UPEI
POSITION PAPER

SOLVING THE FUELS POLICY CONUNDRUM: RECOMMENDATIONS FOR A HOLISTIC AND AMBITIOUS "FIT FOR 55" FRAMEWORK

UPEi

THE VOICE OF EUROPE'S INDEPENDENT FUEL SUPPLIERS

EXECUTIVE SUMMARY

UPEI and its members have embraced the EU's ambition to reach a climate-neutral economy by 2050, and as such are fully committed to contributing to achieving this target through the supply of carbon-neutral fuels by 2050. In this regard, we welcome the Commission's recognition of fuel suppliers' and distributors needs' for clear policy signals on the value of sustainable renewable and low carbon fuels, as stated in the Commission's Climate Target Plan and Sustainable Mobility Strategy. Europe's climate neutrality ambition will need to be built on coherent, clear and predictable regulation to allow businesses to make the investments needed to achieve a fully sustainable transition. In its previous policy paper "Avoiding regulatory inconsistencies in future policy frameworks", UPEI and its members identified inconsistencies amongst existing legislation that hinder investment certainty and limit the decarbonisation potential.

The EU legislative framework needs to fully embrace the potential that sustainable renewable fuels can provide by setting out a consistent regulatory environment that equally recognises the contribution of diverse solutions and promote them in a technology open manner. These energies and fuels are opposed to conventional fossil fuels, e.g. gasoline and diesel, that need to be replaced to achieve carbon neutrality in across all sectors.

UPEI would like to present its paper "Solving the fuels policy conundrum" on finding the right balance of measures and policies in the upcoming "Fit for 55" Package to remove inconsistencies and build bridges between pieces of legislation affecting the fuel sector in particular, in order to maximise synergies and effectively attain the intended objectives.

First, the Package will need to ensure that any leeway provided to EU Member States to adapt to local conditions does not inherently lead to less consistency in the functioning EU fuels market, hence the Commission should develop necessary implementing legislation and provide clear guidelines for the implementation of the Package. Moreover, UPEI recommends that the Commission focuses on stimulating the demand for sustainable renewable fuels in the road transport sector.

Second, achieving the increase of the 2030 transport target will require a complete alignment of legislation and maintaining existing key principles, notably in the Renewable Energy Directive (REDII) and the Alternative Fuels Infrastructure Directive (AFID). Many investors have already made investments based on these principles (e.g. sustainability criteria), and their reversal could prove highly problematic for future investments. On the other hand, certain areas in the REDII and the Fuel Quality Directive (FQD) need to be aligned together, i.e. by reworking the way targets and multipliers are expressed.

Third, the upcoming Package needs to recognise the role that renewable fuels can make in reducing emissions from current and future fleets. A consistent regulatory environment will need to be based on aligned definitions, without putting low carbon technologies at odds with one another, but rather allowing them to compete on a life-cycle or Well-to-Wheel basis.

Fourth, the Package needs to remove current obstacles that limit cleaner fuels from being fully unleashed. A clear example can be seen in the ongoing blending walls for biofuels in the FQD, not allowing these fuels to be blended adequately to achieve higher fuel decarbonisation. The Package should encourage the greater use of renewables including through mandatory blending rates, and lifting the food-crop cap of the REDII when risks of Indirect Land Use Change are low. Additionally, the success of this framework can only happen if there is public acceptance – this should be achieved by addressing consumers' misperceptions and introducing favourable pricing and taxes.

Lastly, the Package will also need to recognise that the current framework is not fit for purpose in maintaining and promoting fair competition between small suppliers and integrated energy companies in supplying sustainable renewable fuels. Independent fuel suppliers should not be required to undergo excessive administrative burdens in light of their small resources and be allowed to compete with refiners for availability of supplies of advanced biofuels and other means of reduction their emissions, such as credits for Upstream Emissions Reductions.

UPEI'S COMMITMENT TO CLIMATE NEUTRALITY

UPEI and its members have embraced the European Union's ambition to reach a climate-neutral economy by 2050. Our sector will play a crucial role in supplying various energy vectors and in allowing the EU to reduce emissions in all modes of transport and buildings.

