



UEIL 2022 Congress

The European Green Transition – Fit for 55

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The EU Green Deal - Transforming the economy for a sustainable future

- The European Green Deal sets out the **ambition** of the European Union to **tackle climate and environmental-related challenges**.
- It is a new growth strategy for which the most ambitious objective is to **make Europe the first decarbonised continent by 2050**.
- This will create new opportunities for innovation and investment and jobs, as well as reduce emissions, create jobs and growth, address energy poverty, reduce external energy dependency, improve EU citizens' health and wellbeing

Zero
pollution
ambition

Preserving
and
restoring
ecosystems
and
biodiversity

Farm to
Fork for a
better food
system

Towards
more
sustainable
and smart
mobility

Just
Transition

Financing
the
transition

More
energy and
resource
efficient
building and
renovation

Circular
Economy

Securing
and
cleaning
energy

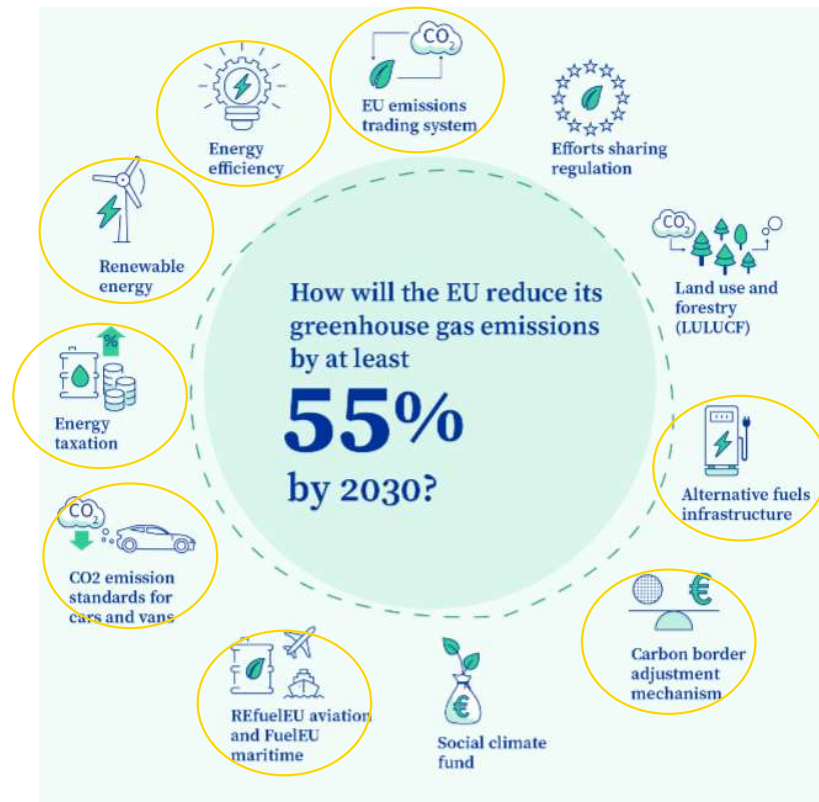
Increase
EU's Climate
ambitions
for 2030
and 2050

Fit for 55

- The target of achieving climate neutrality by 2050 requires current greenhouse gas emission levels to drop substantially in the next decades.
- As an **intermediate step** towards climate neutrality, the EU has raised its 2030 climate ambition, committing to cutting emissions by at least **55% by 2030**.
- The Fit for 55 Package is a comprehensive legal package that rethinks rules for clean energy supply across the economy to help the EU cut its net GHG emissions and reach climate neutrality.

