MEMBERS' NEWSLETTER

UPEI
THE VOICE OF EUROPE'S INDEPENDENT FUEL SUPPLIERS

February 2024 | N. 119

Welcome to the 119th edition of the UPEI Newsletter!

Throughout February, the EU has focused its activities on the further preparation by the EU political parties of the European elections, adopting the political programmes or manifestos and designating their "Spitzenkandidaten" for the position of European Commission President. Meanwhile, the European Parliament and the EU Council led by the Belgian Presidency worked further at finalising the adoption of a large amount of pending legislation before the last plenary session in April.

Policy updates

CO2 emissions for HDVs

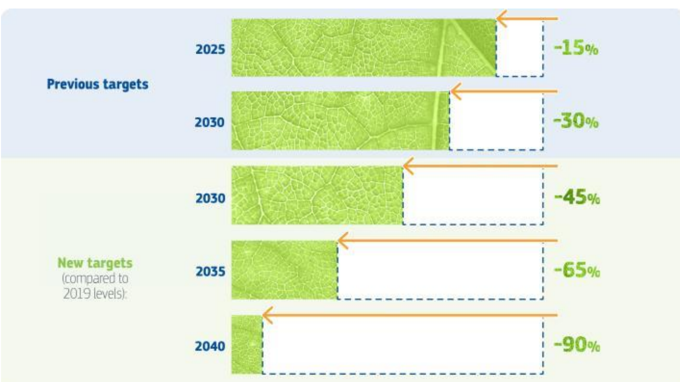

Image Source: European Commission website.

Despite an agreement in trilogue between the EU Council Presidency and the European Parliament's negotiators, a final compromise had to be negotiated between both institutions. This compromise contains:

- The definition of CO2-neutral fuels which the European Parliament was pushing for via Art. 3(1) (23a – new).
- A set of recitals and amendment to the review clause: addressing RFNBOs:
  - Recital 13a and b: Recognises that the uptake of sustainable renewable fuels is essential for decarbonisation – in accordance, the Commission should develop "a framework of incentives advanced biofuels and biogas and renewable fuels of non-biological origin. That framework should address barriers to the uptake and supply in a comprehensive way, taking into account the demand across economic sectors, in the context of the overall efforts to reach the Union's climate targets [..]".
    - The Commission will assess, within a year after entry into force, the potential for a methodology for registering HDV exclusively running on CO2 neutral fuels (Recital 13b).
  - Article 15 (Review Clause): The Commission will review the Regulation in 2027, which will include the CCF assessment as well as the potential of the above-mentioned methodology. Importantly, a new addition now specifically addresses sustainable renewable fuels:
    - "The Commission shall assess the role of sustainable renewable fuels in the transition towards climate neutrality, including in the heavy-duty vehicles sector. Separately from the review referred to in paragraph 1, and as part of a broader strategy for the deployment of such fuels, the Commission shall by 31 December 2025 present a report to the European Parliament and to the Council with a comprehensive analysis of the need to further incentivise the uptake of advanced biofuels and biogas and renewable fuels of non-biological origin in the sector and the appropriate framework of measures, including financial incentives, to achieve this. Based on that analysis, the Commission shall, if appropriate, make additional legislative proposals or shall make recommendations to the Member States."

The provisional agreement, including the compromise, was accepted by the COREPER on 9 February and voted on by the European Parliament's ENVI Committee on 14 February. Following its formal endorsement by the EU

Council and the European Parliament in plenary, it is expected to apply from 1 January 2025.

Source: UPEI Secretariat and Weber Shandwick.

Revision of the Weights and Dimensions Directive

Image Source: European Rail Freight Association website.

Discussions are moving on in both the EU Council and the European Parliament on the examination of the revision of Directive 96/53/EC on Weights and Dimensions (WDD), that sets out maximum permitted weights and dimensions (length, width, height) for heavy-duty vehicles (HDVs), such as lorries and buses, which circulate on the roads of the European Union.

On 11 July 2023, the European Commission tabled a proposal for a revision of this Directive 96/53/EC, which applies to vehicles in the categories M2/M3 and N2/N3 (heavy-duty vehicles), as well their trailers in categories 03/04. The derogations granted regarding the maximum weight for alternatively fueled and zero-emission vehicles also apply to these vehicle categories only. An equivalent legal framework for vehicles in category M1/N1 is not currently planned.

