



# Fit for 55 Package

8 March 2022

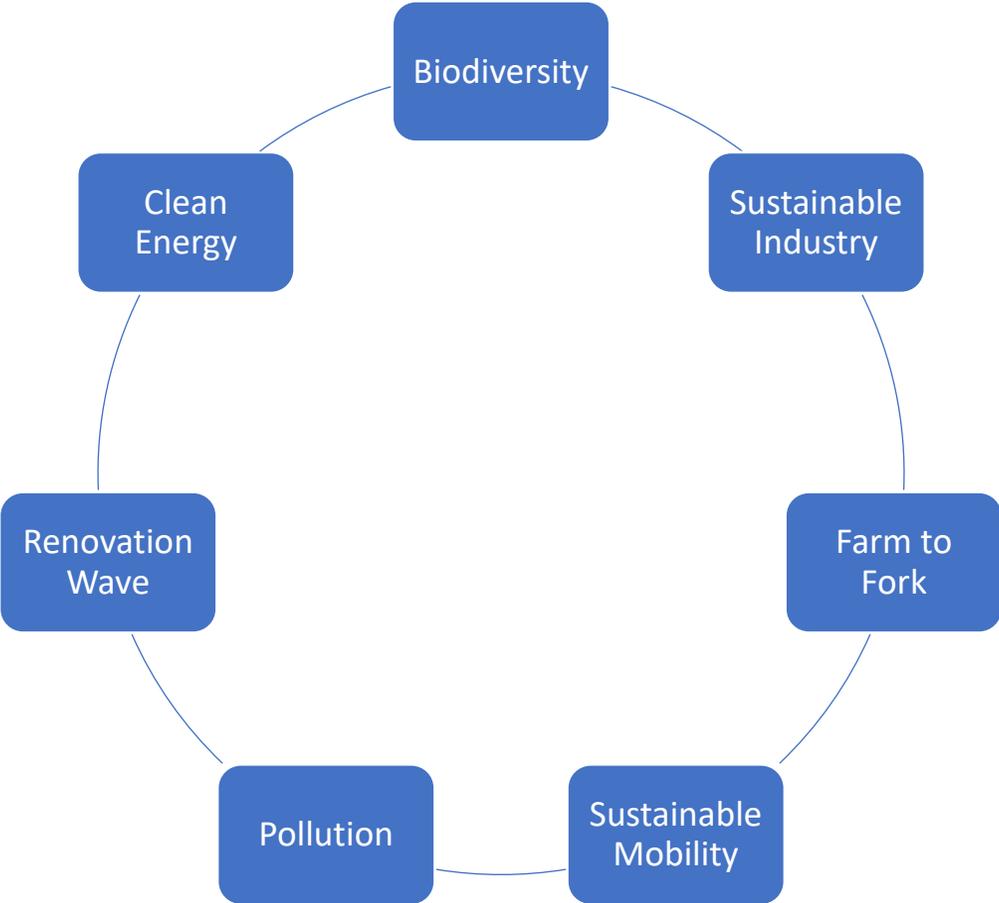


# The priorities of the European Commission 2019-2024

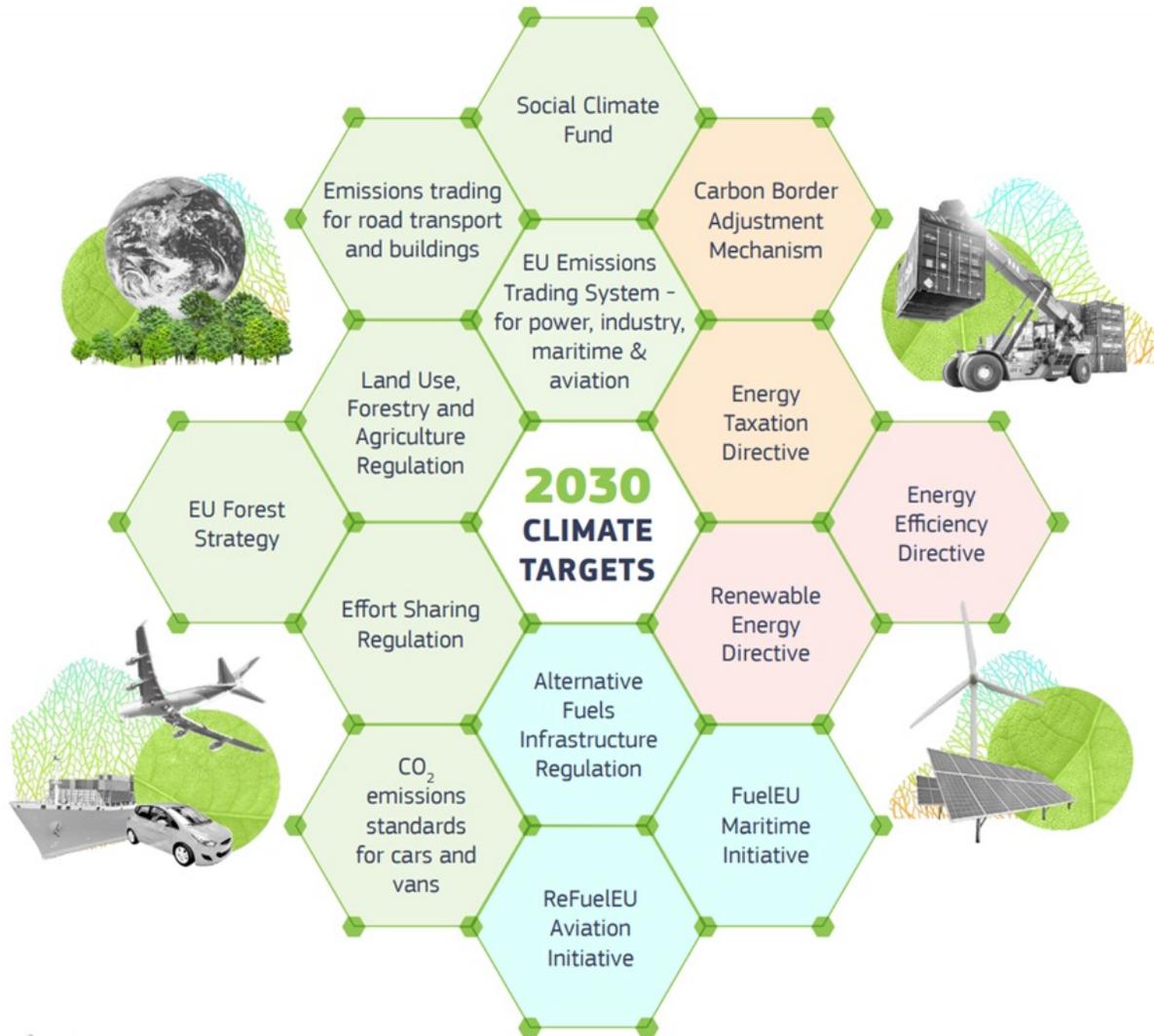


- 1. A European Green Deal: Striving to be the first climate-neutral continent**
  - Both an environmental and a growth strategy
2. An economy that works for people
3. A Europe Fit for the Digital Age
4. Promoting our European way of life
5. A stronger Europe in the world
6. A new push for European democracy

