

# The EU Plan for Green Transition: RED II Implementation, Fit for 55 and an Outlook on the RED III

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# Agenda

**REDII implementation (SoP)**

**The EU Climate Agenda (Fit for 55)**

**Crucial legislation**

**Expected impact on markets**

**Wrap-up & Questions**

# Summary: what the RED II prescribes on RES-T

RED II (Directive 2018/2001)	
<b>Energy from Renewable Sources</b>	At least 32 % (at EU level)
<b>Renewables in the Transport Sector</b>	At least 14% obligation for fuel suppliers until 2030
<b>Blending Obligation for Low-Emission and Renewable Fuel</b>	To translate the 14%, obligation can be in energy, volume or by GHG reduction
<b>Cap on Food/ Feed Crop Based Biofuels</b>	<ul style="list-style-type: none"> <li>• 2020 consumption level for each MS within a 7% limit, with 1% flexibility</li> <li>• MS may reduce the 7% to zero</li> </ul>
<b>Target for Annex IX Part A (advanced)</b>	<ul style="list-style-type: none"> <li>• 0.2 % (2022), 1 % (2025), 3.5 % (2030)</li> <li>• may be counted twice to achieve this target</li> </ul>
<b>Limit for Annex IX Part B (UCO, animal fat)</b>	<ul style="list-style-type: none"> <li>• Limit of 1.7%, which can be modified by MS if approved by Commission</li> <li>• may be counted twice to achieve the 14%</li> </ul>
<b>GHG emission saving thresholds</b>	<ul style="list-style-type: none"> <li>• 50% for old installations</li> <li>• 60% for new installations after 5 October 2015</li> <li>• 65% for installations starting operation after 1 January 2021</li> <li>• 70% for renewable fuels from non-biolog. origin after 1 January 2021</li> </ul>
<b>Fossil fuel comparator</b>	94 gCO <sub>2eq</sub> /MJ instead of 83.8 gCO <sub>2eq</sub> /MJ

# RED II Implementation

## Member State level

- Transposition at national level was required by **30 June 2021**
- To date majority of MS have fully transposed the REDII but all were too late

## Implication for industry

- Law requires that every batch of biofuel is REDII compliant and certified accordingly as per 1 July 2021
- Only recently, also too late, Voluntary Schemes received an official license to operate according to REDII

# RED II Implementation (2)

## Commission Level

Several important implementation rules still to be proposed and adopted.

### Adopted:

- Delegated Act on high ILUC risk biofuels.

### Ready but not yet published:

- Implementation rules on Voluntary Schemes

### In consultation:

- DA on GHG methodology on RFNBOs and RCF

### Still to be proposed:

- DA on co-processing (in refineries) with biofuels - **no progress**
- Research on low ILUC risk biofuels - **still ongoing**
- EU database on transparency and traceability of renewable fuels – **still not ready.**
- Review on feedstock list of Annex IX - research ongoing almost concluded. **Draft report has leaked.** Unclear if Commission will propose changes to the Annex.

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# The European Green Deal Fit for 55

**Goal: the EU to be climate neutral in 2050**

**Reaching this target will require action by all sectors of the EU economy, including transport (- 90% GHG emission reduction)**

**The legal framework for the 2050 goal is the EU Climate Law**

**Intermediate target agreed by Member States:**

- **Reduce emissions by at least 55% by 2030 compared to 1990 levels. The so-called 'Fit for 55' package should deliver the target.**