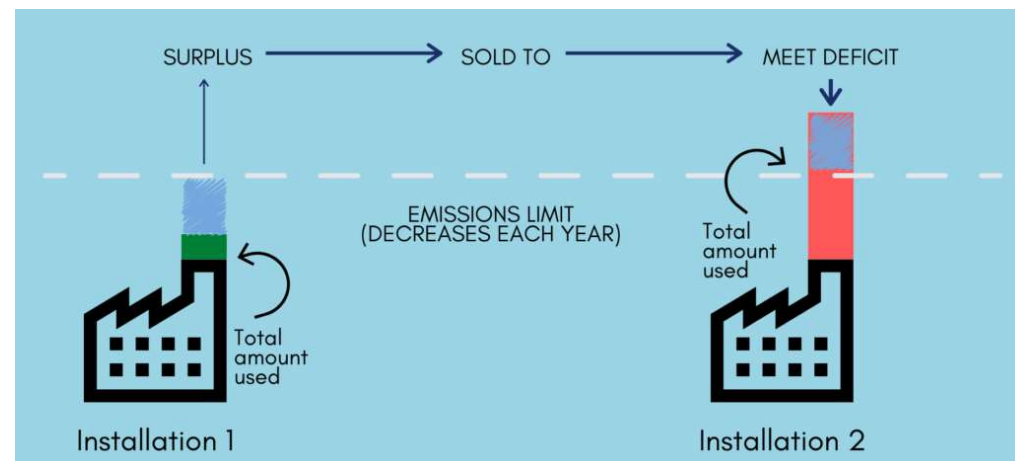


What is included in the Fit for 55 package?



EU Emission Trading System (EU ETS)

- The EU ETS sets a cap on the total amount of certain greenhouse gases that can be emitted by the installations covered by the system and covers around 45% of the EU's greenhouse gas emissions
- It operates in all EU countries plus Iceland, Liechtenstein, Switzerland and Norway
- It limits greenhouse gas emissions from more than more than 15 000 stationary installations, as well as 1500 aircraft operators.

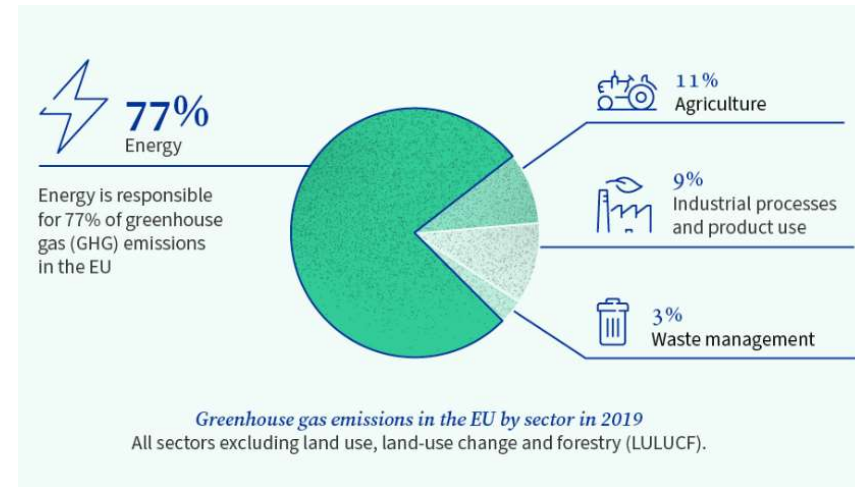


Carbon Border Adjustment Mechanism (CBAM)