# The EGD = an action plan



# Fit for 55 – Background



Why call it “Fit for 55”?

The intent is to set the EU on the path to a **greenhouse gas emissions reduction of 55% by 2030** and, ultimately, **climate neutrality by 2050**.

Came in two batches:

- The ‘Summer Package’ (14 July 2021)
- The ‘Winter Package’ (15 Dec 2021)

# Fit for 55 – Background

## Summer Package

- Carbon Border Adjustment Mechanism
- New EU Forest Strategy
- Notification on CORSIA
- ReFuelEU Aviation
- ReFuelEU Maritime
- Review of the Effort-Sharing Regulation
- Revision of Alternative Fuels Infrastructure Directive
- Revision of aviation emissions trading
- Revision of car and van emissions standards
- Revision of LULUCF regulation

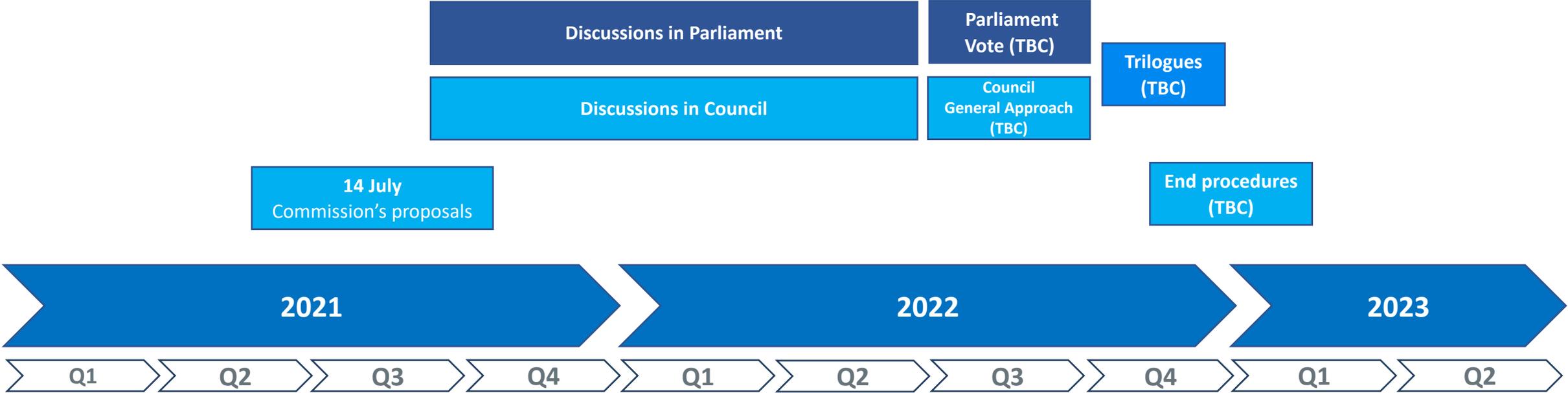
## Summer Package

- **Revision of the Emissions Trading System**
- **Revision of the Energy Efficiency Directive**
- **Revision of the Energy Taxation Directive**
- Revision of the ETS Market Stability Reserve
- **Revision of the Renewable Energy Directive**
- **Social Climate Fund**

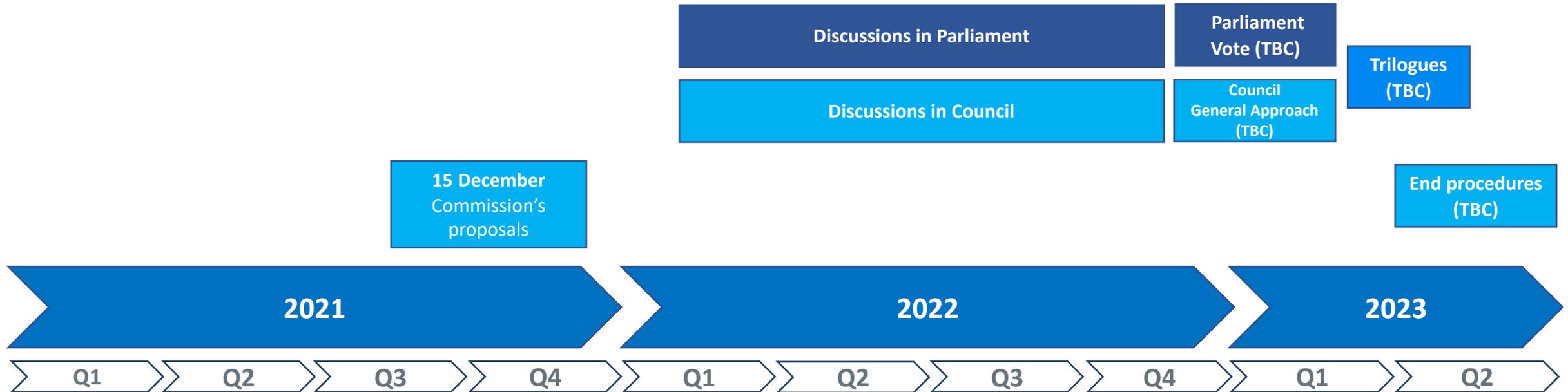
## Winter Package

- A recast of the **Energy Performance of Buildings Directive (EPBD)**
- A new framework to decarbonise gas markets, promote hydrogen and reduce methane emissions
- Staff Working Document outlining possible scenarios for a transition pathway toward a more resilient, greener and more digital construction ecosystem.

