MEMBERS' NEWSLETTER

UPEI
THE VOICE OF EUROPE'S INDEPENDENT FUEL SUPPLIERS

MAY 2023 | N. 111

Welcome to the 111 number of the UPEI Newsletter!

The month of May was relatively quiet with many public holidays around Europe. Nevertheless, whereas the final adoption of the revised Renewable Energy Directive (RED III) was delayed due to France's request to postpone the agreement in the EU Council on the outcome of the trilogue negotiations, other pieces of legislation made further progress in the interinstitutional "pipeline".

Brussels News

Image Source: Pixabay.

From a political point of view, the next EU political cycle was launched with the agreement of the EU Council on the dates for the next European elections: Thursday 6 to Sunday 9 June 2024. It is expected that the political parties at European level will designate, like in 2014 and 2019, a "Spitzenkandidat" who will be their champion for the election campaign and their candidate for the position of European Commission President. In this context, it is already envisaged that Ms. von der Leyen will be designated by the European People's Party (EPP). However, the European Council, which has the same weight as the European Parliament in the designation of the Commission President, may not support this procedure: it agreed to it in 2014, but refused it in 2019.

In an **interview** to the magazine of DG ENER, its Director General Catharina Sikow-Magny, insisted on the most prominent recent achievements of the EU energy policy, including the acceleration of the renewable energies capacities and investments in the EU, to be further prompted by the upcoming adoption of the revised Directive (RED III) that imposes a target of 42.5% renewables in the EU energy mix by 2030, with a focus for transport, buildings and industry. Another essential element is the upcoming adoption of two delegated acts that should allow for the kick-off of the green hydrogen market, as well as a proposal for a regulation on market rules for hydrogen, as part of the "gas package". The acceleration of the production of biomethane is also encouraged by the European Commission, with a target of 35 billion cubic meters in 2030, achievable with relatively small investment.

Source: EU website.

Policy updates

EU Hydrogen Policy

Image Source: European Commission website.

On 8 May, the European Commission organised a webinar devoted to the relaunching of the **Hydrogen Valley Platform**. Based on extensive collection of primary data, this platform provides comprehensive information about the most advanced and ambitious Hydrogen Valleys around the world.

"Hydrogen Valleys" are local market makers for clean hydrogen, more than 60 of which being under development in Europe. They focus on green hydrogen for various end-uses in mobility, industry, and energy sectors. With over €90 billion planned investment, hydrogen valleys are on a path to competitiveness with fossil H2, but still remain at an early stage of development (three quarters of the projects are yet to reach a final investment decision).

The webinar **presentation** provides more detailed information, as well as the Platform **website**.

Source: EU website.

“Fit for 55” legislative package

Image Source: European Commission website.

Work is moving further towards the adoption by the EU institutions of the following pieces of the “Fit for 55” legislative package:

- CO2 emission performance standards for LDVs - procedure completed. **Regulation published in the EU Official Journal**.
- Efforts Sharing Regulation Land Use Change and Forestry - procedure completed. **Regulation published in the EU Official Journal**.
- Emissions Trading Scheme (ETS) - procedure completed. Regulations published in the EU Official Journal: **ETS2**, **ETS maritime**, carbon border adjustment mechanism **CBAM** and **Social Climate Fund**.
- Revision of the Renewable Energy Directive (RED III) - trilogue completed but Council did not agree to endorse outcome of negotiations.
- Fuels EU Maritime - trilogue completed.
- Alternative Fuels Infrastructure Directive - trilogue completed.
- Energy Efficiency Directive - trilogue completed.
- REFuelEU Aviation – trilogue completed.
- Energy Performance of Buildings Directive (EPBD) – trilogue to start.
- Revision of the Energy Taxation Directive (ETD) – discussions on-going in Council.

Source: Weber Shandwick, EU website.