# The FF55 package: relevant proposals for biofuels - all interrelated

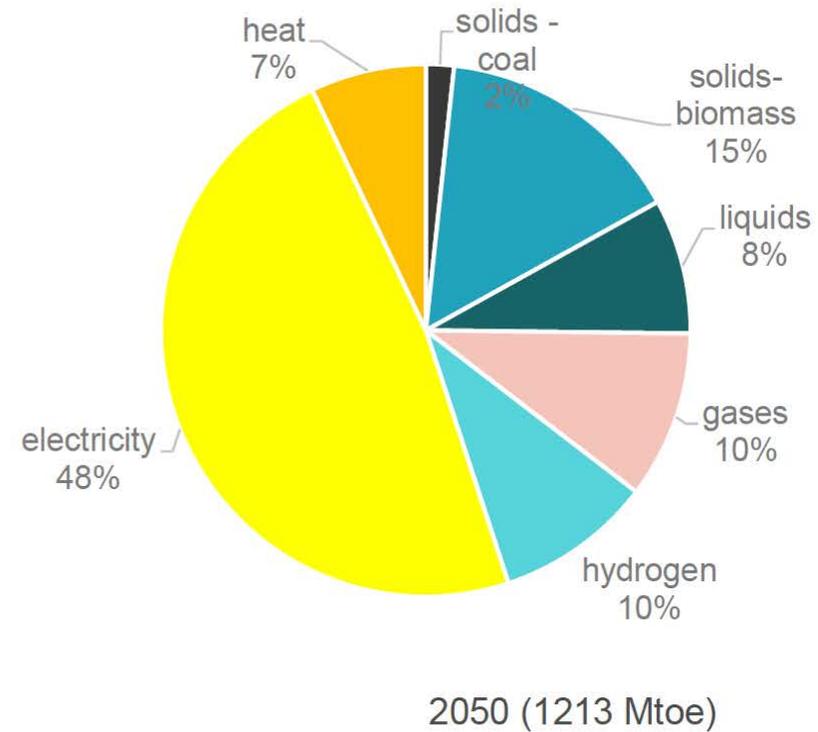
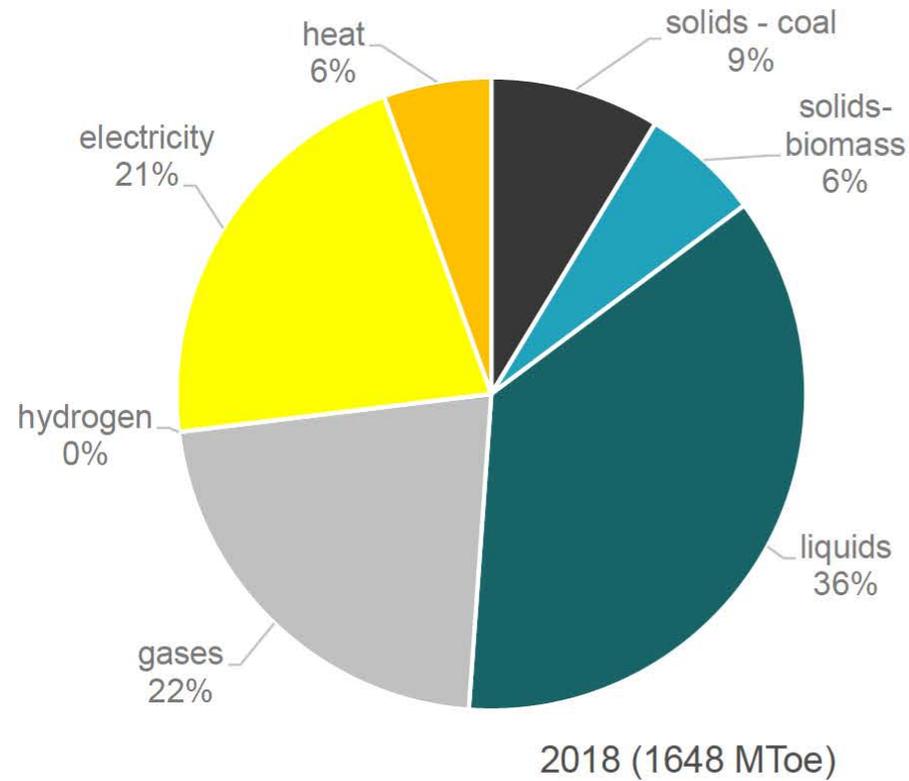