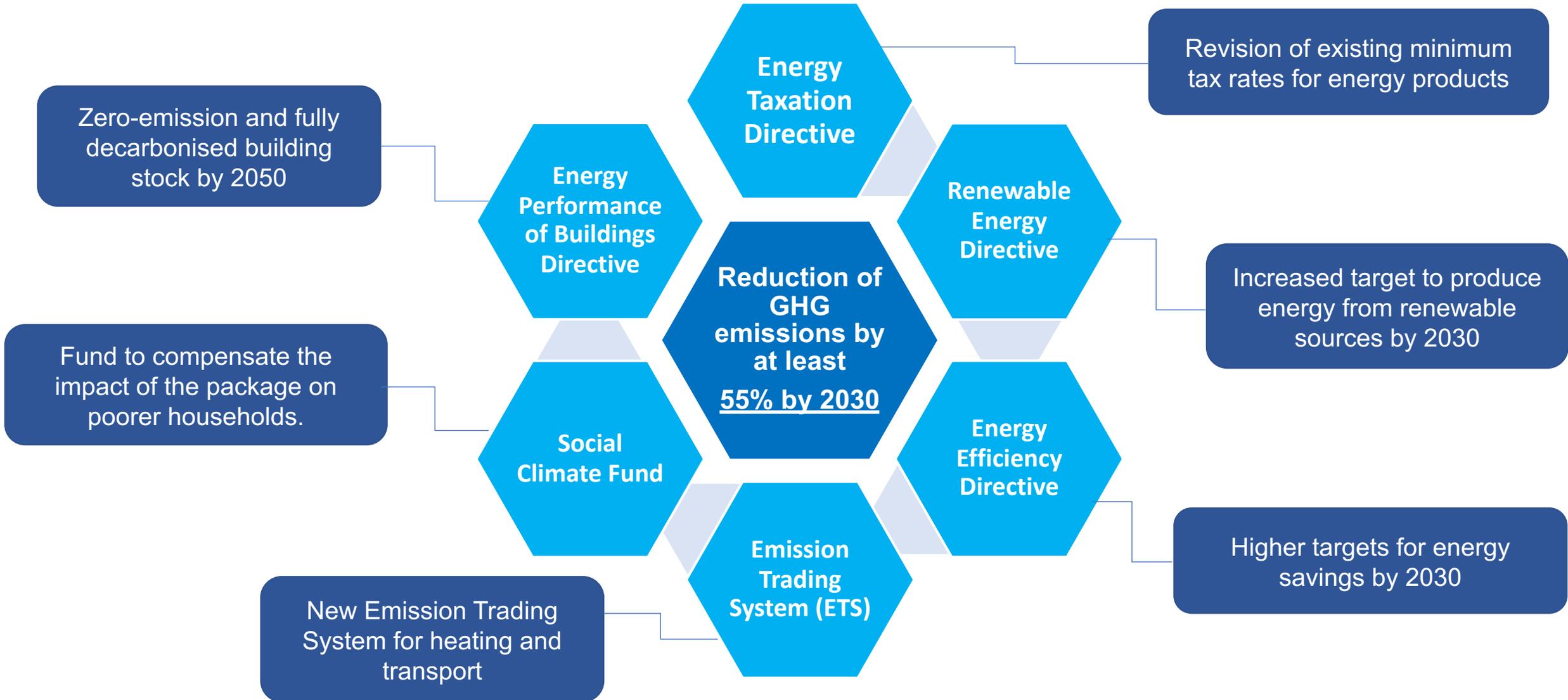
# Summer Package – Next steps



# Winter Package – Next steps



# Fit for 55 – Relevant files for Eurofuel



# Focus - Energy Efficiency Directive

## Key measures

- Higher targets for energy savings by 2030, requiring Member States to **collectively reduce energy consumption** by at least 9% by 2030 compared to 2020.
- **Annual energy savings obligation** doubled to 1.5% for all Member States
- Obligated parties to achieve an amount of energy savings among vulnerable consumers, to **reduce energy poverty**



## Potential impact on Eurofuel

- The new energy efficiency targets proposed can lead to **renovation programmes replacing old appliances** in buildings.
- Depending on the types of new appliances used, this could be an opportunity or a challenge for the heating oil sector.



[COM/2021/558](#)

# Focus – Energy Taxation Directive

## Key measures

- New proposed minimum tax rates for energy products link the taxation level to the **carbon and energy content** of the fuels.
- The most polluting fuels are taxed the highest while **electricity** – regardless of its use (i.e. transport or heating) – **is taxed the lowest.**
- Gas oil, heavy fuel oil, kerosene, coal and coke, non-sustainable bioliquids, non-sustainable solid products **are taxed the most.**



## Potential impact on Eurofuel

- **Heating oil is strongly penalised** with the highest taxation level already as of 2023. This timeframe is extremely challenging as it does not provide enough time for the scale up of renewable and low carbon fuels alternatives.
- Depending on their environmental footprint, **bioliquids/biofuels have a more accommodating framework.** A preferential treatment is granted to advanced sustainable bioliquid/biofuels



# Focus - Energy Taxation Directive



|  | Start of transitional period (01.01.2023) | Final rate after completion of transitional period (01.01.2033) before indexation |  | Start of transitional period (01.01.2023) | Final rate after completion of transitional period (01.01.2033) before indexation |
|--|---|---|--|---|---|
| Gas oil  | 0,9                                       | 0,9   | Sustainable food and feed crop bioliquids  | 0,45                                      | 0,9   |
| Heavy fuel oil   | 0,9                                       | 0,9   |  |   |   |
| Kerosene   | 0,9                                       | 0,9   | Sustainable food and feed crop biogas  | 0,45                                      | 0,9   |
| Coal and coke  | 0,9                                       | 0,9   | Sustainable bioliquids   | 0,45                                      | 0,45  |
| Non-sustainable bioliquids   | 0,9                                       | 0,9   | Sustainable biogas   | 0,45                                      | 0,45  |
| Non-sustainable solid products falling within CN codes 4401 and 4402 | 0,9                                       | 0,9   | Sustainable solid products falling within CN codes 4401 and 4402                           | 0,45                                      | 0,45  |
| Liquefied Petroleum Gas (LPG)  | 0,6                                       | 0,9   | Low-carbon fuels   | 0,15                                      | 0,45  |
| Natural gas  | 0,6                                       | 0,9   | Renewable fuels of non-biological origin   | 0,15                                      | 0,15  |
| Non-sustainable biogas   | 0,6                                       | 0,9   | Advanced sustainable bioliquids, biogas and products falling within CN codes 4401 and 4402 | 0,15                                      | 0,15  |
| Non renewable fuels of non-biological origin                         | 0,6                                       | 0,9   |  |   |   |

# Focus - Emission Trading System (ETS)

## Key measures

- New **EU-wide emissions trading system** will be set up for the **building** and road transport sectors as of 2026
- System will regulate **fuel suppliers** who will be responsible for monitoring and reporting the quantity of fuels they place on the market and for surrendering emission allowances each calendar year depending on the carbon intensity of the fuels.



