REFINING FORUM

"EU Refining: Maintaining Competitiveness for Jobs & Growth in Europe"

FuelsEurope
REFINING PRODUCTS FOR OUR EVERYDAY LIFE

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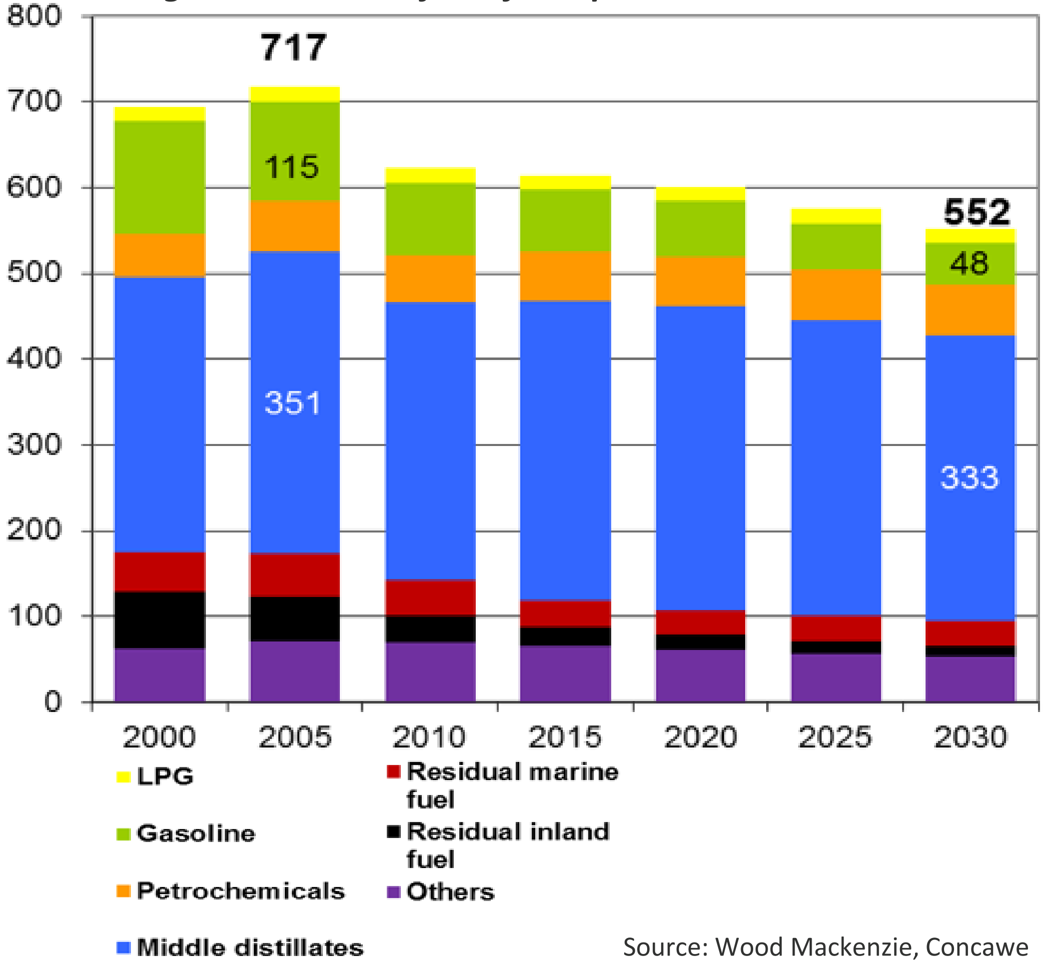
Agenda

- The Strategic role of oil and refining in EU economy
- Longer term considerations
- Competitiveness
- Fitness Check
- Better Regulation
- Conclusions

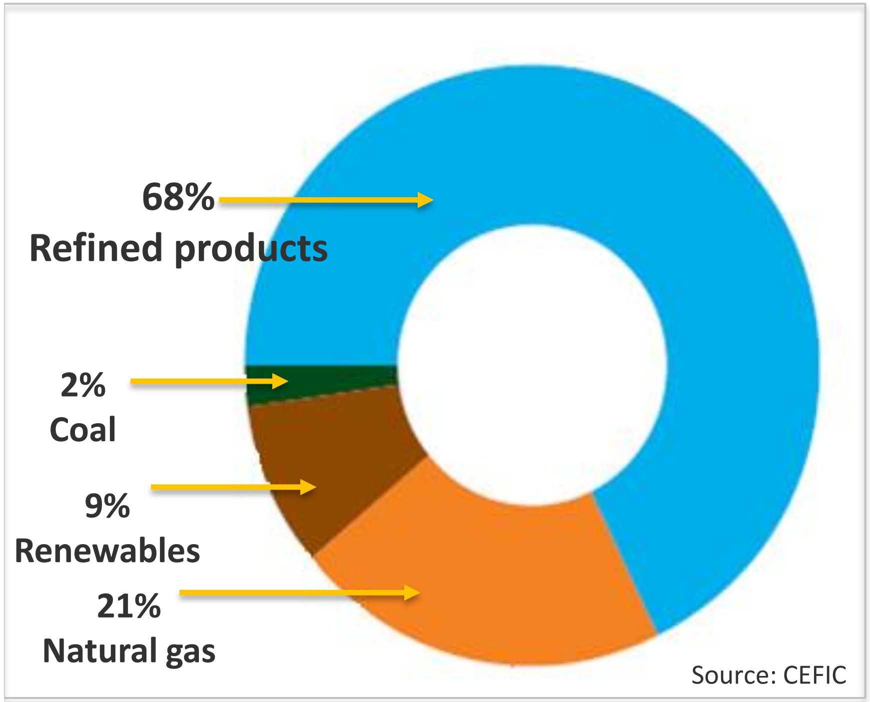
EU Refining: Key to Europe's Value Chains