In December, the European leaders agreed to increase European climate ambition of at least 55% emission reductions by 2030 below 1990 levels. Although the journey ahead will not be easy, as has been recognised in the Commission's Communication on Climate Target Plan[1] and the Strategy for Smart and Sustainable Mobility[2], independent fuel suppliers stand ready to do their outmost in supporting the green transition.

Europe's climate neutrality ambition will need to be built on coherent, clear and predictable regulatory frameworks to allow businesses to make the investments needed to achieve a fully sustainable transition.

RECOMMENDATIONS FOR THE "FIT FOR 55" PACKAGE

In our previous policy paper "Avoiding regulatory inconsistencies in future policy frameworks", UPEI and its members identified inconsistencies amongst existing legislation that hinder investment certainty.

The fuel supply sector is currently subjected to a number of requirements set out by different regulations, which however aim at diverging objectives and are materialised in different obligations.

— Inconsistencies can be demonstrated in the particularly problematic relationship between the Fuel Quality Directive[3] (FQD) and the Renewable Energy Directive[4] (REDII), the incomplete support of carbon neutral solutions under the CO2 Standards for vehicles[5], the Energy Efficiency Directive[6] (EED), the Energy Taxation Directive[7] (ETD), and insufficient support to the necessary diversification of Europe's fuel pool under the Alternative Fuels Infrastructure Directive[8] (AFID).

In parallel, while it is likely to expand the Emission Trading Scheme (ETS) to the maritime sector, the European Commission is also looking at establishing an emission trading system for buildings and road transport, which will add another layer of complexity in the already heavily regulated fuel sector.

UPEI believes that besides increasing the climate ambition, the upcoming "Fit for 55" Package should remove inconsistencies and build bridges between pieces of legislation affecting the transport sector in particular, in order to maximise synergies and effectively attain the intended objectives. We regret that the FQD is not expected to be fully revised at the same occasion, as some of the fuel quality technical parameters currently limit the potential of sustainable renewable fuels to put road transport on the path to climate neutrality.

However, while solving major points of regulatory inconsistencies would allow independent fuel suppliers to more efficiently transition towards sustainable renewable solutions, ambition underlying the upcoming "Fit for 55" Package provides a significant opportunity to greatly accelerate this path towards 2030.

1 EU Climate Target Plan https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0562

2 Sustainable and Smart Mobility Strategy https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0789

3 Directive 2009/30/EC of the European Parliament and of the Council of 23 April 2009 amending Directive 98/70/EC as regards the specification of petrol, diesel and gas-oil and introducing a mechanism to monitor and reduce greenhouse gas emissions and amending Council Directive 1999/32/EC as regards the specification of fuel used by inland waterway vessels and repealing Directive 93/12/EEC

4 Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources

5 Regulation (EU) 2019/631 of the European Parliament and of the Council of 17 April 2019 setting CO2 emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No 443/2009 and (EU) No 510/2011; Regulation (EU); Regulation (EU) 2019/1242 of the European Parliament and of the Council of 20 June 2019 setting CO2 emission performance standards for new heavy-duty vehicles and amending Regulations (EC) No 595/2009 and (EU) 2018/956 of the European Parliament and of the Council and Council Directive 96/53/EC

6 Directive (EU) 2018/2002 of the European Parliament and of the Council of 11 December 2018 amending Directive 2012/27/EU on energy efficiency

7 Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity

8 Directive 2014/94/EU of the European Parliament and of the Council of 22 October 2014 on the deployment of alternative fuels infrastructure

Future legislation needs to avoid creating new points of regulatory inconsistency between various policy measures that seek to decarbonise transport.

The sections below will explore the necessary legislative and policy signals that our sector will need in order to promote all forms of sustainable renewable fuels in the future "Fit for 55" package.