Other relevant pieces of legislation

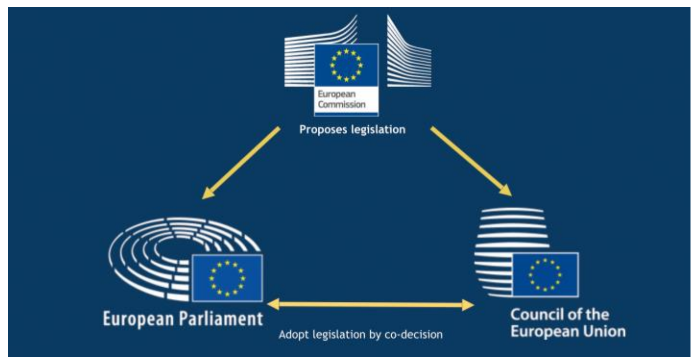

Image Source: European Parliament website.

Euro 7

Rapporteur Alexandr Vondra (ECR, CZ) presented on 26 May his **draft report** on the European Commission proposal on type-approval of motor vehicles and engines (Euro 7), expressing several reservations about the feasibility and the effectiveness of the Commission proposal, including costs implications (according to a study they would be much higher than the Commission’s calculations), limited technological feasibility, risk to divert resources from decarbonisation, insufficient time left to the automotive industry, undue reliance on secondary legislation (delegated or implementing acts), complexity of required statistics, on-board monitoring requirements, regulatory discrimination against heavier vehicles, or the viability of emission limits and testing for heavy-duty vehicles.

Rapporteur Vondra provided a **summary of his draft report** in Euractiv on 2 June.

Source: EU website and Euractiv.

Net Zero Industry Act (NZIA)

Image Source: European Commission website.

On the same day, Rapporteur Christian Ehler (EPP, DE) submitted his **draft report** on the NZIA and made the following comments:

- "Before turning to the details, we need to clarify the objective. We need to improve the business case for decarbonisation of industry in Europe. This means we need to make investments in industrial decarbonisation simpler and faster, and to make procedures more predictable.
- First key point in our report is the scope of the NZIA. The Commission proposal was a good start, but the scope was determined by an arbitrary list of technologies and an unclear definition of the supply chain. The Annex created a two-tier system of technologies.
- In my report I propose to link the definition of Net-Zero Technologies to the EU Taxonomy - to rationalise the scope and link it to existing sustainability policies - and to include the full supply chain of these technologies. I propose to eliminate the two-tier system.
- Second key point is that I propose measures to boost industrial competitiveness beyond the Net-Zero Technologies, because we gave all our industry ambitious decarbonisation objectives so now we need to make it attractive for them to decarbonise in Europe.
- Third key point is that I propose to bring back the concept of Net-Zero Industry Valleys, which appeared in early Commission drafts. Valleys will stimulate industrial symbiosis and concentrate industrial activity geographically which minimises environmental impact.
- Valleys will be designated by Member States and should come with a plan with additional measures from a Member State to make industrial activity more attractive in the Valley - for example by offering OpEx support.
- My last point is the elephant in the room: funding. The Union's budget is too limited as it stands, but Member States receive significant revenues from their ETS actions. That is why I propose that Member States spend 25% of those national revenues on the objectives of the NZIA".

Source: Christian Ehler Twitter account.

Revision of the EU Customs Union

Image Source: European Commission website.

On 17 May, the European Commission presented a proposal for a comprehensive **reform** of the EU customs union. This reform is based on the need analysed by the Commission to address three major challenges:

- A surge in trade, and in particular an exponential rise in low value items sold via e-commerce and entering the EU each year.
- A huge increase in the number of EU standards that the EU customs system must enforce on goods, especially so-called '**prohibitions and restrictions**' - the rules that support EU priorities and values such as legislation on climate change, environmental protection, forced labour and firearm control.
- The need to continuously react to geopolitical changes and priorities, and in support of crisis management and the enforcement of EU sanctions.

The proposed reform is based on three pillars:

- A new partnership between customs and companies based on transparency and responsibility, and supported by data-driven artificial intelligence that massively simplifies or even removes altogether the need for customs declarations; this partnership will rely upon a single interface - the EU Customs Data Hub. Through which economic operators will be able to provide the information they usually need to provide customs on their imports and exports?
- An updated surveillance and risk assessment model, managed by a new EU Customs Authority, which will help Member States to focus their control efforts where it matters most, and to better enforce compliance with EU standards.
- A more modern framework for e-commerce that cuts down on the huge levels of fraud in the sector while introducing more transparency and peace of mind for consumers.