## Potential impact on Eurofuel

- Extending the ETS to buildings will be **detrimental for the heating oil industry** as it will increase the overall cost of the fuels used for heating, hence making the product potentially less appealing to consumers.
- Higher prices for heating oil can act as incentives for consumers to take up **new renewable heating systems**

[COM/2021/551](#)



# Focus - Emission Trading System (ETS)

- New emissions trading for buildings and road transport should be established as a separate self-standing system **from 2025** (Chapter IVa). During the first year, the regulated entities will be required to hold a greenhouse gas emissions permit and to **report** their emissions for years 2024 and 2025 (Articles 30b and 30f). The **issuance of allowances** (600 million) and **compliance obligations** for these entities will be applicable **only from 2026**, which will allow the new system to start functioning in an orderly and efficient manner (Articles 30c, 30d and 30e). The Union-wide quantity of allowances issued under this Chapter each year from 2026 shall decrease in a linear manner (factor of 5,15 %) beginning in 2024 (art. 30c).
- The emissions reductions achieved under this new emissions trading system will count towards Member States meeting their national targets under the Effort Sharing Regulation.
- As there is a substantially large number of small emitters in the sectors of buildings and road transport, and for reasons of technical feasibility and administrative efficiency, the point of regulation is established not with the emitters, but further upstream the supply chain (Article 30b and Annex III). Therefore, the release for consumption of fuels which are used for combustion in the sectors of buildings and road transport will be the activity regulated for the new system (Annex III).
- Member States shall use a part of their auction revenues generated to address social aspects with a specific emphasis on vulnerable households, vulnerable micro-enterprises and vulnerable transport users as defined under Regulation [Social Climate Fund Regulation].

Summary



# Focus - Renewable Energy Directive

## Key measures

- Increased target to produce **40% of the EU's energy from renewable sources** by 2030
- Objective to reach at least a **49% renewable share in the energy used in buildings** by 2030
- Binding **1.1 % annual increase** in renewable energy use for **heating and cooling**.
- Member States to promote **replacement schemes of fossil heating systems** or fossil **phase-out schemes** with milestones



## Potential impact on Eurofuel

- Strong preference for **electricity-based solutions** for heating at the expense of other options, including low carbon and renewable fuels
- Renewable fuels can contribute towards the target in principle. However, **2030 target might be too early for Eurofuel's renewable fuels to be scaled up** and be accessible in the market



# Focus - Renewable Energy Directive

- Article 1(1) amends Article 2 REDII by modifying the **definition of renewable fuels of non-biological origin** (*'renewable fuels of non-biological origin' means liquid and gaseous fuels the energy content of which is derived from renewable sources other than biomass & 'renewable fuels' means biofuels, bioliquids, biomass fuels and renewable fuels of non-biological origin*) and default value
- Article 1(2) amends Article 3(1) REDII with a new paragraph on **electrification**
- Article 1(3) amends Article 7 REDII with the updated **calculation method of the share of energy from renewable energy sources** so that (i) energy from renewable fuels of non-biological origin must be accounted in the sector in which it is consumed (electricity, heating and cooling or transport), and (ii) the renewable electricity used to produce renewable fuels of non-biological origin is not included in the calculation of the gross final consumption of electricity from renewable sources in the Member State.
- Article 1(5) amends Article 15 REDII by deleting paragraphs 4 to 7 regarding buildings, which have been moved to a new Article (15a), updating the **references to standards**, strengthening the provision on renewables power purchase agreements, and adding a clause to review the administrative procedures one year after the entry into force of this amending Directive.

Summary

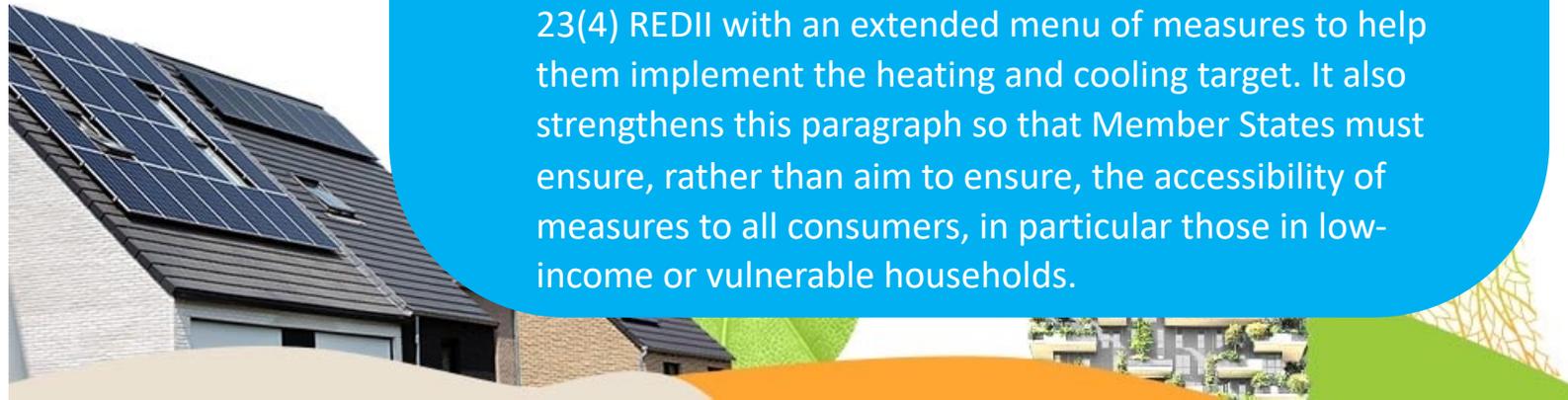


# Focus - Renewable Energy Directive

- Article 1(6) inserts a new Article 15a on mainstreaming renewable energy and enabling measures to mainstream heating & cooling in buildings. This new Article includes a **new indicative Union target of renewables in buildings by 2030 of 49%** and a reference to the new definition of 'efficient district heating and cooling'. It adjusts the text of the paragraphs on buildings of Article 15 REDII to link them to the achievement of the indicative RES targets and to **promote the switch from fossil fuel heating systems to RES**, as well as to be **coherent with the Energy Performance of Buildings Directive**.