**Vast package of legislation: over 3500 pages text**

**Complex and detailed**

**Coherence is questioned even by Member States**

# Projected changes to the energy mix



Source: Based on EU28 Eurostat/LTS 1.5LIFE/TECH scenarios



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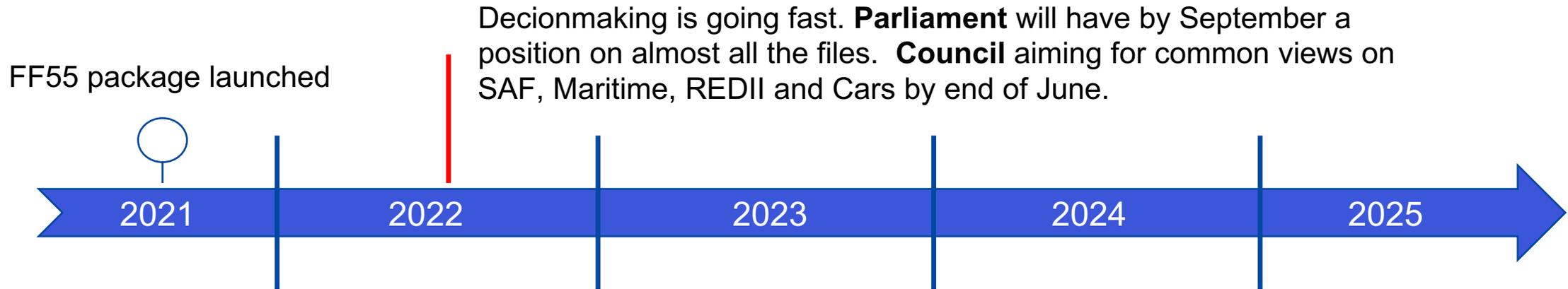
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# The FF55 package: revising existing legislation adding new legislation

	Directives	Regulations
Revision of existing legislation	<p><b>Renewable Energy -RED</b> Energy Efficiency - EED Energy <b>Taxation – ETD</b> Emission Trading Scheme - ETS</p>	<p><b>Cars CO<sub>2</sub> standard</b> Land use, Land-use change and Forestry – LULUCF Effort Sharing - ESF Alternative Fuels Infrastructure - AFIR</p>
New EU legislation		<p>Carbon Border Adjustment Mechanism - CBAM <b>FuelEU Maritime</b> <b>RefuelEU Aviation</b> Social Climate Fund - SCF</p>
	Require transposition by Member States – will take at least 2 years	Direct enforceable and binding; <b>no transposition required</b>

# SoP on decisionmaking and time-line



- Parliament is divided on many issues which will weaken its negotiating position
- Council is tweaking Commission proposals, no major changes expected
- If this speed is maintained, we may expect new legislation adopted by mid 2023 most in line with Commission proposals
- Amended Directives applicable from 2025 onwards (until at least 2030), provided MS have transposed in time (which is unlikely); Regulations immediately applicable.

# Revision of the RED – What is proposed? (Highlights only)



Overall Renewable Energy Share ambition:  
**40%**



An obligation on fuels suppliers that renewables in transport lead to a **GHG intensity reduction** of at least **13%** by 2030, following an indicative trajectory



Crop based biofuels:  
2020 share of **transport energy** plus 1%, within a 7% limit



**No more multipliers** except a multiplier of 1.2 only in aviation and maritime and only for Annex IX A biofuel + Renewable Fuels of non-Biological Origin (RFNBO)



**Annex IX A:** Binding sub-target for advanced biofuels fixed at 0.2 % in 2022, 0.5% in 2025, 2.2% by 2030  
**Annex IX B:** Limit of 1.7% for Annex IX-B is maintained without derogation