This is a long-term reform, with the following timeline:

- There will be a 10–15-year transition period during which some of the current practices would continue. This will ensure that the ongoing IT deployment of the 2016 reform can be completed while the benefits of the new model gradually materialise without disrupting customs operations.
- The Customs Data Hub will be developed and rolled out over time, building on some and integrating other existing customs IT systems and the Digital Product Passport. The tailor-made customs regime for e-commerce will apply from 2028 onwards, when the EU Customs Data Hub will go into a first, limited operational phase. In a second step, customs IT systems that are already centralised will start to be migrated to the EU Customs Data Hub, after which the migration of the remaining, national IT systems could take place. Traders may start using the EU Customs Data Hub as of 1 January 2032 and will be obliged to do so from 1 January 2038 onwards.
- The EU Customs Authority will start on 1 January 2028 and will be immediately operational as regards its responsibilities in risk and crisis management. It will gradually expand its scope in synchronisation with the roll-out of the EU Customs Data Hub.

UPEI will closely monitor to which extent this reform affects and interacts with the EU excise duties regime.

More information is available on the **Q&A MEMO**, the **Factsheet** and the **EU Customs Reform webpage** on DG TAXUD's website, including the Communication and legislative texts.

Source: UPEI Secretariat.

Methane emissions

On 10 May, the European Parliament adopted in Plenary its report on the Commission's proposal for a regulation on methane emissions reduction in the energy sector and amending Regulation (EU) 2019/942. It covers direct methane emissions from the oil, fossil gas and coal sectors, and from biomethane once it is injected into the gas network. MEPs also want the new rules to include the petrochemicals sector.

In the report, the European Parliament insists on having a binding 2030 reduction target for EU methane emissions for all relevant sectors by the end of 2025. Member States should furthermore set national reduction targets as part of their integrated national energy and climate plans.

Operators should submit a methane leak detection and repair programme to the relevant national authorities six months from the date of entry into force of this Regulation, with MEPs demanding more frequent leak detection and repair surveys compared to what the Commission is proposing. They also want to strengthen the obligations to repair leaks, with operators repairing or replacing all components found to be leaking methane immediately after the leak has been detected or no later than five days after.

The Parliament supports a ban on venting and flaring methane from drainage stations by 2025 and from ventilation shafts by 2027, ensuring safety for workers in coal mines. It also would oblige Member States to establish mitigation plans for abandoned coalmines and inactive oil and fossil gas wells.

As imports make up over 80% of the oil and gas consumed in the EU, MEPs want, from 2026, importers of coal, oil, and gas to be obliged to demonstrate that imported fossil energy also meets the requirements in the regulation. Imports from countries with similar requirements for methane emissions would be exempted.

Source: European Parliament website.

REPowerEU

Image Source: European Investment Bank website.

On 24 May, the European Commission presented a **review** of progress made in the implementation of the **REPowerEU plan** one year after its launch (18 May 2022).

The review consists of one document for each of the 27 Member States and one for the EU as a whole, providing information on key energy figures, energy saving measures, the diversification of energy supplies, the acceleration of clean energy and developments in energy price.

Source: EU website.

UPEI News

04/05/2023 | Webinar "VAT basics for Fuel cards businesses"

Together with UPEI Business Partner Marosa, the Secretariat organised a webinar on VAT basics for Fuel card businesses on 4 May 2023.

Pedro Pestana da Silva, Marosa CEO, gave a general overview of the state of play of the fuel card activity from a VAT perspective, highlighting the challenges facing the impact of domestic reverse charge, the latest developments on the VEGA international case and its implications for the fuel payments sector, as well as how fuel card companies efficiently manage their European VAT returns. Pedro also described examples and good practices to further approach the reality of the business and the casuistry of the VAT system.

You may find the presentation and the recording of the webinar available on the **UPEI dedicated website**.

12/05/2023 | UPEI & FETSA meeting with DG CLIMA

Image Source: European Commission website.

On 12 May 2023, Pierre Lucas (UPEI Secretary General), along with Ravi Bhatiani (FETSA Executive Director), and Luis Cervilla (Weber Shandwick), had a meeting with Filip François (DG CLIMA's Team Coordinator) and his team working on the Light Duty Vehicles (LDVs) files.