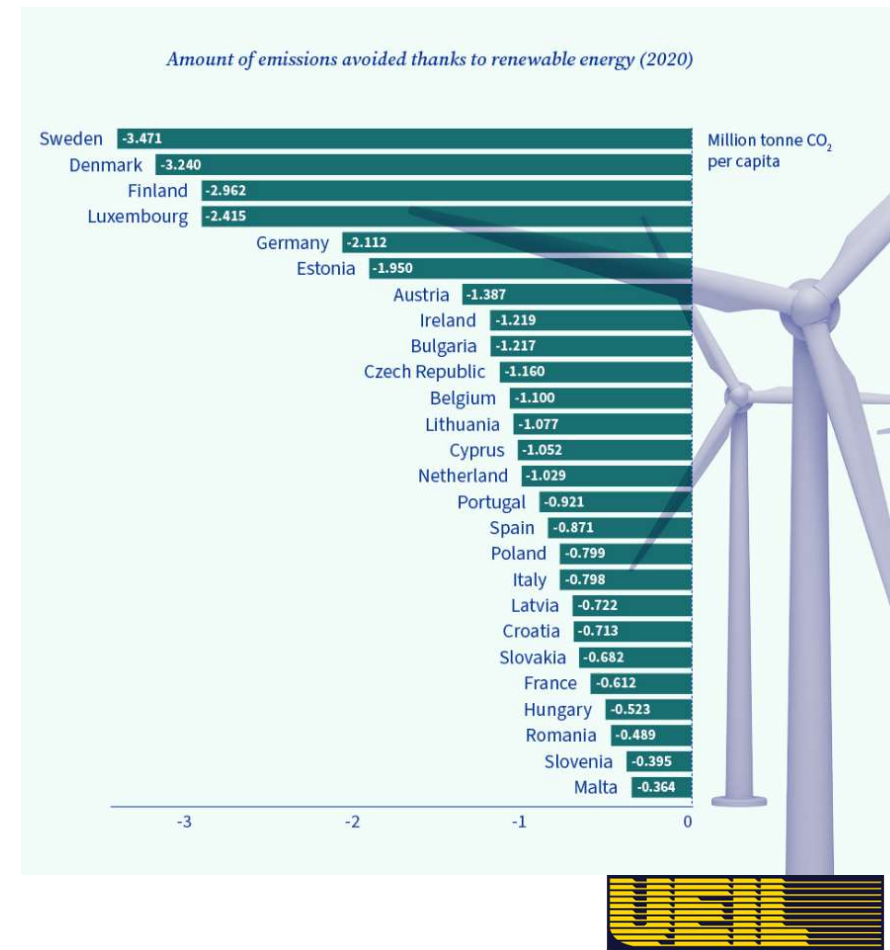
Energy Taxation

- The proposal for a revision of the Council directive on the **taxation of energy products and electricity** aims to:
 - ✓ align the taxation of energy products and electricity with the EU's energy, environment and climate policies
 - ✓ preserve and improve the EU internal market by updating the scope of energy products and the structure of rates and by rationalising the use of tax exemptions and reductions by member states
 - ✓ preserve the capacity to generate revenues for the budgets of the member states
- The revised directive can ensure that **the taxation of different energy products reflects their impact on the environment**, encouraging businesses to make greener choices



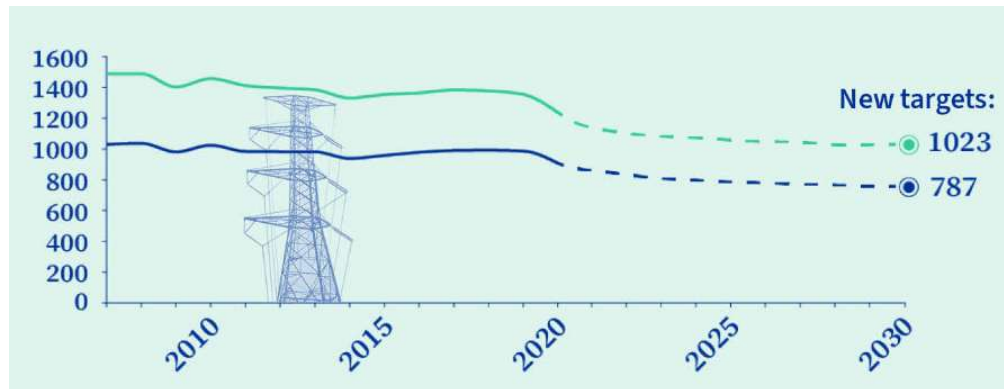
Renewable Energy

- The Fit for 55 package includes a proposal for a **revision of the renewable energy directive**.
- The proposal is to **increase the EU-level target to at least 40% of renewable energy** sources in the overall energy mix by 2030.
- It also proposes the introduction or enhancement of sectorial sub-targets and measures across sectors, with a special focus on sectors where progress with integrating renewables has been slower to date, in particular in the fields of **transport, buildings and industry**.
- Boosting the share of renewables in the EU is essential to reducing the carbon footprint of the energy sector – currently 75% of all EU emissions