1. SHARED AND CLEAR ACCOUNTABILITY

Reaching the EU's increased target for 2030 of 55% including removals, let alone the 2050 climate neutrality goal, will require all actors to act consistently and responsibly to permit various sectors of the economy to transition their value chains towards carbon neutrality.

1.1 Clarify responsibilities between the EU and Member States

EU Member States will play a crucial role in reaching the increased target for 2030, as not only they are the parties responsible for either implementing or applying all parts of EU legal framework, but they also are responsible for putting the incentives and favourable conditions in place for low and carbon neutral energies to succeed.

As such, Member States should retain flexibility in defining their decarbonisation and fuel strategies, in accordance with local conditions, in line with the subsidiarity principle.

However, as Directives leave significant leeway to Member States in their implementation, it often results in considerable inconsistencies affecting the smooth functioning of the internal market. Clear examples of this can be found in how Member States implement the ETD, and for example optional tax reductions and exemptions for specific products and uses, or the REDII, due to the wide-ranging options in how to implement the renewables in transport target that often lead to the fracturing of the internal market for renewable fuels[9].

— UPEI recommendations

The AFID should not impose the same infrastructure requirements in all territories, but follow a more flexible approach allowing to support the most suited alternative fuels infrastructure in accordance with local circumstances and consumer demand.

Provisions in the AFID, the ETD and the REDII should nonetheless be better enforced, and the European Commission should develop necessary implementing legislation and provide clear guidelines for implementation to guarantee a functioning EU internal market for fuels.

1.2 Clarify responsibilities among fuel suppliers

Fuel suppliers, including the members of UPEI[10], do not experience consistent treatment in the way they are defined as responsible parties for meeting legal obligations. While fuel suppliers are generally defined as companies that act as excise duty points, divergent implementation of the ETD has made this definition more complex.

Furthermore, should the Commission take this line of thinking in the revision of the FQD, REDII, and the possible expansion of the EU Emissions Trading System[11], this may prove problematic. Indeed, certain companies that act as excise duty points, in the independent sector in particular, do not have blending facilities or have no possibility to reduce the Greenhouse Gas (GHG) intensity of the fuels they put into consumption, as for example terminals, storage facilities, distributors operating across borders.

The excise duty legislation should therefore not automatically be used as a basis for the identification of obligated parties for the purpose of implementing GHG reduction or renewable fuels deployment targets, but rather

9 Obstacles to achieve an internal market for transportation fuels with bio-components, Rob Vierhout, MSc, July 2016

10 List of UPEI members https://www.upei.org/membership/members

11 ETS: Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814

implemented only if it can guarantee that all obligated parties have options to reduce their emissions. If not, alternative ways to define obligated parties should be found.

— UPEI recommendations

The obligated parties for the purpose of the FQD, REDII and most importantly the possibly expanded ETS should be carefully selected at national level based on the features of the market.

1.3 Act on both supply and demand in a coordinated manner

UPEI members are willing to do their share to contribute to achieving EU climate goals, by repurposing the existing infrastructure for the distribution, wholesale and retail, of fuels. Yet fuel suppliers need to see holistic measures, addressing both demand (consumers) and supply (producers) in addition to setting objectives for the products put on the market. Supply and demand-side measures should go hand-in-hand, to avoid the artificial development of a refuelling infrastructure which would not be justified by consumer demand and enhancing an ecological, economical and socially acceptable transition. This is the approach that is being taken in the maritime and aviation sectors, thanks to the so-called "basket of measures" announced in the European Sustainable and Smart Mobility Strategy.

— UPEI recommendations

While supply is already covered by both the FQD and REDII, the focus in the road transport should be on stimulating demand for cleaner fuels, through the rethink of the CO2 standards and the AFID, which should be used to foster awareness-raising and incentives at Member States level for the uptake alternative fuelled vehicles.

2. TRANSLATING THE 55% TARGET

The Commission has made considerable steps in outlining the direction of travel for European sustainable mobility both via the Sustainable and Smart Mobility Strategy and the Climate Target Plan, providing some clarity on future policies meant to drive the transformation of the economy towards climate neutrality.