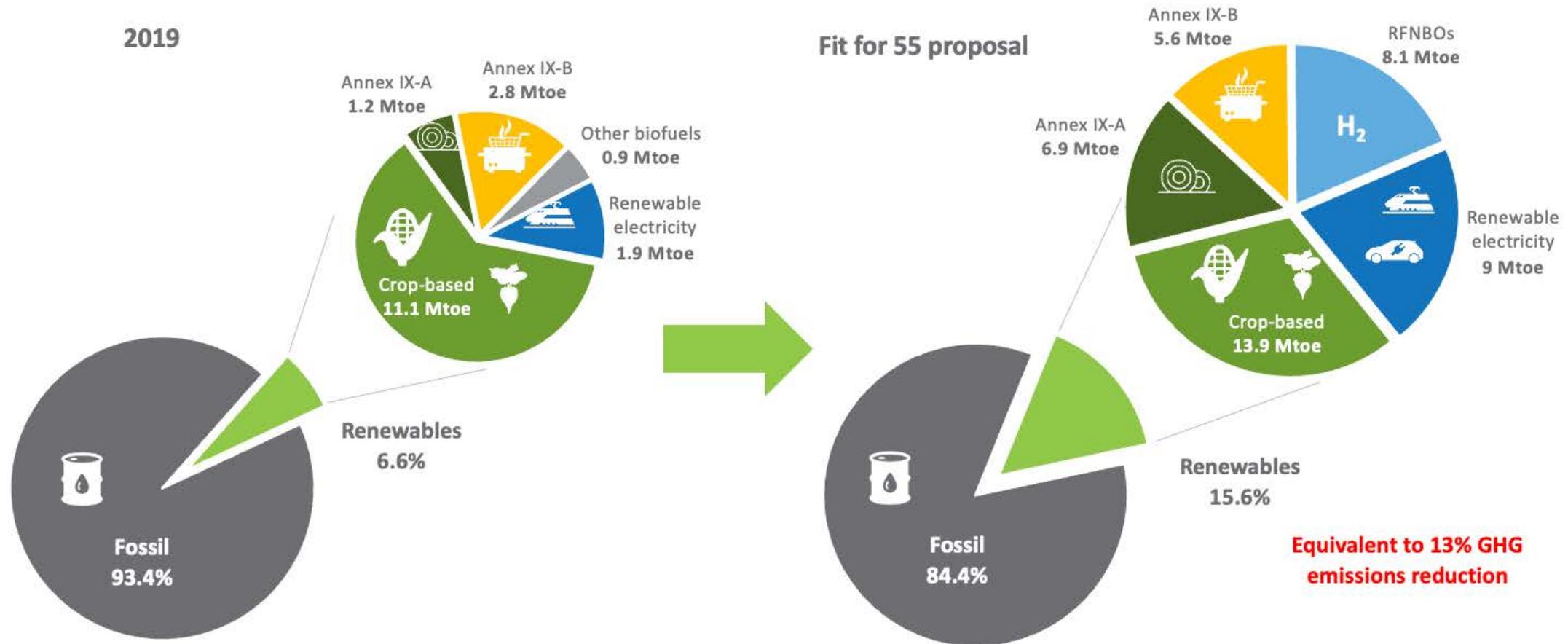


A **mandate** of at least 2.6% of **RFNBOs** by 2030



B7 as standard grade -> moving to B10  
Freezes ethanol incorporation at E10

# RES-T(transport) in 2030 – Fit for 55 proposal vs. 2019



Source: SHARES 2021 and ePURE calculations. Energy in transport includes all modes except international maritime according to RED I methodology. Energy in transport in 2030: 280 Mtoe; all sub-targets are met and caps are maximised in 2030; quantity of renewable electricity in 2030 in the Fit for 55 proposal is calculated to reach 13% GHG emission reduction in all transport.