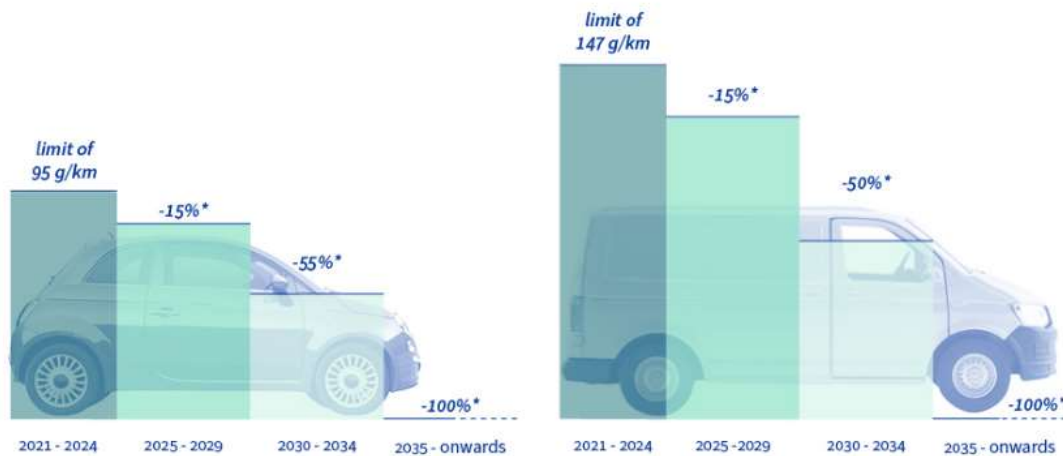
Energy Efficiency

- The Commission has proposed to revise the current energy efficiency directive by increasing the current EU-level target for energy efficiency **from 32.5% to 36%** for final, and **39%** for primary energy consumption.
- In addition, it put forward several provisions to accelerate energy efficiency efforts by member states, such as increased annual energy savings obligations and new rules aimed at decreasing the energy consumption of public sector buildings, as well as targeted measures to protect vulnerable consumers.
- Under the new rules, member states will have to reduce their final consumption every year, gradually **reaching cuts of 1.5% annually** – almost twice as much as in the current legislations
- Main impacted sectors: construction, energy, transport



CO₂ emission standards for cars and vans

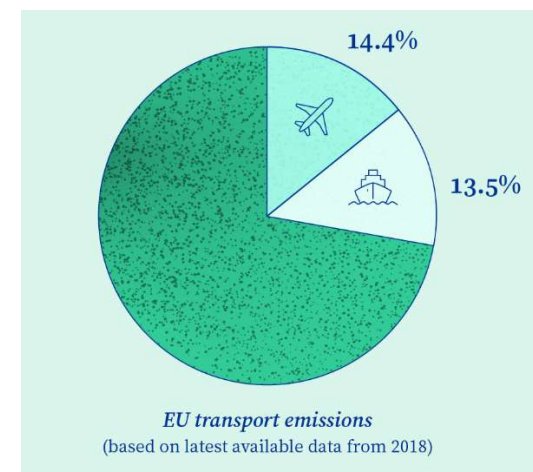
- Within the Fit for 55 package, the Commission proposed to revise rules on CO₂ emissions for cars and vans.
- The proposal introduces sets a **new CO₂ emission reduction target of 100% for 2035**.
- This means in practice that from 2035 it will no longer be possible to place cars or vans with an internal combustion engine on the market in the EU.