2.1 Raise the ambition without undermining key principles

Reaching an increased 2030 target requires re-adjusting legislation while respecting the continuity of recent pieces of legislation. The size of investments into renewable and low carbon fuels is often substantial; hence investors need to be able to rely on the principles set by the existing legislation to enable them to make sound business decisions and to have investment certainty.

— UPEI recommendations

Recently agreed upon definitions, biomass sustainability criteria, lists of feedstocks included in the REDII, as well as the definition of alternative fuels in the AFID, should not be reopened to safeguard the regulatory stability required to attract investments into the decarbonisation path. The reviews should focus on the scope and the level of the targets.

2.2. Align targets and counting methodologies

Meeting obligations set by the REDII does not currently automatically mean achieving fuel decarbonisation targets of the FQD, and vice-versa. This is because the REDII sets its obligations based on specific targets for the supply of renewable fuels, calculated as a percentage of the total of energy consumed in transport of Member States, and often translated as volume-based targets. The FQD, however, sets a reduction objective for the GHG intensity, calculated over the life-cycle, of transport fuels.

While REDII targets can also be transposed into GHG targets, as it is the case in Germany, it can only contribute to any FQD decarbonisation target as much as it falls within its scope, meaning that it would only be applied to the fuels that fall within the REDII[12].

Furthermore, 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 creates distortions between different solutions. These multipliers are not counted under the FQD, thus not rewarding the supply of renewable electricity for transport or advanced biofuels.

— UPEI recommendations

The REDII target should be expressed in terms of lifecycle GHG intensity, rewarding the best performing fuels and thus matching the requirements under the FQD.

The current multiplier system in REDII should be turned into a technology open measures, promoting the best renewable fuels based on their lifecycle GHG footprint. The FQD should be aligned with the approach adopted.

3. FUELS IN THE SCOPE OF A COHERENT LEGISLATION

3.1 Embrace a diversity of solutions

There currently are inconsistencies regarding the types of fuels promoted as part of the energy transition and the rationale for it, as thoroughly explained in UPEI Inconsistencies Paper. To sum up, the REDII promotes renewable fuels, the AFID promotes alternative fuels, which comprises of renewables and non-renewables, CO2 standards for vehicles promotes in particular certain alternative fuels having 0 emission at the tailpipe including non-renewables, the FQD promotes fuels with a lower GHG intensity over their life cycle.

To effectively reduce emissions in the shortest delays, policies should not only address new vehicles but also the existing fleet. It is all the more pressing, as the European Automobile Manufacturers Association's recent study on average lifetime of vehicles reveals that EU passenger cars are now on average 11.5 years old, vans 11.6 years, trucks 13 years and buses 11.7 years, with motor vehicle fleets getting older year-on-year[13]. Moreover, there are significant average age differences in EU Member States fleets, meaning that a broad range of solutions that respond to the current needs of markets in specific countries or regions will be key to decarbonise current transport fleets.

Fortunately, 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 to make a significant impact on decarbonising the current fleets.

— UPEI recommendations

Since all solutions are needed for an effective pathway towards 2030 goals and ultimately climate neutrality in 2050, definitions should be aligned and inconsistencies should be removed, to ensure the coherent promotion of all renewable, alternative, low carbon and carbon neutral fuels that can support the transition.

The review of the AFID should maintain the existing definition for alternative fuels and treat them equally. Any obligations upon suppliers would have to be supportive of existing business cases in specific areas for the rollout of alternative fuels infrastructure.

3.2 Equally recognise all sustainable solutions in the legislation

The EU legislative framework needs to fully embrace the potential that sustainable renewable fuels can provide by setting out a consistent regulatory environment that equally recognises the contribution of diverse solutions. These energies and fuels need to be opposed to conventional fossil fuels, e.g. gasoline and diesel, that need to be replaced to achieve carbon neutrality in the transport sector.

