between the Fuel Quality Directive (FQD) and REDII, the incomplete support of carbon neutral solutions under the CO2 Standards, the insufficient incentivisation of technology-neutral solutions under the Alternative Fuels Infrastructure Directive (AFID), and the outdated Energy Taxation Directive (ETD) giving very little stimulus to low-carbon technologies.

We invite the Commission to explore the *UPEI's Paper on Regulatory Inconsistencies*, which suggests means of fixing a number of these inconsistencies.

### Concrete suggestions regarding the next steps of the RED

UPEI calls upon the European Commission to give careful consideration to the following issues in the process leading to the review of REDII:

1. REDII has been adopted after a long and difficult negotiation and has not yet been implemented. It is important to raise the overall level of ambition by **expanding the scope of the directive without questioning previously agreed principles**, which would undermine the much-needed regulatory stability for investments. For instance, setting up a technology open objective for airlines and shipping companies would be the most effective way to support the deployment of renewable fuels in the aviation and maritime sectors. Similarly, renewable fuels could be deployed in the NRMM sector, with the right incentives.
2. The way the REDII allows the **use of multipliers** may lead to a situation where the actual, physical share of renewable electricity and sustainable biofuels remains rather limited, and to distortions between different solutions. The current system should be reviewed to establish technology open multipliers, promoting the best renewable fuels based on the lifecycle carbon footprint.
3. Current blending walls in the Fuel Quality Directive should be lifted alongside the review of RED, to stimulate **higher renewable content in fuels**.
4. The majority of low-carbon and carbon-neutral fuels, such as advanced biofuels, e-fuels, and to a smaller extent hydrogen, e-gas and biogas, can be swiftly deployed thanks to the **repurposing of the existing distribution infrastructure**.

The efficiency gain related to the availability of this infrastructure should be duly considered in the cost-benefit analysis of different technologies.

5. Current **provisions on heating should be revised**, with technology open approach, encompassing new technologies such as e-fuels, and not dismissing the potential of hybrid systems. All solutions should be counted as RES for heating alongside renewable fuels (e.g. HVO), letting the market decide on the allocation of different solutions.
6. Generally, the Directive should **not restrict any opportunity to develop renewable energies**, since strong sustainability and ILUC criteria are now in place. In particular, the cap on Annex IX Part B fuels should be removed, particularly if the overall renewable energy target in transport is raised significantly.
7. Although the renewable energy sector should not be dependent on subsidies, we support the establishment of an **effective financial support system**, allowing all players to take part, including **SMEs**. Equal access to funding is one of the prerequisites for independent fuel suppliers to be able to invest in the sector.
8. The success of the renewable energy regulatory framework will also depend on **consumers awareness and empowerment**. For example, unjustified negative consumers perceptions have adversely affected the roll-out of E10 blends in certain countries, affecting the deployment of fuels with higher blends of renewables more generally. UPEI supports measures providing factual information to consumers alongside incentives, to ensure societal acceptance of the significant changes the energy sector will undergo in the next decades.

UPEI and its members, representing nearly 2,000 European importers and wholesale/retail distributors of energy for the transport and heating sectors, look forward to constructively working with the EU institutions to make Europe's renewable energy policy a success.

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UPEI represents nearly 2,000 European importers and wholesale/retail distributors of energy for the transport and heating sectors, supplying Europe's customers independently of the major energy producers. They are the interface between producers and consumers, using their own infrastructure and flexibility to supply existing demand for conventional and renewable liquid fuels, as well as non-liquid alternatives as part of the energy transition. They cover more than a third of Europe's current demand. The organisation brings together national associations and suppliers across Europe.

Independent fuel suppliers bring competition to Europe's energy market and are able to respond rapidly to changes affecting supply, contributing to security on a local, national and regional level. They have developed and maintain a comprehensive infrastructure for the sourcing, storage and distribution of transport and heating fuels, with a commitment to delivering a high-quality service to all consumers, including those in remote areas.

Since 1962 UPEI has been advocating for a level playing field and fair competition to ensure an affordable, sustainable, and secure energy supply for Europe's consumers. Today, in the context of the transition to a low carbon economy, UPEI and its members are also addressing the challenges of adapting the product range and meeting consumer demand through market-oriented solutions.

With its strong track record in pioneering the supply of renewable fuels in the EU, UPEI's members remain committed to delivering and embracing new, cost effective solutions which further promote energy efficiency and reduce pollutants and emissions.