*compared to the 2021 targets

ReFuelEU aviation and FuelEU maritime – Increasing the uptake of greener fuels in the aviation and maritime sectors

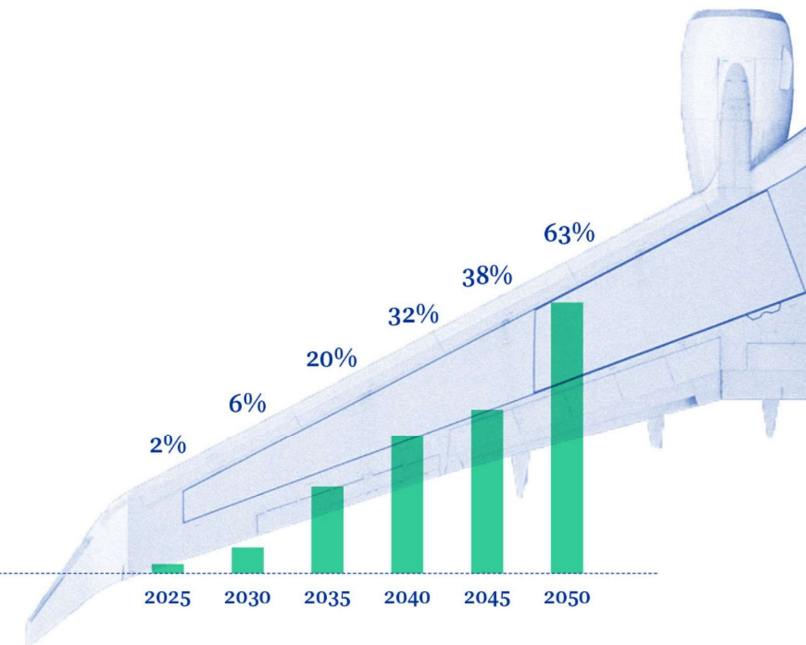
- ReFuel EU Aviation and FuelEU Maritime have the goal of **Increasing the uptake of greener fuels in the aviation and maritime sectors**
- Sustainable transport fuels can play a key role in reducing greenhouse gas emissions.
- The aviation and maritime sectors currently rely almost exclusively on fossil fuels.
- The regulations on ensuring a **level playing field** for sustainable air transport (ReFuelEU aviation initiative) and on the use of renewable and low-carbon fuels in maritime transport (FuelEU maritime) aim to increase the uptake of sustainable fuels by aircraft and ships to reduce their environmental footprint.



Refuel EU Aviation

- This proposal is part of the Fit-for-55 Package and aims to boost the uptake of sustainable aviation fuels (SAF) in air transport – as SAF are seen to have a significant role in the decarbonisation of the sector
- The proposed rules set out EU-level harmonised obligations on fuel suppliers and airlines to scale up the uptake of SAF, by introducing a mandate applied to all flights departing from European airports
- This means that every flight leaving the larger EU airports, will carry a minimum amount of SAF, no matter whether the airline is an EU airline or not.

Minimum share of supply of sustainable aviation fuels (in %)

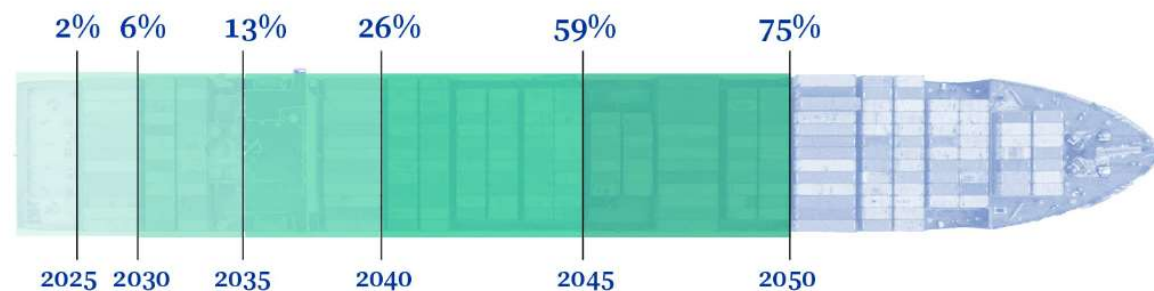


FuelEU Maritime

The FuelEU Maritime regulation seeks to steer the EU maritime sector towards decarbonisation through the adoption of **renewable and low-carbon fuels and technologies**