- Article 1(7) amends Article 18(3) REDII with adjusted paragraphs on the qualification and certification requirements of installers to deal with the fact that there is a **shortage of installers of renewable heating systems**, which is a 'brake' on phasing out fossil fuel systems. It also **deletes list of specific types of renewable heating technologies and replaces it by a generic reference to RES heating systems**.
- Article 1(12) amends Article 23(1) REDII so that the 1.1 ppt annual increase in heating and cooling becomes a binding baseline and adds an additional paragraph obliging the Member States to carry out an assessment of their potential of energy from renewable sources. It also amends Article 23(4) REDII with an extended menu of measures to help them implement the heating and cooling target. It also strengthens this paragraph so that Member States must ensure, rather than aim to ensure, the accessibility of measures to all consumers, in particular those in low-income or vulnerable households.

Summary



# Focus – Energy Performance of Buildings Directive

## EPBD

To achieve the EU climate objectives for 2030 and 2050, on 15<sup>th</sup> December 2021 the Commission presented the second part of its flagship Fit for 55 Package, including a proposal revising the **Energy Performance of Buildings Directive (EPBD)**. The latter introduces measures on how Europe can achieve a **zero-emission and fully decarbonised building stock by 2050**, as previously set out in the **Renovation Wave Strategy** adopted in 2020.



Drastically reduce emissions from buildings by supporting renovation programmes and the use of renewable energy sources.

# Focus – Energy Performance of Buildings Directive

## Key measures

- **As of 2030, all new buildings must be zero-emission.** All new **public buildings must be zero-emission as of 2027.** Therefore, buildings must consume little energy, be powered by renewables as far as possible, **emit no on-site carbon emissions from fossil fuels** and must indicate their global warming potential based on their whole-life cycle emissions on their Energy Performance Certificate.
- **New EU-level minimum energy performance standards:** the worst-performing 15% of the building stock of each MS must be upgraded from the Energy Performance Certificate's Grade G to at least Grade F by 2027 for non-residential buildings and 2030 for residential buildings.
- **Obligation to have an energy performance certificate** is extended to buildings undergoing major renovation, buildings for which a rental contract is renewed and all public buildings. **Improved and clearer information will be mandated.** Buildings or building units which are offered for sale or rent must also have a certificate, and the energy performance class will need to be stated in all advertisements. By 2025, all certificates must be based on a harmonised scale from A to G.



# Focus – Energy Performance of Buildings Directive

## Key measures

- **National Buildings Renovation Plans:** must be fully integrated into National Energy and Climate Plans and need to include roadmaps for phasing out fossil fuels in heating and cooling by 2040 at the latest, along with a pathway for transforming the national building stock into zero-emission buildings by 2050.
- **Buildings renovation:** introduction of a building 'Renovation passport' that provides owners a tool to facilitate their planning and a step-by-step renovation towards zero-emissions level.
- **Boiler installations:** No financial incentives should be given for the installation of fossil fuel boilers as of 2027. While no EU-level phase out date for fossil fuel boilers is mandated, a clear legal basis for national bans is introduced, allowing Member States to set requirements for heat generators based on greenhouse gas emissions or the type of fuel used.



# Focus – Energy Performance of Buildings Directive

## Potential impact on Eurofuel

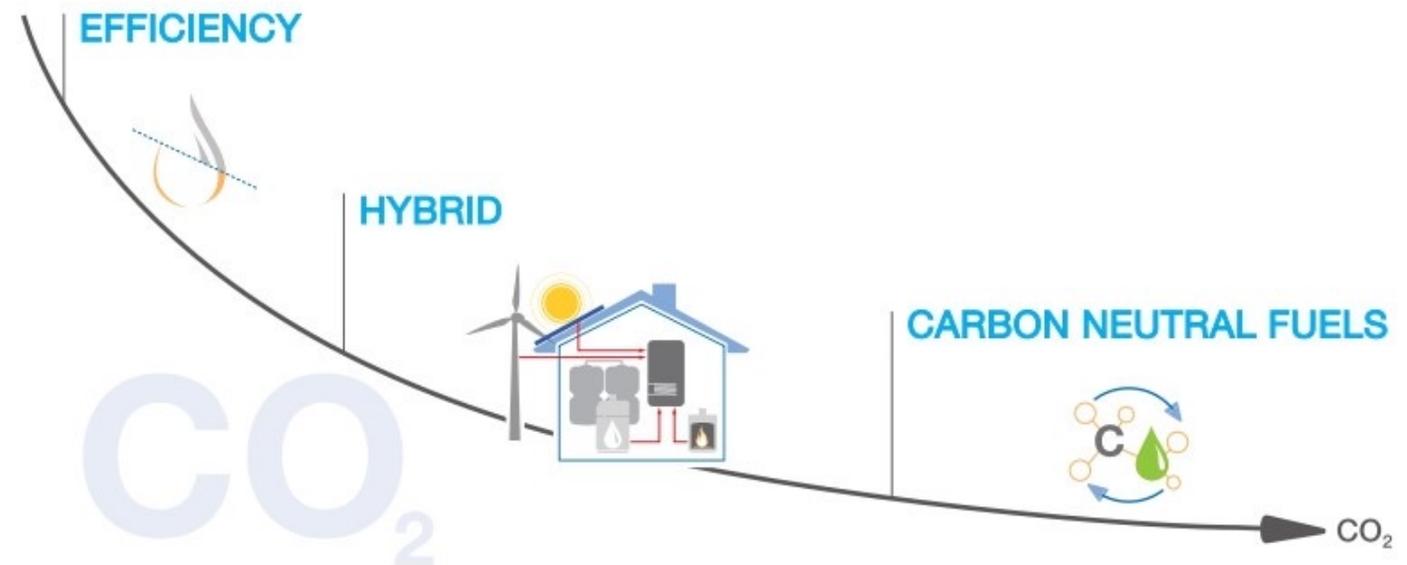
- The proposal **targets the use of fossil fuels in heating**, thus having a strong impact on the heating oil sector.
- Promotes Member States to **incentivize the replacement of fossil-fuel based boilers with more sustainable alternatives**.
- The new rules also further empower Member States to **progressively ban the use of fossil-fuel based boilers**.
- National governments are required to include in the **renovation strategies**, concrete plans to **reduce the GHG emissions and facilitate the transformation of existing buildings into nearly zero-energy buildings**.