This revision aims at complementing the proposed revision of the CO2 emissions standards for heavy-duty vehicles, by providing a single framework the Commission proposed to reduce emissions by 45% by 2030 and 90% by 2040 and stimulate the uptake of zero-emission trucks. The revision of the Weights and Dimensions Directive is necessary to provide a single framework that will incentivise the uptake of zero-emission trucks on the European market.

The main objectives of the revision of the directive are to:

- remove regulatory and technical barriers and provide stronger incentives for the uptake of the zero-emission technologies and energy saving devices in the HDV sector.
- facilitate intermodal operations.
- clarify the rules on the use of longer and/or heavier HDVs in cross-border operations.
- make enforcement more effective and efficient.

In the European Parliament, the Transport and Tourism Committee (TRAN) was assigned to take the lead and appointed Isabel García Muñoz (S&D, Spain) as rapporteur. The **draft report** was published on 20 October 2023. In her report, the rapporteur proposes that by 2032, cross-border operations of 44-tonne HDVs should only be permitted for zero-emission vehicles (compared with the target date of 2035 proposed by the Commission). The draft report also strengthens the governance framework applying to European modular systems (EMS), with an ex-ante assessment for the impacts on road safety, road infrastructure, modal cooperation, and the environment. Furthermore, Member States should establish qualification requirements for the drivers of EMS and a dedicated EU web portal should be set up to provide information about the roads where EMS are allowed to circulate (as well as the national maximum authorised weights and dimensions of vehicles in Member States). To help road users to identify the type of vehicles, e.g. ahead of overtaking, the rapporteur is also proposing an EU label to indicate the length of the HDVs or such vehicle combinations. To improve enforcement, the draft report would oblige Member States to install certified weight in motion systems and to implement intelligent access points. It also recommends that they use the revenues generated from the penalties under the directive to support sustainable transport. The TRAN Committee is expected to vote on 14 February.

In the Council, discussions are moving at Working Party level, with the Transport, Telecommunications and Energy Council (Transport) taking note on 4 December 2023 of a **progress report** from the Spanish Presidency.

Source: EU website.

Corporate Sustainability Reporting Directive (CSRD)

Image Source: Fleet energies website.

On 7 February, the European Parliament and the EU Council agreed in trilogue to grant a two-year delay for sector-specific standards under the Corporate Sustainability Reporting Directive (CSRD), offering a break to mining and fossil fuel firms targeted by the upcoming transparency rules. The main outcome of the agreement are summarised in a Council **statement**.

Companies will be given more time to prepare for the sectorial reporting rules, which will be adopted in June 2026, two years later than originally planned. The EU's **Corporate Sustainability Reporting Directive (CSRD)**, in force since January 2023, requires listed companies to disclose information about the social and environmental risks associated with their activities.

Since January 2024, the first set of general reporting standards – the **European Sustainability Reporting Standards (ESRS)** – became applicable to large companies across all economic sectors. Those were expected to be followed by specific reporting standards for sectors like oil and gas, mining, road transport, textiles, as well as agriculture and fishing. The sector-specific standards **had already been drafted** by a technical body advising the European Commission, the European Financial Reporting Advisory Group (EFRAG). In October 2023, the Commission proposed to postpone them for two years, based on a recommendation from EFRAG.

According to the **compromise text**, article 29b(1) indicates that "the Commission shall endeavor to adopt eight of the sustainability reporting standards (…) as soon as each is ready".

As a reminder, under the Corporate Sustainability Reporting Directive (CSRD), companies with over 250 staff and a turnover of €40 million have to disclose environmental, social, and governance (ESG) risks, as well as the impact of their activities on the environment and people. Smaller listed companies are subject to a lighter set of reporting standards, from which they can opt out until 2028.

Source: EU website.

Carbon Certificates

Image Source: European Commission website.