# CO2 standards for cars/vans – Energy Taxation Directive



- The fleet of newly registered cars, compared to 2021, has to reduce emissions by 55% by 2030 and by 100% by 2035
- For new vans, the reduction targets are 50% and 100%, respectively
- If maintained, it means that the ICE would no longer be allowed to be sold as of 2035
- Unless zero or low emission fuels (like e-fuels and biofuels) would be accepted (EP not in favour, MS possibly)

- Taxation based on energy, no longer volume
- Advanced biofuels and e-fuels have a more favourable tax regime than conventional biofuels

# Ambitious goals for aviation and maritime



- A **volumetric mandate** for fuel suppliers and airlines:
- Eligible as SAF (Sustainable Aviation Fuel): Annex IX biofuels, e-fuels, RCF; not food/feed biofuels.
- In 2025 at least 2% SAF
- In 2030 at least: 5% SAF and 0.7% synthetic aviation fuel (e-fuel)
- Five-yearly ramp-up to at least: 63% SAF and 28% e-fuel in 2050



- A **carbon intensity mandate**
- Maximum allowed average GHG intensity of the energy used on-board:
  - -2% in 2025
  - -6% (2030), -13% (2035), -26% (2040), -59% (2045) and -75% (2050)
- All alternative fuels can be used provided sustainability criteria are met

**Both are Regulations to avoid too much creativity by MS**

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# How will the market for biofuels develop up to 2030 ?

- The use of food/feed crop-based biofuels may grow a bit but not much(now around 4.5%).
- Biofuels from waste oils (Annex IxB) is limited in growth potential (capped) but we very likley see strong growth in some Member States due to national targets.
- Advanced biofuels (made from feedstock listed in Annex IXA) will have, in theory, a growing market share.
- Electricity is strongly pushed and will gradually replace liquid and gaseous fuels for passenger transport, but less for HD vehicles, shipping and maritime.
- New substantial fuel markets arising for aviation and maritime.
- E-fuels, such a H2, are the new mantra but are expected, due to costs, to scale up closer to 2030 only
- The war in Ukraine shows that things can change rapidly and unexpectedly