The Commission expressed its interest in considering all types of options to complement the Regulation on CO2 standards for LDVs that was adopted and published. At the same time, it was highlighted its uncertainty about the "reality" on availability, production, energy efficiency, costs, production capacity, etc.

The main take aways from the meeting are as follows:

- The Commission will not deviate from the Recital in the LDVs Regulation or from the statement they released committing to take action. In short, this means that:
  - Whatever measure the Commission proposes, it will apply only to cars and vans that can run exclusively on eFuels.

- The fuels that would be covered will be the ones covered by the REDIII definition of the RFNBO.
- The Commission is in need of data on efuels, especially anything related to production and costs.
- DG CLIMA is working closely with its expert group on Fuels' CO2.

- The first set of measures to be proposed will be an amendment to the Euro 6 Regulation to allow a specific type-approval for cars running exclusively on RFNBOs. Then, the Commission would consider a different option to amend/complement the Euro 7 Regulation, provided it is adopted by the European Parliament and the Council. When it comes to CO2 standards, once the Euro 6 amendments were done, the Commission would also work on bridging them with the LDVs Regulation (delegated/implementing acts or an amendment to the Regulation). It was also stated that DG CLIMA remained quite skeptical about considering any kind of correction factor/crediting system and so on.

With all this in mind, a series of actions were agreed and are currently in the process to advocate for UPEI's members' interests.

12/05/2023 | UPEI participation in the EU Expert Group on Climate Change Policy

On 12 May 2023, the European Commission confirmed UPEI's Expert Inga Tölke as member in the EU Expert Group on Climate Change Policy, set up in 2018, following a call for new experts.

This new call aims at adding representatives from the distributors of fuels from the building, road transport and additional industry sectors covered by the newly adopted ETS2.

17-19/05/2023 | International Fair Petrol Station Expo XXI Warsaw (Poland)

Image Source: XXVIII International Fair Petrol Station 2023 website.

On 17 - 19 May 2023, the Secretariat attended the International Fair Petrol Station Expo XXI in Warsaw (Poland) in an attempt to make UPEI presence in Poland a reality.

During the event, the Secretariat had the opportunity to meet with several stakeholders on the petrol station sector in Poland, such as Unimot or E100 International.

You may find more information on the event available **here**.

UPEI Publications

Joint UPEI & FETSA Position Paper on the review of CO2 standards for heavy-duty vehicles

On 12 May 2023, UPEI, together with FETSA (Federation of European Tank Storage Associations), stressed in a joint statement the need to enable all sustainable options capable of positively contributing to decarbonisation and to reducing the EU's energy dependency as quickly as possible.

In the case of heavy-duty vehicles, this means encouraging, through the revised CO2 Standards, the uptake of renewable and low-carbon liquid fuels, immediately available today, alongside electrification and hydrogen.

It is important to highlight that Renewable and low-carbon liquid fuels can be used at different concentrations, till 100%, to power any internal combustion engine reducing drastically CO2 emissions from both new and existing heavy-duty vehicles.

Read more ***here***

UPEI Position Paper on the upcoming revision of the PSD2

Ahead of the upcoming European Commission's proposal for a revision of the Payment Service Directive (PSD2), UPEI issued on 30 May 2023 a position paper reiterating its view from the fuel cards sector and the importance of its exclusion from the scope of the Directive, introducing simplified procedures, and ensuring coherence with the Vega International Case implications.

In particular, it is necessary to stress that fuel cards are not typical payment instruments, as they do not initiate transfer of funds like regular payment cards, but rather initiate the purchase and sale transactions within the supply chain. For this reason, they are not the kind of services targeted by PSD2, and thus they should continue to be excluded from the scope of the Directive.

Read more ***here***

UPEI Diary

June 2023

07/06 UPEI Board Meeting

20/06 UPEI Bunkering Commission Meeting

July 2023

13/07 UPEI Fuel Payments Commission Meeting

UPEI Circulars

08/2023 UPEI Board Meeting 16/03/2023 Decisions & Actions

09/2023 Trade Fair “Tankstelle & Mittelstand ´23” Details & Registration Form

10/2023 UPEI Spring General Meeting 2023 Draft Minutes

UPEI General Meeting

DOCS & INFO SOON

UPEI AUTUMN GENERAL MEETING
25 – 26 – 27 October 2023
Copenhagen, Denmark