THE VOICE OF EUROPE'S INDEPENDENT FUEL SUPPLIERS

STATEMENT

Brussels, December 2016

Lowering Emissions in Transport
The viewpoint of Europe's independent fuel suppliers

UPEI welcomes the European Union's efforts to bring down emissions in the transport sector in its low emission mobility strategy,[1] and the concrete proposals of the recently published Winter Package[2].

UPEI stresses independent fuel suppliers' solid track record in reducing GHG emissions through the supply of alternative fuels and calls on the European Union to create the framework whereby *all* fuels in Europe's transport fuel mix can be recognised for their contribution to lowering emissions. This should be based on objective analysis of the sustainability (full lifecycle) of each powertrain. Implications with regard to security of supply, competitiveness and consumers should also be assessed in keeping with the EU's overall objectives for the Energy Union. This is essential in order to preserve European assets and jobs whilst moving to a cleaner society.

UPEI represents Europe's independent fuel suppliers, including importers and wholesale/retail distributors of refined petroleum products and their alternatives, supplying Europe's customers, independently of the major petroleum producers. Independent fuel suppliers (mainly SMEs) cover more than a third of Europe's demand, therefore playing a vital role in supplying an evolving energy market.

Independent Fuel Suppliers' contribution to lowering emissions in transport

UPEI represents around 1,800 companies engaged in the market uptake of low emission alternative fuels and are committed to continue in the coming decades. Being dependent only on consumer demand – and not locked into any particular energy source – they have the flexibility to diversify the products supplied. However, in order to do so, they need a political vision which reconciles consumer demand for oil based liquid fuels and the sector's contribution to lowering emissions, with the EU's desire to reduce Europe's dependency on oil.

UPEI's members have a solid track record in the supply of renewable energy products alongside traditional fuels, in particular having been at the forefront of the introduction of biofuels supply in domestic markets. Biofuels remain the single biggest contributor to lowering Europe's transport emissions to date: in 2014, according to Eurostat SHARES, renewable energy made up 5,94% of the total energy consumed in transport. 75% of this originates from biofuels. Based on Ecofys data it is estimated that the total GHG reduction delivered by biofuels was approximately 28 million tonnes in 2014. Sustainable biofuels can continue to contribute to a substantial reduction in overall CO^2 emissions, and have the advantage that they can provide clean power to ALL forms of transport. [3] In the meantime fossil fuels are also evolving, notably the potential for gas to liquids (GTL) to lower emissions in transport.

In addition, **a number of companies within UPEI's membership are already involved with the deployment of other alternatives to oil**.

[1] COM(2016)501 final: A European Strategy for Low-Emission Mobility
[2] [Winter Package: Clean Energy for all Europeans 30.11.2016]
[3] Directive 2014/94/EU, recital 21

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The LPG network is well established. Other, newer alternatives are being introduced (some still on a pilot basis) e.g. hydrogen refuelling network, electric vehicle schemes as well as LNG, CNG and GTL with differing degrees of success, depending on the maturity of the conditions needed for the uptake of these fuels on the market.

Diversifying Europe's fuels in an environment where the technology is not always mature and consumer demand is lagging behind creates certain challenges, in particular for UPEI's membership - mainly SMEs who depend heavily on the principles of market economics. Independent fuel suppliers are nevertheless prepared to rise to this challenge, but need guarantees that legislation will allow them to participate in the transition and take account of the European Commission's predictions[4] for oil in Europe's energy mix. This is essential in order to safeguard the 84,000 European jobs which are at stake. **UPEI therefore calls for the EU to promote the diversification of Europe's fuel pool in such a way as to ensure that all technologies are treated fairly with regard to the way they are assessed for their contribution to emissions reduction and the Energy Union's objectives** of sustainability, competitiveness and security of supply. This requires **policy recommendations which are evidence based, with objective assessments (full life cycle, WTW).** This is also essential from the consumer perspective, who can only be engaged on the basis of unbiased information which does not favour one technology over another and addresses key concerns of affordability as well as energy efficiency and environmental performance.

This also implies the need for policy makers to be transparent about and take account of the positive role that oil products are playing in reducing emissions and facilitating a cost efficient transition. The alternative of pursuing the phase out of oil *at any cost* i.e. without appropriate scrutiny of the alternatives proposed, entails serious risks. An artificially-driven phase-out of oil based products would not only create supply disruptions, but would also slow down current progress towards a greater availability of today's main contributor to lowering-emissions (in all transport modes[5]): sustainable biofuels.

Until affordable, "winning solutions" that can stand the test of time, are available on the market to meet consumer demand, **fuel suppliers must be allowed to introduce alternative fuels into their supply chain in a manner that stimulates, rather than distorts, competition with products that they currently supply to meet existing demand.**

Optimising Europe's Fuel Supply Infrastructure

Independent fuel suppliers are not involved in energy production but assure a complex and dependable infrastructure, providing reliable storage (including emergency stocks) with a storage capacity of 30 million m^3 in over 1000 depots and distribution networks with more than 15,000 trucks that guarantee the high quality of a range of products (liquid fuels, gas and renewables). These products can be delivered down to the smallest quantities, reflecting a highly service oriented approach. The infrastructure required to deliver this security of supply has been created to meet consumer demand and at the consumer's expense. In addition, the presence of independents on the market ensures the presence of competition in Europe's fuel supply chain.