# Increased energy prices did not miss its effect on biofuel use

## Reducing biofuel blending mandates...

### Taxes and prices at the pump as key drivers for blending proportion reductions

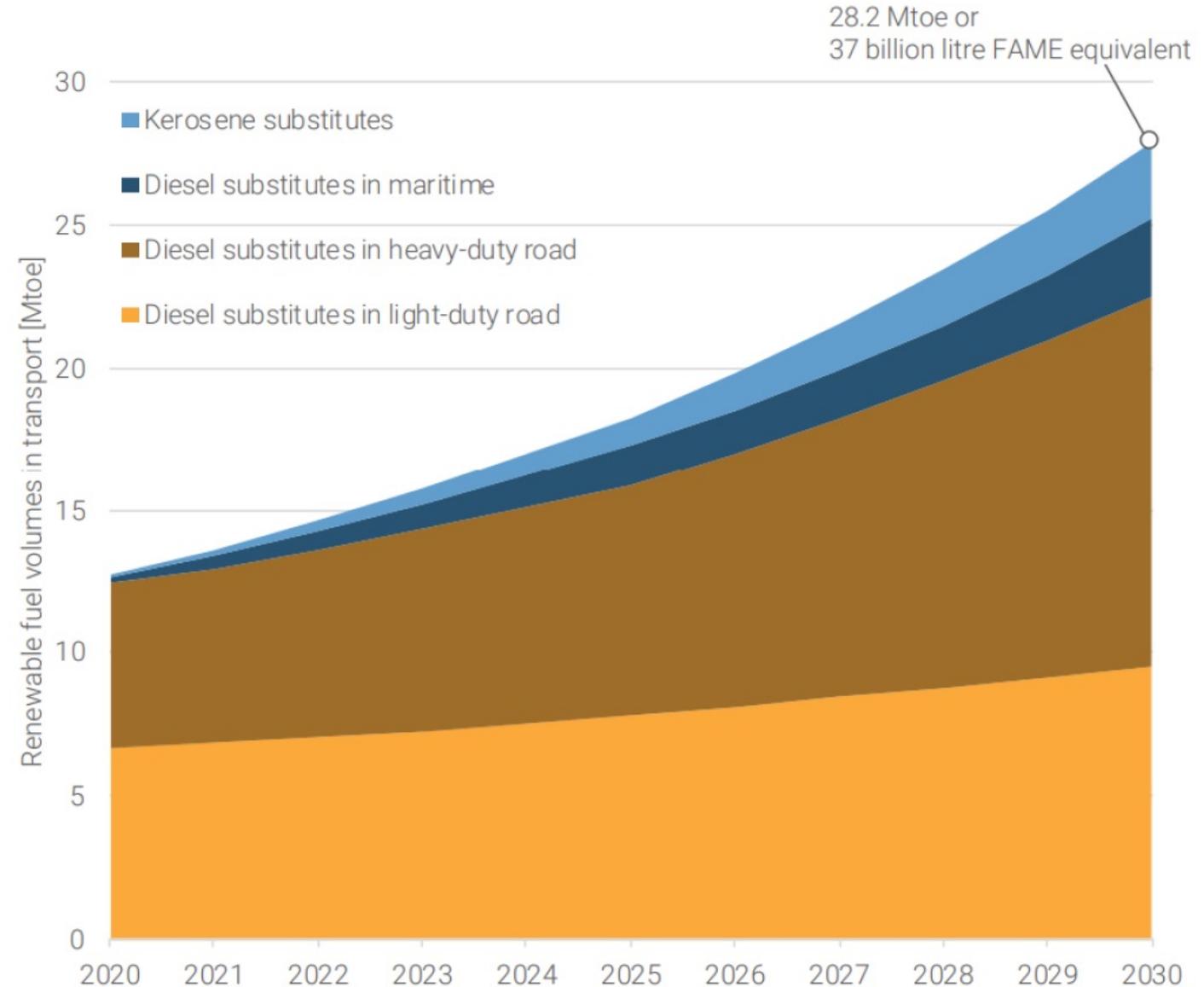
- **Czech Republic**
  - Future blending mandates uncertain
  - Blending mandates to be reduced as of 1 July
- **Croatia**
  - To have withdrawn penalties given to blenders that miss mandate targets
- **Germany\***
  - Ministries discuss lower biofuel blends
  - Plans to cut the use of biofuels produced from food and feed crops
- **Finland**
  - A temporary reduction of its 2022 and 2023 biofuel blending obligations by 7.5 percentage points to 12%
- **Latvia**
  - To raise the distribution obligation 2030 target to 34% from 30% to compensate
- **Sweden**
  - A temporary waiver for the biofuel mandates
  - A final decision is due to be taken by 1 July
  - Plans to freeze 2023 GHG saving obligation at 2022 levels
  - 2023 mandate 10.1% from 7.8% in 2022 in petrol

\* Ongoing discussions re. a lower biofuel blend in order to free up more crops for food purposes