12 UPEI's Inconsistencies paper for more details

13 https://www.acea.be/statistics/article/average-age-of-the-eu-motor-vehicle-fleet-by-vehicle-type

An approach based on the lifecycle performance of energy various solutions will incentivise the vehicles that can accept carbon-saving alternatives and higher renewable fuel blends, while ensuring a level-playing field across all technologies, allowing the market to decide where and how to make these choices.

— UPEI recommendations

A new mechanism that recognises the contribution of sustainable renewable fuels when determining manufacturers compliance with their CO2 emission targets should be introduced in the CO2 standards for cars, vans, and trucks , in the form of a voluntary crediting system[14].

The ETS, if expanded to road transport and buildings, should introduce in a single carbon price per sector, applying equally to all fuels and energies based on their GHG performance, with renewables counted as 0.

4. UNLEASHING THE FULL POTENTIAL OF CLEAN FUELS

4.1 Fix regulatory limitations

Although fixing the legislative issues outlined and treating fuels based their lifecycle emissions and in a technology neutral manner will certainly help, this unfortunately does not solve all problems that suppliers of cleaner fuels face.

One such example are the so-called blending walls, which do not permit suppliers to adequately blend biofuels and alternative fuels into conventional fuels to meet the FQD's Article 7a target of reducing the carbon intensity of fuels. As UPEI has explored in its Inconsistencies Paper, very few EU Member States have adopted mandatory blending rates or certain fuel blends are simply not available. In addition, there are usage limitations due to the 7% blending wall in EN590, and the 10% cap and the 3,7% mass oxygen limit in the FQD Annex 1 restricting bioethanol blending.

This situation is further compounded by the food-crop cap of REDII, limiting the possibility to use conventional biofuels to reach the FQD target even though they present low ILUC risks. Strong sustainability, including GHG saving thresholds and ILUC criteria are now in place. Given the size of the climate challenge, the REDII should not restrict any opportunity to develop renewable energies.

— UPEI recommendations

By revising the FQD, blend walls and measures of equivalent effect should be removed towards a full contribution to an increased target for renewables in transport under the REDII.

Any restriction or cap on the use of certain feedstocks should be removed from the REDII provided that all criteria are met. Only high-ILUC-risk biofuels must be limited and then progressively phased out, but not sustainable crop-based biofuels. Restrictions at national level should not be allowed, for the smooth functioning of the internal market.

4.2 Promote the availability of alternative and renewable fuels

Sustainable biofuels are mature technologies and can be further deployed in an effective manner by being blended into conventional fuels, therefore bringing immediate climate benefits. Several European countries already have blending obligations in place[15]. However, there is a huge potential beyond strict RED II requirements.

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 fuels with higher blends of renewables.

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. In particular, this can be achieved through better communication and promotion of low and carbon neutral solutions in a revised AFID.

14 https://www.frontier-economics.com/media/4347/crediting-system-for-renewable-fuels.pdf
15 UPEI, Biofuels Matrix, 2018 https://www.upei.org/library/download/463/381/17?method=view

Changes in behaviour cannot occur without significant updates to the current regime of energy taxation. As the Commission has recognised for over ten years[16], the ETD is no longer efficiently serving its original purpose. Moreover, the tax rates, reductions and exemptions provided for in the current ETD do not adequately support the development of alternative fuels and energy carriers.

In particular, the current taxation model engrained in the ETD based on fuel volume has led to a situation where renewable alcohol-based fuels are more heavily taxed than fossil fuels. Meanwhile, it has equally not kept up with the technological development and not provided suitable tax rates for new technologies such as hydrogen, renewable electricity, synthetic e-fuels and advanced biofuels, that could allow them to compete with fossil fuels.

Moreover, while the EU legislators should close existing inconsistencies, the Commission should be careful not to open new ones as part their review of REDII, AFID, as well as the ETS, especially by maintaining coherency and avoiding double taxation or equivalent effect.

— UPEI recommendations

The revision of the REDII should include clear provisions to encourage mandatory blending rates applicable equally in all EU Member States. In addition, the use of sustainable biofuels could be developed in applications where they are not yet commonly used e.g. aviation, non-road mobile machineries, maritime transport, heating & cooling.