[4] "Oil products would still represent about 90% of the EU transport sector needs (including maritime bunker fuels) in 2030 and 86% in 2050, despite the renewables policies and the deployment of alternative fuels infrastructure which support some substitution effects towards liquid and gaseous biofuels, electricity, hydrogen and natural gas." [EU reference scenario 2016]

[5] Marc Steen/JRC 2014

Europe's low emission mobility strategy must recognise the value of Europe's comprehensive, independent fuel supply infrastructure that serves multiple transport modes (road/air/marine).

In order to optimise and adapt Europe's independent fuel supply infrastructure (physical infrastructure, know-how, etc) in the transition process, UPEI recommends measures that:

- Recognise the benefit of and the need for a liquid fuel supply infrastructure for the foreseeable future in order to meet demand and guarantee security of supply
- Facilitate the adaptation of the existing infrastructure to integrate alternative fuels (taking account of financial, technical and health and safety implications)
- Avoid costly, parallel infrastructure by prioritising the adaptation of existing infrastructure

A European Strategy for Low-Emission Mobility – COM(2016) 501 final

The European Commission's proposed strategy recognises that low emission mobility will not happen overnight, and will require all options and players to contribute. UPEI welcomes the fact that it credits improved vehicle efficiency as the main contributor to GHG emissions reduction in transport. This remains key: **fuels can only offer solutions as part of an integrated approach with vehicle efficiency.** In this respect, EU policy should actively promote further improvements that can be applied to existing vehicle engine technologies and fuels. Further technological breakthroughs are needed and should be stimulated for *all technologies* through the promotion of research and development.

In addition, the potential contribution that changes in individual mobility behaviour can achieve must be tapped through creative solutions and objective consumer information campaigns.

Lower Emissions & Increased Fuel Efficiency: unlocking the potential
Significant reductions in emissions and fuel consumption should be pursued for ICE vehicles and existing fuels, in parallel with alternatively fuelled transport solutions. Technology such as **Reactivity Controlled Compression Ignition (RCCI)** has the potential to achieve significant emissions reductions with *existing* fuels, without requiring huge investment or new infrastructure.
http://www.w-erc.com/services/rcci/
Eindhoven University of Technology & University of Wisconsin-Madison

Conclusion: the contribution Europe's Independent Fuel Suppliers

Independent fuel suppliers are not locked into a specific technology or energy source, but have the capacity to adapt to policy and market driven changes, whilst being reliant on consumer demand and acceptance.

UPEI believes that, for a low-emission mobility strategy to be effective and successful it must create the conditions for *all parties* to play their part. This means promoting the uptake of new technologies, in such a way that not only benefits the innovative production cycle, but preserves the economic security of related, predominantly service industries such as independent fuel supply. In turn, this will contribute to economic growth through job security and stimulate the necessary investment for the integration of new fuel supply chains and the ongoing transition to lower emission mobility.
More specifically, this requires:

- Regulatory predictability, stability and coherence: future policies and legislation need to be projected into the medium- and long-term, in order to allow market players to plan for the investments needed to meet policy objectives.
- A level playing field and transparency on the potential of all powertrains and fuels to contribute to GHG emission reduction and their associated costs: new initiatives should promote the market uptake of alternative energy solutions with a proven sustainability record and with at least a certain degree of maturity or market uptake.

- An objective assessment of all powertrains and fuels in terms of their contribution to emissions reduction on a full life-cycle (WTW) basis, as well as their contribution to the 3 key objectives of the Energy Union.
- Recognition of emission reductions that can be made within todays existing transport systems, engines and infrastructure in parallel with the development of new technologies, in order to stimulate further improvements, given their predicted presence in the transport fuel mix for the foreseeable future.
- Research and development into innovative, future proof technologies.

Emission reduction in transport is dependent not just on technical progress but on collective change in behaviour throughout Europe's economy. For UPEI, consumer behaviour is as critical as the need for further innovation and policy measures which promote change in a non-discriminatory manner.

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UPEI represents European importers and wholesale/retail distributors of refined petroleum products and their alternatives, supplying Europe's customers, independently of the major petroleum producers.

Independent suppliers, covering more than a third of Europe's demand, play a crucial role in an evolving market by bringing competition which is vital to the economy. Their independence enables them to respond rapidly to changes in terms of market structure, products and services, contributing to security of supply on a local, regional and national level.

UPEI was created in 1962 with the aim of ensuring a level playing field for the supply of energy on the European market and safeguarding a competitive approach. The organization brings together national associations and suppliers across Europe.

Today, **UPEI** also acts as an informed and responsible partner to Europe's decision-makers on the risks and opportunities involved in the transition to a genuine European Energy Union.