

# Challenges of working in an EU environment

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WORKSHOP IN PORTOROZ, 10th and 11th of April 2003

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## EUROPIA

- Formed in 1989 as Association of Companies
- Represents interests of EU oil refining, distribution and marketing industry to the EU Institutions
- Covers 95% EU refining capacity
- Members present in all EU-15 + Norway, Switzerland and accession countries
- Small Brussels-based Secretariat
  - Independent Secretary General
  - Executive staff on secondment from Member Companies

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# EUROPIA: A Wide Range of Issues

## Environmental

Climate Change  
Air Quality/CAFE  
Water Quality  
Waste Management  
Operations

## Business Structure

Energy Supply  
Taxation  
Competition  
Economics Instruments  
EU Enlargement

## Products

Fuel Specifications  
- Automotive  
- Jet/Marine/HO  
Chemicals white paper  
Future Fuels  
Transport Policy

# Action Groups

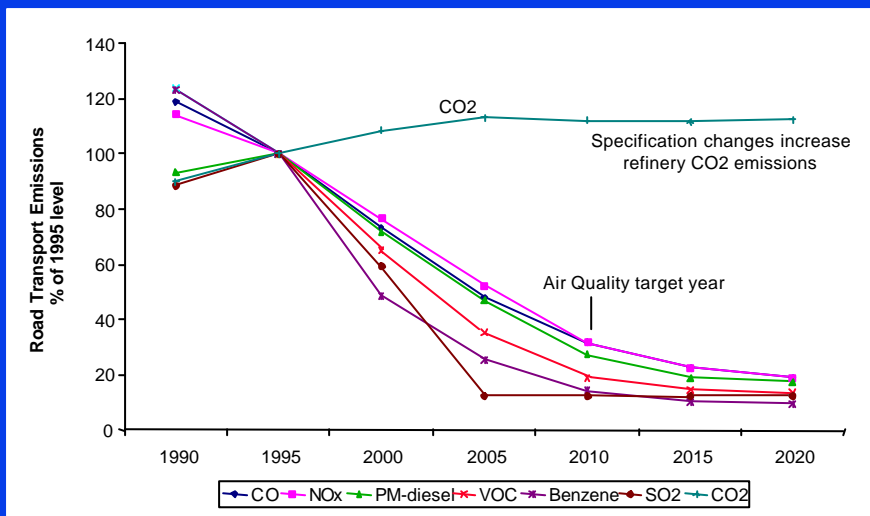
AFAG	: Automotive Fuels / World Fuel Charter / Non conventional fuels
AIR QUALITY AG	: Ozone / LCPD / NEC / AQ Daughter Directives / SLFD
INDUSTRIAL SITES AND ENVIRONMENT AG	: Environmental & products matters related to industrial sites - excluding Air Quality and Automotive Fuels
LEGAL AG	: Environmental liability / enlargement / EU matters
ECONOMICS AG	: Macro economics / EURO / EMU
TAX AG	: All tax related subjects / Fiscalis / SLIM
COMPETITION AG	: Agencies / vertical / horizontal agreements
PRODUCTS HARMONISATION AG	: Year 2000 fuels specs. / Jet fuels/ LPG specs.
PRODUCT HANDLING & EMISSIONS AG	: VOCs Stage 1 & 2 / safety of transport
SOE AG	: Refinery equipment standardisation
ENERGY POLICY AG	: Climate Change/ Energy & Transport policy / Strategic stocks

## EU accession: An abundance of issues to be addressed

- Product specifications
- Environment:
  - Air Quality (CAFÉ)
  - Water Quality
  - Climate Change: KYOTO / Emissions Trading
- Health & Safety
  - Risk Assessments (Chemicals White Paper)
  - Environmental Liability
- Security/Energy Policy
  - Emergency stocks, supply management
  - Renewables incl. BioFuels
  - Transport policy
  - Energy efficiency
  - Infrastructure
- Taxation
  - Diesel tax harmonisation
  - Energy Taxation
- .....



## Significant Reductions in European Road Transport Emissions from Past Measures



Source : European Commission



## General Conclusions from the Auto-Oil II Process

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- Major contributions to road transport emissions have already been made by vehicle and fuel technologies
- Further changes in fuel specification, beyond current European levels, have a very limited impact on air quality
- Conflicts of environmental priorities will occur (CO<sub>2</sub> / Regulated pollutants)
- Non-fuels measures (such as transport management, stationary sources etc.) and local applications may be the best way forward
- Results refocussed the attention on a further reduction in fuel sulphur levels to assist new automotive technology introduction

## Biofuels Directives

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### Incorporation

- 2% biofuels required in gasoline and diesel fuel **pool** in 2005 in each Member State market
- Increasing by 0.75% per year to 2010 (5.75%)
- Need for mandatory blending into each litre of product to be reviewed by 2006

### Taxation

- Reduction in excise duties between 1 January 2002 and 31 December 2010
- Tax exemption proportional to percentage of incorporated biofuel
- Max. 50% - full tax reduction allowed for public transport and taxis

### Commission Policy Basis

- Reduce transport CO<sub>2</sub> emissions and secure energy supply

## EUROPIA Position on Biofuels

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- No real technical problem within the limits of the Fuels Directive
- Three times as expensive as oil based products
- Not cost effective as regards CO2 reduction :  
100 Euro/ton CO2 avoided v.s. EU objective < 20 Euro/ton
- Limited availability : maximum 2% of EU automotive fuels based on set aside land
- Member States situation vary as regards : land availability, climate, agriculture, economy ...