The legislative reforms planed in the "Fit for 55" Package, and in particular the review of the REDII, should boost the research, investment and commercial deployment of renewable fuels with high CO2 savings potential.

The AFID should provide for the development of online tools and campaigns to address consumers misperceptions as part of Member States' measures to support the uptake of alternative fuels. Information on prices should be available online and through apps, before the consumer reaches the refuelling/recharging station.

All tax rates under a revised ETD should be defined on the basis of both the energy content and the GHG emissions of each energy product, to drive effective climate mitigation, energy efficiency improvements and to ensure a level playing field between different technologies. Attention should also be given to the risks of carbon leakage, in particular in the maritime sector.

Should the ETS system be expanded to road transport and buildings, appropriately capping and pricing the GHG emissions of different fuels and energies, it would revoke the need to include a GHG emissions-based tax alongside the energy content-based tax in the revised ETD.

5. FAIR COMPETITION IN THE FUEL MARKET

5.1 Ensure fair access to compliance mechanisms

As independent fuel suppliers primarily constitute small and medium enterprises that do not refine or produce fuels themselves, the current legislation is not fit for purpose in maintaining and promoting fair competition between small suppliers and integrated energy companies in supplying sustainable renewable fuels.

At the moment, there is an intense competition for advanced biofuels (i.e. lignocellulose origin, waste, HVO), hence it is very difficult for companies that are not fuel producers to purchase fuels blended with advanced biofuels. This leads to a market failure, as large refiners retain such products for sale through their retail networks in order to meet the GHG reduction target themselves. Integrated energy companies can also implement upstream reduction strategies (e.g. co-hydration) to help reaching their target, which independent suppliers are not able to do. The level of penalties is very different from one Member State to the other, and in some cases are not correlated to sales volumes, hence disproportionally affecting small suppliers.

Additionally, it is crucial that the upcoming legislative revisions do not introduce further imbalances. Should emission trading be intro-

16 White Paper 2011

duced for road transport fuels and buildings, it needs to be done in a way that guarantees that all the participants have various options for action with different abatement costs (include offsetting mechanisms), therefore not enhancing further the competitive disadvantage faced by independent fuel suppliers.

These situations risk hampering the business diversification in the fuel supply market, and reinforcing monopolistic situations and market concentration.

— UPEI recommendations

All fuel suppliers should have access to renewable fuels with high CO2 saving potential.

Easing the access of all obligated parties to various options of cutting emissions, no matter the size of the undertaking and its resources, should be made a priority in the upcoming review of the FQD, guaranteeing a level playing field among competitors in the market:

- A harmonised approach to the allocation of GHG emission reductions and the designation of obligated parties, as well as the full access of obligated parties to sustainability certificates;
- A fluid and transparent Upstream Emissions Reductions (UER) market, backed by a EU-wide recognition system.

Such approach should be replicated for the possible expansion of ETS to road transport and buildings, where the same issues are likely to be faced by independent suppliers.

5.2 Avoid disproportionate administrative burden on small companies

Additionally, it is crucial that the upcoming legislative revisions do not create new administrative burdens that would be particularly excessive for independent fuel suppliers.

One such example is the existing EU ETS system, which the Commission has hinted would cover all combustion of fossil fuels[17]. In the existing ETS system, the smallest facilities are excluded for most activities.

We believe that a similar approach should be taken in potential new sectors, in light of the disproportionate administrative burden an ETS would incur to both small fuel distributors and regulatory bodies, compared with the expected climate benefits.

Additionally, complying with an ETS would generate further extensive reporting requirements for the independents. Fuels suppliers currently report much data to authorities, e.g. for the purpose of statistics, energy taxation, blending of biofuel components, carbon intensity requirements. Hence, there is already precise and robust data available.

These would also need to acknowledge that for small and medium-sized independent players such as UPEI members the scale of investment required to provide the infrastructure for these alternative fuels (in particular for hydrogen and LNG) is major and matched in terms of risk, given that consumer demand has not yet reached a significant level. Hence, clear and coherent incentives at all administrative levels are therefore necessary for small operators to enter this market.