# Vision for liquid fuels in the heating sector

- **Greenhouse reduction via:**
  - Highly efficient heating technology and thermal insulation
  - Increased use of renewable energy sources
  - Introduction of renewable fuels
- **The goal is to reach the 2050 greenhouse gas emission targets**

## HEATING WITH LIQUID FUELS CAN CONTRIBUTE TO THE SUCCESS OF THE ENERGY TRANSITION



# Two different scenarios



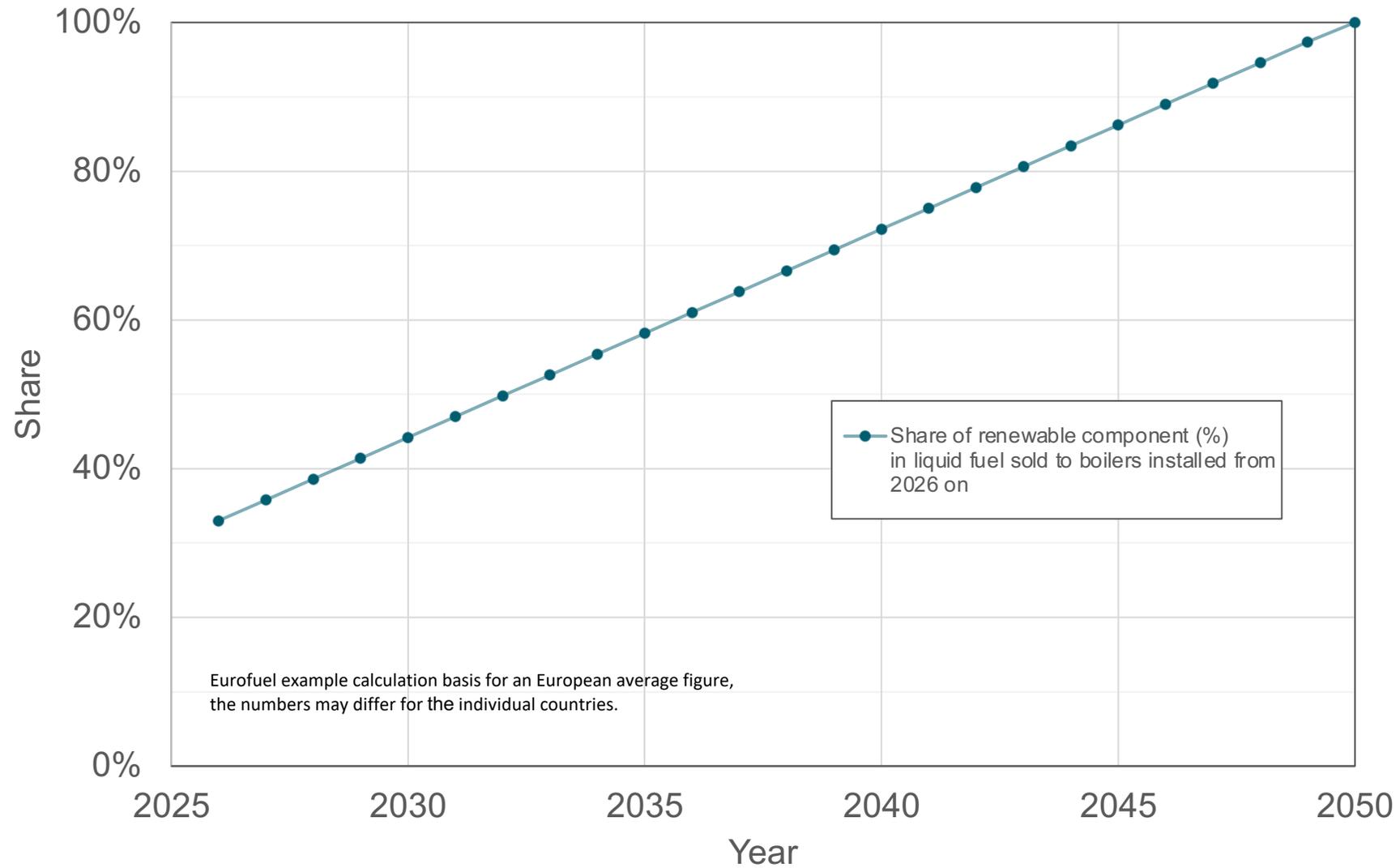
## ■ Restrictive scenario

- Low carbon liquid fuels for heating are not accepted as a solution to reduce CO<sub>2</sub> emissions
- No level playing field for the different low CO<sub>2</sub> energy sources
- Bans, restrictions and no subsidies for CO<sub>2</sub> reduction with liquid fuels in the heating sector