- It applies goal-based reduction of Greenhouse Gas (GHG) energy intensity from 2025.
- Meeting the 2050 goals, however, requires that shipping undergo a global transition to alternative fuels and energy sources.
- This regulation will oblige vessels above 5000 gross tonnes calling at European ports to progressively reduce the greenhouse gas intensity of the energy used on board

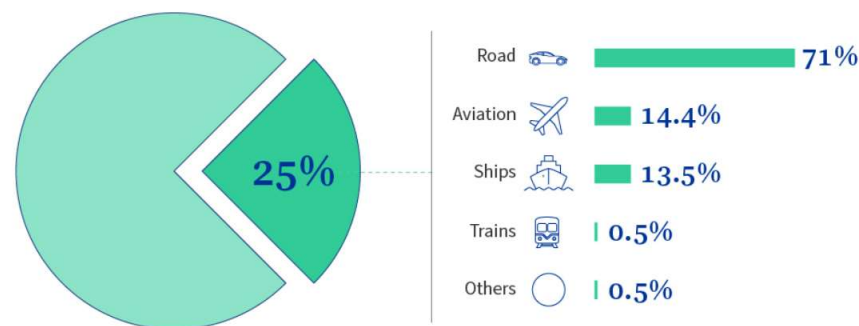
Annual average carbon intensity reduction compared to the average in 2020



EU Alternative Fuels Infrastructure Regulation (AFIR)

- In order to achieve the goal of climate neutrality by 2050, there needs to be enough recharging points and **alternative fuel re-fuelling points** in the EU for **the cars, planes and ships** that use them.
- The alternative fuels infrastructure regulation – part of the Fit for 55 package – sets concrete targets for deploying such infrastructure in the EU in the upcoming years.

Transport is responsible for almost **25% of GHG emissions** in Europe



AFIR for road transport

- **Recharging stations** at least every 60 km on main roads by the end of 2025 for passenger cars and trucks below 3.5 tonnes and by the end of 2030 for trucks above 3.5 tonnes
- Every year the total power output provided through recharging stations should grow with the number of registered cars for passenger cars and trucks below 3.5 tonnes
- At least one recharging station in each safe and secure parking area by the end of 2030 for trucks above 3.5 tonnes
- **Hydrogen re-fuelling stations** at least every 200 km on main roads by end of 2030 and more stations provided in urban areas
- **Liquified methane re-fuelling point** at least along main roads to allow vehicle using methane to circulate throughout the EU
- **New infrastructure will have to:**
 - Allow ad-hoc charging
 - Accept electronic payments
 - Clearly inform users about pricing options



The Fit for 55 Package will have an impact on the lubricant industry

- The implications for our companies of some parts of the Fit for 55 Package will need to be closely monitored:
 - Energy Taxation Directive
 - Emission Trading System
 - Carbon Border Adjustment Mechanism
- The UEIL will take an active role – as it has been doing on the Energy Taxation Directive over the past years
 - The European Commission published a revised ETD in June 2021 and UEIL responded to its consultation. Negotiations between Council and EP will probably be finalised next year.
 - A revised ETD would be positive for our industry as this could end national taxation on lubricants in the EU Member States.



Several parts of the Fit for 55 Package will also create significant opportunities for the lubricant industry

- The acceleration of the **energy efficiency** efforts will drive demand for high quality lubricants in several manufacturing sectors
- The investments in **renewable energy** will drive demand for lubricants (e.g. lubricants for windmills and wind turbines)
- The move towards **Sustainable Aviation Fuels** will require development of lubricant formulations compatible with the new fuel
- The **decarbonization of the road transport** will require development of new, high-performance lubricants and functional fluids
- The **investment in recharging stations** will create demand for di-electric coolants