Lastly, while the Commission is examining whether to opt for a parallel system of the road transport sector being included in the EU ETS and EU ESR, this parallel option could potentially result in negative consequences, primarily through increased administrative burden, potential for regulatory inconsistencies and complexity for operators to navigate the two parallel systems.

— UPEI recommendations

Should an ETS be introduced in the road transport sector, the smallest facilities should benefit from an exemption or simplified requirements. No further separate system of monitoring, reporting and verification is necessary.

UPEI suggests not to adopt a parallel system with concurrent emission reductions under the EU ETS and ESR, and instead calls on the Commission to thoroughly assess which of the two systems is more appropriate for road transport.

17 2030 Climate Target Plan https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0562

6. WAY FORWARD

Our sector will play a crucial role in supplying various energy vectors and in allowing the EU to reduce emissions in all modes of transport. UPEI members stand ready to do their part in making mobility more sustainable. We look forward to engaging with the Commission to make the actions outlined in the 2030 Climate Target Plan and the Sustainable and Smart Mobility Strategy a reality.

UPEI, as the voice of Europe's Independent Fuel Suppliers, would propose the above points and inconsistencies identified in UPEI paper "Avoiding regulatory inconsistencies in future policy frameworks", to be addressed in the following legislative proposals:

- **Review of the Renewable Energy Directive;**
- **Revision of the Fuel Quality Directive;**
- **Review of the Energy Taxation Directive;**
- **Revisions of the Directive on the EU Emissions Trading System and the Effort-Sharing Regulation;**
- **Review of CO2 Standards for light-duty vehicles for heavy-duty vehicles;**
- **Revision of the Alternative Fuels Infrastructure Directive;**
- **Revision of the Energy Efficiency Directive.**

Please find UPEI position papers on these individual pieces of legislation here.

CREATING A HOLISTIC AND AMBITIOUS "FIT FOR 55" FRAMEWORK

SHARED AND CLEAR ACCOUNTABILITY	Flexible approach of the AFID to focus on the most suited alternative fuels infrastructure in accordance with local circumstances and consumer demand	Better enforce EU provisions and ensure consistent implementation by EU Member States (in the ETD, REDII, FQD, AFID)	Carefully select obligated parties among fuel suppliers based on the features of national markets	Focus on stimulating the demand for cleaner fuels in road transport	Use the AFID reform to stimulate the uptake of alternative fuelled vehicles	
TRANSLATING THE 55% TARGET	Focus on expanding scope and targets	Maintain existing legislative principles essential for investment stability (in the REDII, AFID)	Align targets and counting methodologies in the REDII and FQD	Reconsider the current multiplier system in the REDII, turning it into a technology open measure		
FUELS IN THE SCOPE OF A COHERENT LEGISLATION	Align definitions across the fuel legislative framework	Recognise the lifetime of current and future vehicle fleets	End the regime of setting low carbon technologies against one another	If ETS expansion chosen for buildings and road transport, recognise the need for sector-specific CO2 prices	AFID to maintain current alternative fuels definition and treat them equally	Insert in the CO2 standards for vehicles a mechanism that recognises the contribution of sustainable renewable fuels
UNLEASHING THE FULL POTENTIAL OF CLEAN FUELS	End blending walls by revising the FQD	End the food-crop cap in REDII; only maintain limits and phase-out of high ILUC biofuels	Promote mandatory higher blending rates and boost the availability of sustainable renewable fuels through the review of REDII	Increase consumers awareness of sustainable renewable fuels	Address consumers misperceptions on alternative fuels	Ensure a level playing field by revising the ETD rates based on energy and GHG content
FAIR COMPETITION IN THE FUEL MARKET	Ensure fair competition between fuel suppliers	Ease access of all obligated parties to various options of cutting emissions in the FQD, ETS	Do not create new administrative burdens via ETS expansion	Exclude the smallest companies from the ETS in light of low cost/benefit ratio		

WHO WE ARE

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.

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