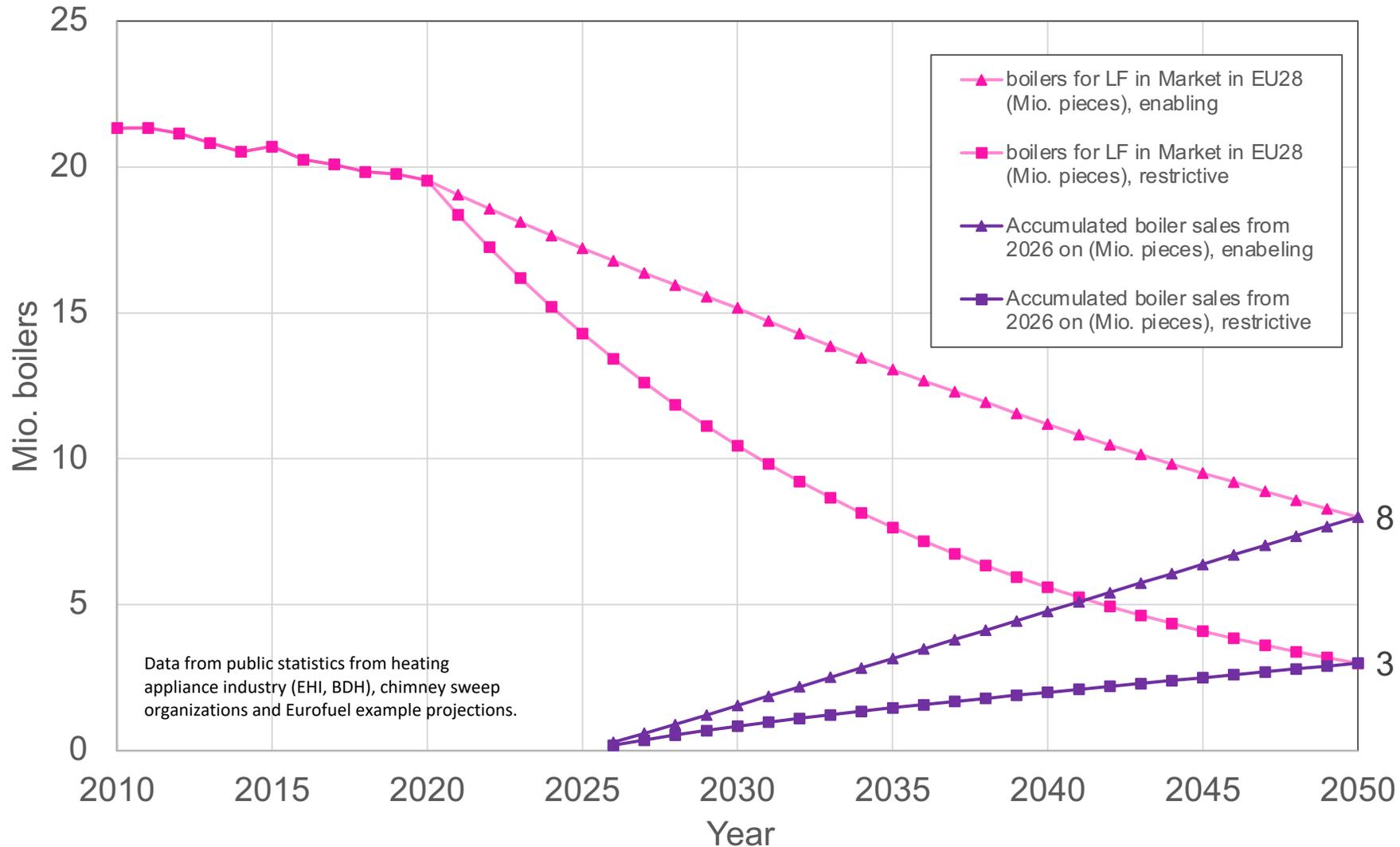
## ■ Enabling scenario

- The need to use liquid energy sources is recognized
- Low carbon liquid fuels are accepted as a credible solution to meet the climate targets
- incentives for the use of low carbon liquid fuels are created, helping to create a business case for the new products (e. g. tax incentives)

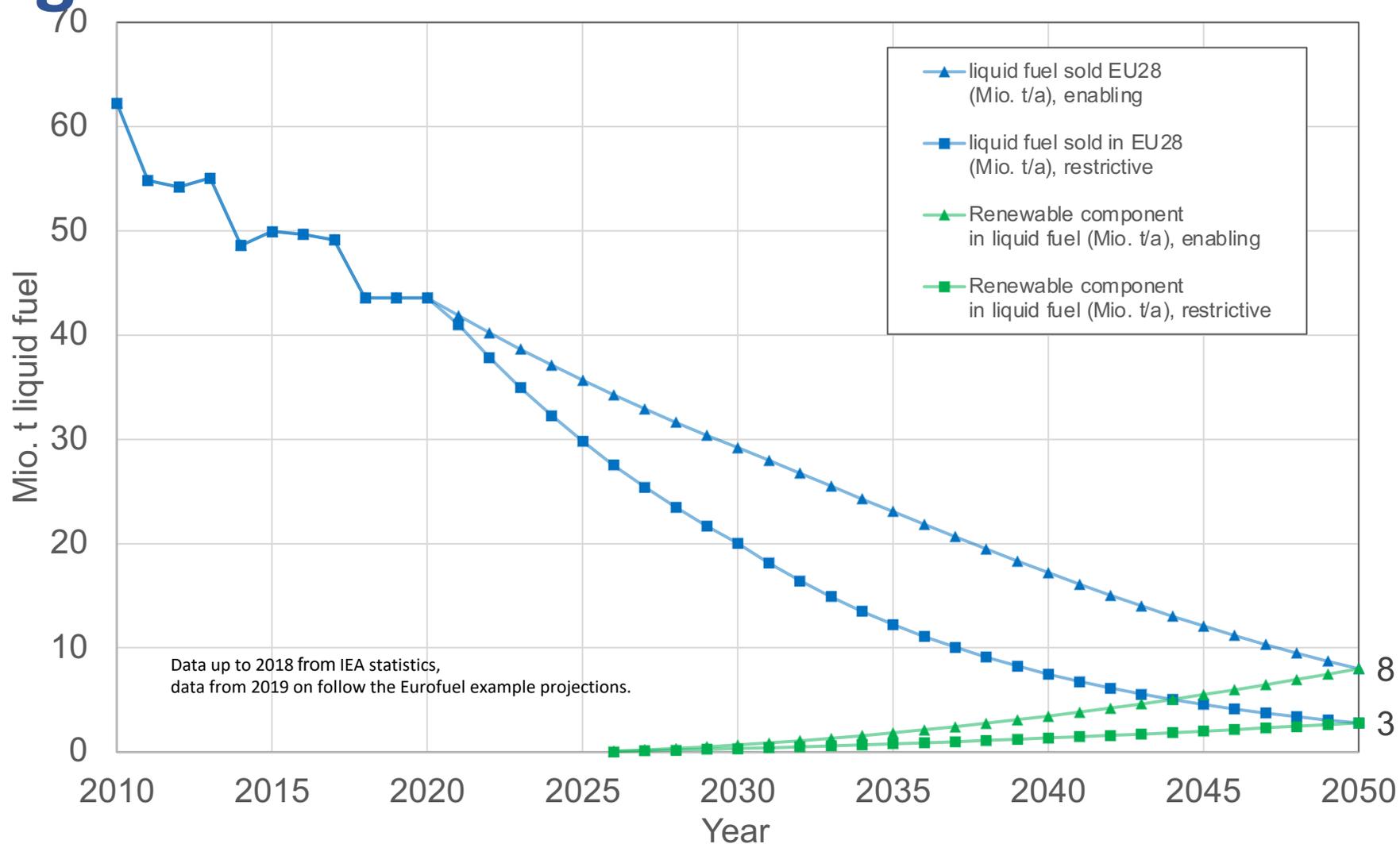
# Journey towards a fully renewable liquid fuel in EU28