⇒ **Flexibility should be left upon Member States to decide on biofuels policy**

## Draft Directive on GHG Emissions Trading

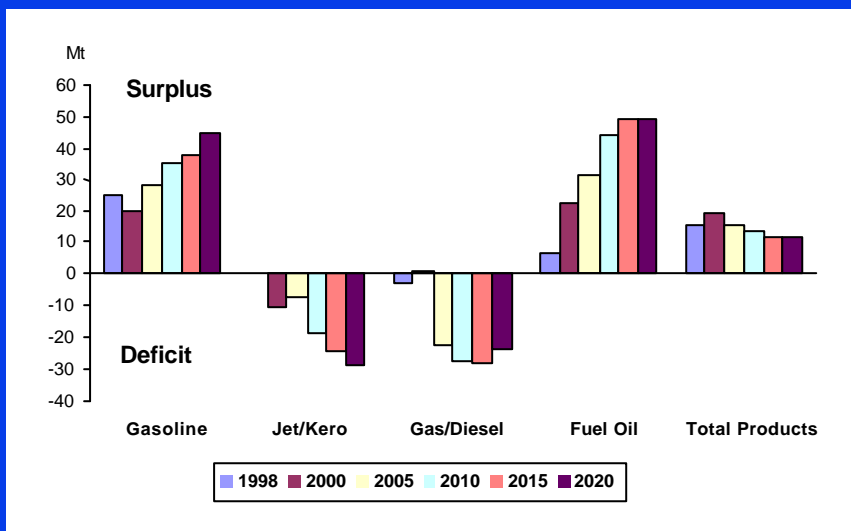
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- Covers 45% of EU CO2 emissions (power, chemical, refineries, cement, glass, pulp and paper)
- Mandatory for sectors covered
- 3 steps :
  - Sites get permission to emit CO2 through a GHG emissions **permit**
  - Member States allocate **allowances** (right to emit 1 ton of CO2) to sites
  - Sites can **trade** allowances and must cover for their yearly emissions with enough allowances
- Timing :
  - First period : 2005-2007
  - Review of scheme in 2007
  - Following : 5 years period

## Emissions Trading : EUROPIA Key Issues

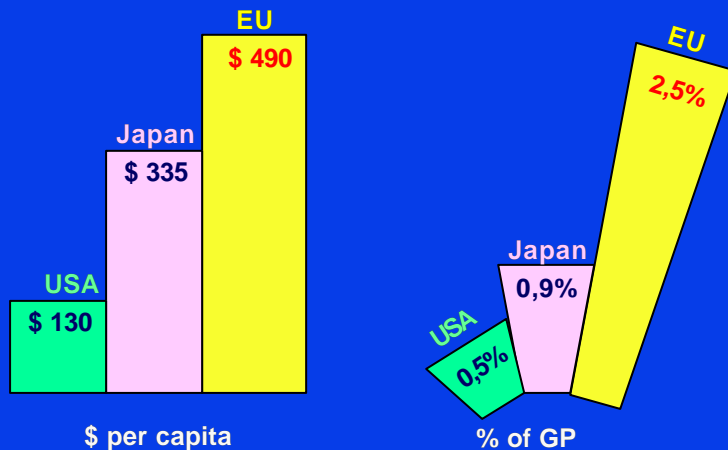
- EUROPIA supports a European trading scheme involving :
- **A fair allocation :**
  - to be free of charge (EU industry competitiveness)
  - to ensure a level playing field (difficulty of burden sharing)
  - to account for the detrimental effect of other EU legislation
  - to be decided early enough for industry to adapt (6 months for 1st period, 2 years later on)
- **Consistency of legislation for industry participating :**
  - no energy tax
  - no energy efficiency constraint (IPPC related or other) either

## The Future Challenge : Solving the Coming Major Imbalances



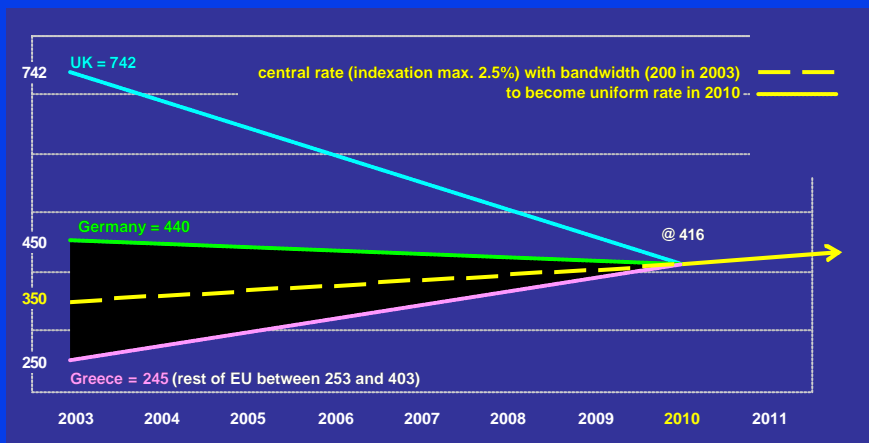
# EU - USA - JAPAN

The EU has the highest energy tax level compared to the USA and Japan



# COMMERCIAL ROAD TRANSPORT EC diesel proposal

Proposed rate level for excise and similar levies



## Issues for the local industries

- “More” is happening in Brussels, less “at home”
- Existing legislation reflects consultation with EU-15 only
- EU sets *minimum* standards
- Implementation often left to Member States
- Need to respect “Single Market” philosophy



- Expertise required at MS and local industry level
- Coherent and knowledgeable industry representation:
  - to influence local governments and policy makers
  - To have a credible voice in Brussels
  - To collect data
- Share practices among accession country industry