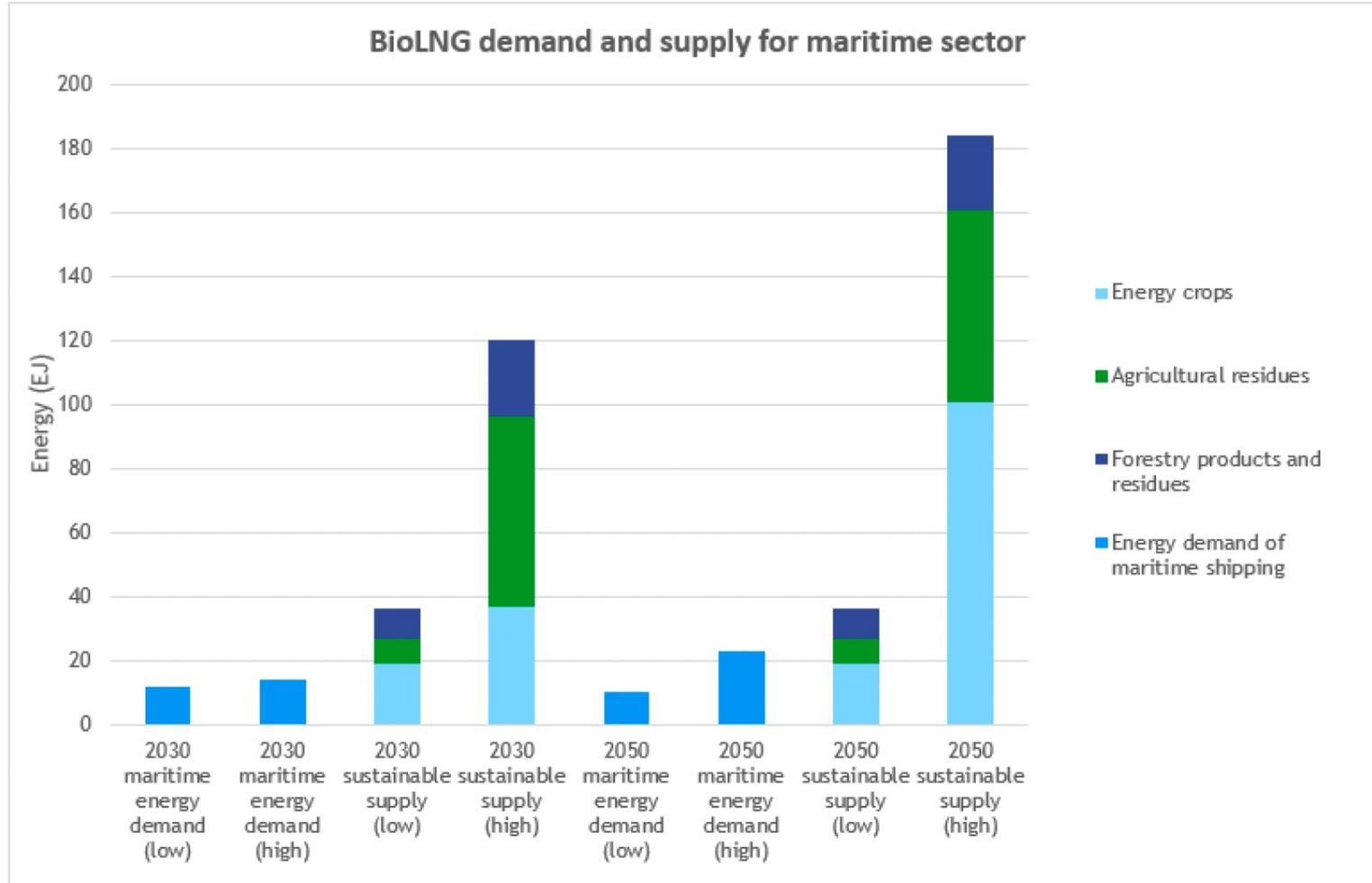
# How much renewable diesel fuel could be needed by 2030?

- Demand renewable diesel fuel to double by 2030
- From 13 Mtoe in 2020 to 28 Mtoe in 2030 (17 bn litre in 2020 to 37 bn litre in 2030)
- Road transport represents 80% of future demand for all transport
- Strong growth for renewable fuels in maritime and aviation

Source: Studio Gear Up



# Outlook for bioLNG in shipping globally



Source: SEA-LNG

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# Wrapping up

- Member States are slow in transposing REDII into national law and so is the Commission in drafting implementation rules; it creates uncertainties for industry.
- The FF55 package is ambitious, legislation complex and not technology-neutral (electricity and green hydrogen are over subsidised); CO<sub>2</sub> standard cars/vans means very likely phasing out ICE by 2035.
- REDII revision is modest in changes, also in ambition, but devil, as per usual in the detail.
- New markets for aviation and maritime creating opportunities for Annex IX biofuels; food/feed biofuels will see limited market growth but opportunities for other crops (cover / intermediairy / energy crops).

Questions?