# Liquid fuel Boilers in the market in EU28

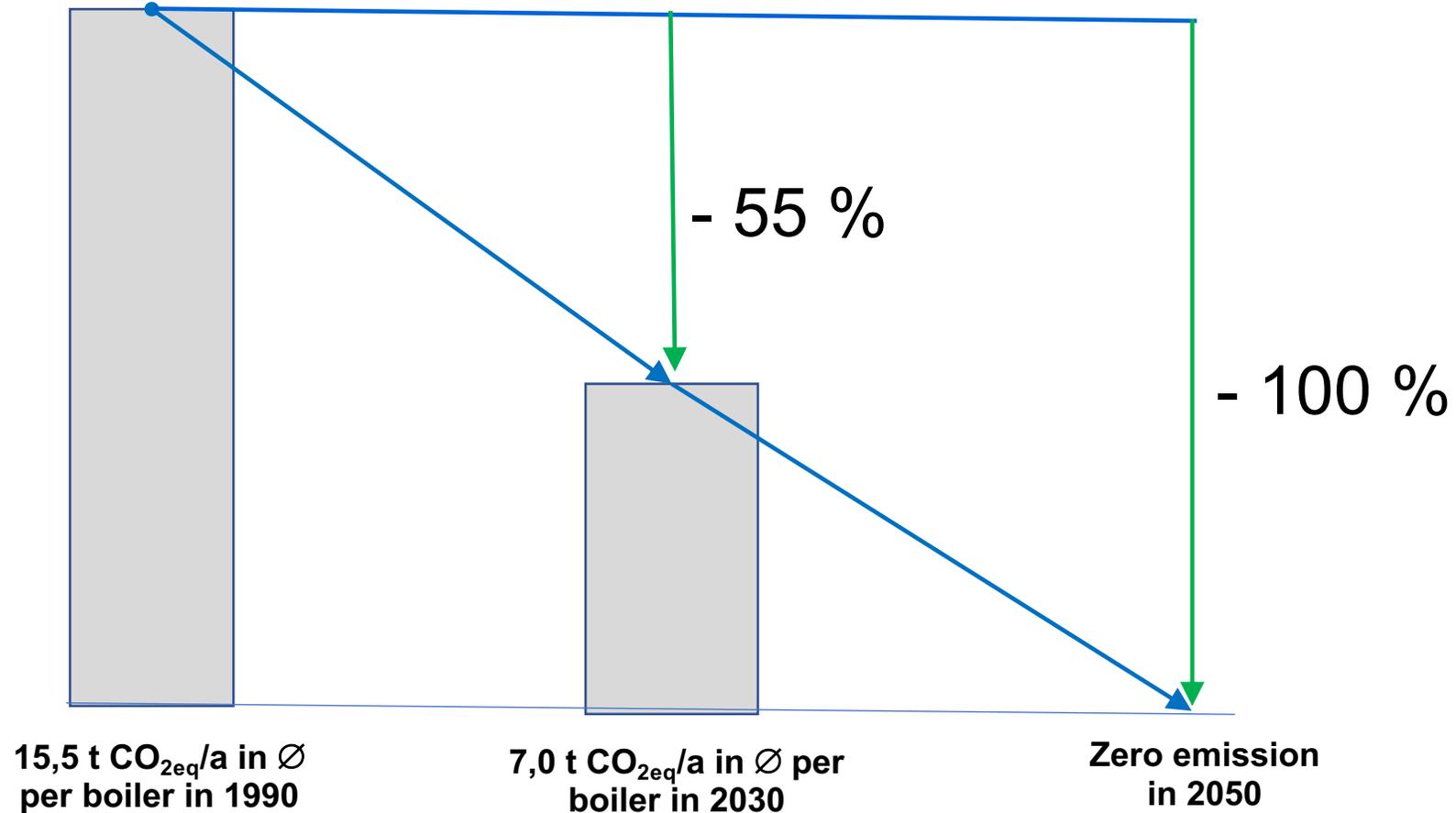


# Annual sales of liquid fuel for heating in EU28



Data up to 2018 from IEA statistics,  
data from 2019 on follow the Eurofuel example projections.

# Annual CO<sub>2</sub>eq-Emission per liquid fuel boiler in EU 28





# Eurofuel messages on Fit for 55 I



**1. A level playing field for all technologies which are able to reduce CO2 emissions following the envisaged reduction path**, encouraging investment in innovation (industry) and efficient solutions (consumers) – Technology bans are counter-productive and the principle of technology neutrality should be maintained.



**2. Recognition of all solutions contributing to the energy transition** – low-carbon and renewable liquid fuels for heating are one of them and their contribution should be maximised. Those drop-in fuels, as well as 100% renewable fuels, can be used in both modern condensing boilers and traditional ones, without major alterations.

# Eurofuel messages on Fit for 55 II



**3. The relevance of expanding ETS to the building sector should be carefully assessed, as it presents some risks (social impact and consistency with other policies) –** Should there be an extension to buildings, this would require a careful design to ensure a coherent policy framework. It should also cover all energies and fuels used (i.e. liquid fuels, gaseous fuels, electricity), with renewable and carbon neutral energies counted with an emission factor of 0.



**4. A reduced energy tax rate should be used for heating purposes.** Member States should be further authorized to apply a **tax reduction on the consumption of energy products used for heating purposes.**



**5. We support the conversion of energy taxation to a CO2 reference.** The reform of energy taxation needs to be an **enabler for very low or zero taxation for low-carbon fuels and energies** and to ensure a level playing field for all energy sources.

# Thank you!

Eurofuel

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