On 20 February, the European Parliament and the Council negotiators reached a trilogue agreement on the first EU voluntary framework for the certification of high-quality carbon removals. The agreement sets out certification rules for:

- Carbon farming, such as restoring forests and soils and avoiding soil emissions, re-wetting of peatlands, more efficient use of fertilizers, and other innovative farming practices.
- Industrial carbon removals, such as bioenergy with carbon capture and storage, or direct air carbon capture and storage.
- Binding carbon in long-lasting products and materials, such as wood-based construction materials or biochar.

The Regulation aims to improve the EU's capacity to quantify, monitor and verify the authenticity of all these forms of carbon removals. In particular, it defines rules to recognise certification schemes that demonstrate compliance with the EU framework, and a specific set of criteria to ensure the high-quality of carbon removals and the transparency and credibility of the certification process.

The criteria will ensure that carbon removals:

- are correctly quantified.
- store carbon for an agreed long-term period (a minimum of 35 years for carbon stored in products).
- go beyond existing practices and do not just reward the status quo.
- and contribute to broader sustainability goals, for instance by providing positive impacts on biodiversity.

An EU registry will be established to create a high level of transparency about certified carbon removals. This will be put in place within 4 years. In the meantime, the registries of existing certification schemes can be used. The Regulation provides a prioritisation of the certification methodologies that should be developed. On this basis, the Commission, supported by a **Carbon Removal Expert Group**, will continue its work to develop credible and tailored certification methodologies for the different types of carbon removal activities.

Regarding financial support for carbon removing technologies, the Regulation unlocks innovative private and public financing, including impact finance or result-based public support, as carbon removers and carbon farmers can be rewarded based on the certified removals and emissions reductions. It will also support the **New European Bauhaus** by recognising the carbon storage capacity of bio-based and energy-efficient building materials. The Commission will continue funding carbon removals through various programmes, such as the **Innovation Fund**, Common Agricultural Policy, Regional Development Fund, **LIFE programme** and **Horizon Europe programme** (including the Mission '**A Soil Deal for Europe**').

Source: EU website.

Energy Taxation Directive recast

Image Source: European Commission website.

Ahead of an informal EU ECOFIN Council taking place on 22 February, the Belgian Presidency submitted a draft revised text of the Energy Taxation Directive, presented by the European Commission in July 2021 as part of the "Fit for 55" legislative package. A leaked version of it provided some elements, such as:

- Exclusion of wood and charcoal from the scope of the directive.
- Installations using peat and peat litter as fuel: only plants with a capacity of less than 7.5 MW will be exempt from the thresholds, as opposed to the 10 MW proposed by Spain.
- Municipal waste used as fuel is excluded.
- Total or partial exemptions for energy used for military, security, aircraft search and rescue operations and aerial firefighting, as well as energy for small-scale coastal fishing and maritime transport under certain conditions.
- Bulgaria and Romania, whose average GDP per capita is half the 27 combined, will be allowed to also provide exemptions for 20 years.
- Member States should be able to exempt electricity generated by installations with less than 850 MWh/year or 500 kW of installed generating capacity as long as the power generated is not fed into a public network. The same applies to biogas not injected into a public network from 3,000 GJ/year production or 500 kW installed generating capacity.

However, since unanimity is required for the EU Council to accept the final text, it is far from certain that a compromise can be reached under Belgian Presidency.

Source: Euractiv.

Sanctions against Russia

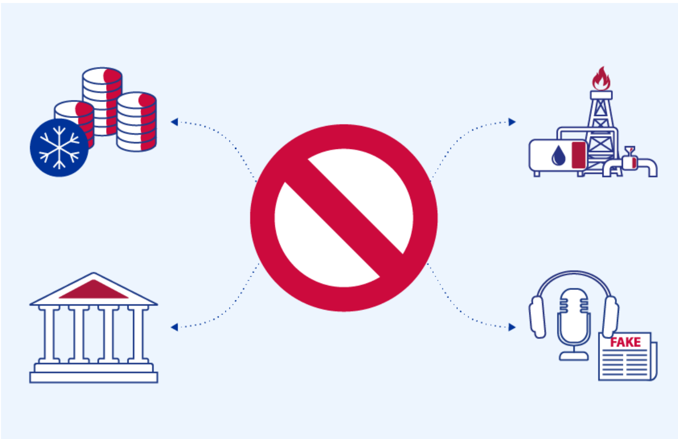

Image Source: European Council website.

