Union of the European Lubricants Industry
Union européenne de l'industrie des lubrifiants

POSITION PAPER

The risks of the potential inclusion of two-stroke oils in the ETS2

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Lubricants play a critical role in the EU's efforts to reduce greenhouse gas emissions by improving energy efficiency, reducing friction, and enhancing the durability of machinery and vehicles. Two-stroke oils are a specific category of lubricating oils designed for use in two-stroke engines, commonly found in motorcycles, mopeds, scooters, and small off-road vehicles. While a portion of these oils may combust incidentally when mixed with fuel, their primary function is mechanical: to lubricate and protect the engine during operation.

UEIL, representing the whole lubricant's value chain in Europe, calls on the European Commission to exclude two-stroke oils from the scope of the EU Emission Trading System 2 (ETS2). Including them under the ETS2 would mischaracterise these products as fuels and impose disproportionate burdens on SMEs, threaten the competitiveness of the European lubricants industry, and run counter to the objectives of the ETS framework.

- **Disproportionate burdens on SMEs**

SMEs producing two-stroke oils will face significant challenges in complying with ETS2 monitoring and reporting obligations. The complex and variable composition of two-stroke oils makes it **difficult to accurately quantify their carbon intensity**. Many SMEs lack the technical and administrative resources to manage such compliance, creating a risk of excessive bureaucracy. While the *de minimis* threshold provides for simplified monitoring and reporting obligations, these would apply on a national basis and may thus give rise to an **unlevel playing** field across the Member States.

Administrative burdens and compliance costs may drive producers to **cease operations** and force the market to supply products from outside the EU. Such a shift would reduce competition, increase dependence on imports from potentially unreliable third countries, and diminish consumer choice, particularly for applications in agriculture, gardening, and small-scale transportation.

❖ **An ally to slash emissions**

Two-stroke oils contribute to reducing friction and improving energy efficiency in engines, thereby lowering CO_2 emissions. In fact, without two-stroke oils, combustion would be less efficient, and burnt fuel and particulates would increase and lead to greater emissions.

Including them in the ETS2 is evidently counterproductive: it would impose regulatory burdens on products that **actively support the EU's climate goals**. Regulating two-stroke oils under the ETS2 could paradoxically **increase emissions** indirectly, as reduced availability of European, high-quality two-stroke oils would compromise engine efficiency and durability.

❖ **A completely different purpose**

Two-stroke oils are fundamentally different from fuels. Two-stroke oils are designed for mechanical purposes: they lubricate and protect engines during combustion, ensuring a better fuel efficiency and preventing wear and energy loss. Unlike fuels, **they do not provide energy or enable the engine to operate**. While a portion may incidentally combust when mixed with gasoline, this an unintended consequence of their mechanical function, not their intended purpose.

Treating incidental combustion as sufficient grounds to classify lubricants would be a misinterpretation of the legislative intent behind the ETS2, according to which the system is to apply to "the release for consumption of fuels which are used for combustion in the buildings, road transport and additional sectors."

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For these reasons, UEIL urges the Commission to exclude two-stroke oils from the scope of the ETS2 to prevent disproportionate regulatory burdens, safeguard the competitiveness of the European lubricants industry, and ensure that the ETS2 remains focused on genuine energy products designed for combustion.