On 23rd February, the EU Council agreed upon a **13th package of sanctions** against Russia, following its invasion of Ukraine two years before.

The Council decided to impose restrictive measures on an additional 106 individuals and 88 entities responsible for actions undermining or threatening the territorial integrity, sovereignty, and independence of Ukraine.

The new listings target primarily the military and defence sectors and associated individuals, as well as members of the judiciary, local politicians, and people responsible for the deportation and military re-education of Ukrainian children.

Those designated are subject to an asset freeze and EU citizens and companies are forbidden from making funds available to them. Natural persons are additionally subject to a travel ban, which prevents them from entering or transiting through EU territories.

The EU Council also added 27 new entities to the list of those directly supporting Russia's military and industrial complex in its war of aggression against Ukraine. They will be subject to tighter export restrictions concerning dual use goods and technologies, as well as goods and technology which might contribute to the technological enhancement of Russia's defence and security sector. Some of these entities are located in third countries (India, Sri Lanka, China, Serbia, Kazakhstan, Thailand, and Türkiye) and have been involved in the circumvention of trade restrictions, others are Russian entities involved in the development, production, and supply of electronic components for Russia's military and industrial complex.

Furthermore, the decision expands the list of restricted items that could contribute to the technological enhancement of Russia's defence and security sector by adding components for the development and production of unmanned aerial vehicles (UAV).

Finally, the EU Council introduced further restrictions on exports of goods which contribute in particular to the enhancement of Russian industrial capabilities, such as electrical transformers.

Source: EU website.

Russian Oil imports ban

However, the Centre for research on Energy and Clean Air - CREA (an authoritative think tank established in Finland that provides a monthly analysis of Russian oil exports) published a **report** pointing out to a loophole in the sanctions imposed by EU/G7 countries that prohibit the importation of Russian crude oil and oil products. Key findings of the report are:

- €8.5 billion of price cap coalition (PCC) countries' imports of oil products between December 2022 and December 2023 were made from Russian crude. These imports in a 13-month period are equivalent to 68% of the EU's annual commitment to aid Ukraine between 2024 and the end of 2027.
- In 2023, there was a 44% year-on-year increase in those countries' imports of oil products, by volume, produced from Russian crude.
- The price cap coalition's imports of oil products made from Russian crude oil generated €1.7 billion of tax revenues for Russia from December 2022 to December 2023.
- Since the introduction of the price cap till December 2023, the USA imported €1.6 billion worth of oil products derived from Russian crude. €807 million of Russian crude was used to make these products for the USA.
- PCC countries imported €2.4 billion of diesel derived from Russian crude. The EU Council and the European Parliament's negotiators have reached an agreement on a revised Regulation regarding EU guidelines for the development of the TEN-T. The new legislation aims to build a reliable and high-quality transport

network that ensures sustainable connectivity across the EU Europe without physical interruptions, bottlenecks, and missing links. The network will be developed or upgraded step by step with the new Regulation setting deadlines for the completion of the three-layer TEN-T network: the core network should be completed by 2030, newly added extended core network by 2040 and comprehensive network by 2050.

Source: Centre for Research in Energy and Clean Air (CREA)

Report from the IEA on CO2 Emissions in 2023

Source: IEA website.

On 1st March, the International Energy Agency published a report on "**CO2 Emissions in 2023**" which main findings are:

- Global energy-related CO2 emissions grew by 1.1% in 2023, increasing 410 million tonnes (Mt) to reach a new record high of 37.4 billion tonnes (Gt). This compares with an increase of 490 Mt in 2022 (1.3%). Emissions from coal accounted for more than 65% of the increase in 2023.
- The global shortfall in hydropower generation due to droughts drove up emissions by around 170 Mt. Without this effect, emissions from the global electricity sector would have fallen in 2023.
- Between 2019 and 2023, total energy-related emissions increased around 900 Mt. Without the growing deployment of five key clean energy technologies since 2019 - solar PV, wind, nuclear, heat pumps, and electric cars - the emissions growth would have been three times larger.
- Thanks to growing clean energy deployment, emissions are seeing a structural slowdown. In the decade to 2023, global emissions grew slightly more than 0.5% per year, the slowest rate since the Great Depression.
- Advanced economy GDP grew 1.7% but emissions fell 4.5%, a record decline outside of a recessionary period. Having fallen by 520 Mt in 2023, emissions are now back to their level of fifty years ago. Advanced economy coal demand, driven by evolutions in the G7, is back to the level of around 1900. The 2023 decline in advanced economy emissions was caused by a combination of structural and cyclical factors, including strong renewables deployment, coal-to-gas switching in the United States, but also weaker industrial production in some countries, and milder weather.
- Emissions in China grew around 565 Mt in 2023, by far the largest increase globally and a continuation of China's emissions-intensive economic growth in the post-pandemic period. However, China continued to dominate global clean energy additions. Cyclical effects, notably a historically bad hydro year, contributed about one-third of its emissions growth in 2023. Per capita emissions in China are now 15% higher than in advanced economies.
- In India, strong GDP growth drove up emissions by around 190 Mt. But a weak monsoon increased demand for electricity and cut hydro production, contributing around one-quarter of the increase in its total emissions in 2023. Per capita emissions in India remain far below the world average.

UPEI News

22/02/2024 | UPEI Bunkering Commission Meeting

The Bunkering Commission met on 22 February 2024 to address the state of play of the issues which are considered a priority for UPEI. In this respect, Pierre Lucas introduced the priorities of the Belgian Presidency of the European Council and gave an update on the "Fit for 55" package latest developments, focusing on pieces of legislation under implementation, such as the FuelEU Maritime Regulation, the EU Emissions Trading System (ETS 2), the Renewable Energy Directive (REDIII), and the EU Energy Taxation Directive recast (ETD), which is still under discussion.

A discussion on the work of the Renewable and Low Carbon Fuels Value Chain Industrial Alliance (RLCF) followed, focusing on the latest developments reported by Pierre Lucas as UPEI representative in the Alliance at Roundtable 1. Mr. Helmut Oldekamp, UPEI representative at Roundtable 3, introduced himself and explained the latest roundtable 3's developments.

Attendants also discussed the Corporate Sustainability Reporting Directive and exchanged different points of view regarding the implementation of the "Fit for 55" package legislative pieces of legislation which are already adopted at national level and other related developments, such as the consequences of the embargo on Russian oil.

*Find all the information **here**.*

27/02/2024 | UPEI Energy Transition Commission Meeting

On 27th February, the UPEI Energy Transition Commission met in Brussels (Belgium) on a hybrid basis.

In a discussion moderated by Christian Heise (DCC Energi), Chair of the UPEI Energy Transition Commission, participants discussed on the outcome of the first meeting, which took place on 14 December 2023. Pierre Lucas gave a general update on the policy context. In particular, the EU 2040 Targets, as well as the next EU political cycle (2024-2029). Participants also exchanged views and ideas on UPEI's first draft policy paper for the attention of the new European Parliament and European Commission.

When it comes to the action plan, the commission debate on further key priorities, including the scope and transversal topics to be taken into consideration, and national trends.

It was agreed on organising a webinar on hydrogen, which will take place on 19th June 2024.

The next meeting will take place on 12th September in Brussels (Belgium) on a hybrid format.

*Find all the information available **here**.*

UPEI Circulars

07/2024	**EU Regulatory Update Weber Shandwick**
06/2024	**UPEI General Meetings Change of dates and locations**
05/2024	**EU legislative and Regulatory Udpate Weber Shandwick**
04/2024	**UPEI Spring General Meeting 2024 Updated Arrangements**
03/2024	**UPEI Board Meeting 15/12/2023 Decisions & Actions**

UPEI Diary

March 2024

07/03 **EU Regulatory Update (only for UPEI members)**
19/03 **Retail Heating Commission Meeting**
21/03 **Board Meeting**

April 2024

05/04 **UPEI Fuel Payments Commission**
17-19/04 **UPEI Spring General Meeting**

UPEI Spring General Meeting 2024

DOCS & INFO SOON

UPEI SPRING GENERAL MEETING
17 & 19 April 2024
Hamburg, Germany