Fig. Total demand for refined products in EU27+2



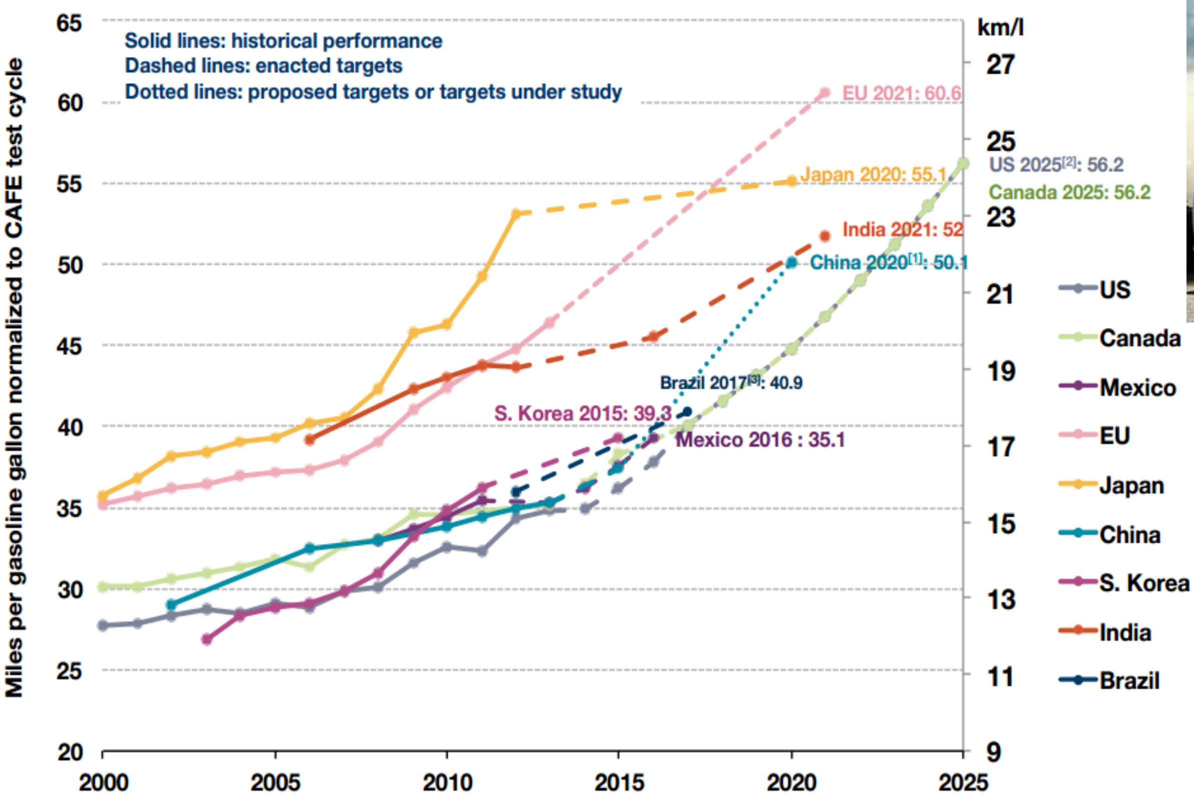
Source: Wood Mackenzie, Concawe

Fig. Relative chemical industry raw material use



Source: CEFIC

Vehicle Efficiency: Great progress by EU carmakers keeps liquid fuels competitive for the longer term



[1] China's target reflects gasoline vehicles only. The target may be higher after new energy vehicles are considered.
[2] The U.S. standards are fuel economy standards set by NHTSA, which is slightly different from GHG standards due to A/C credits.
[3] Gasoline in Brazil contains 22% of ethanol (E22), all data in the chart have been converted to gasoline (E00) equivalent
[4] Supporting data can be found at: http://www.theicct.org/info-tools/global-passenger-vehicle-standards.

1.6 Tdi - 110 stop/start – Bluemotion

85 g/km CO_2

2.67 litre/ 100 km

Longer term role for Fuels & Refined products

We remain concerned at the possible direction and uncertainty for the next phase of regulation, especially transport post-2020

We believe transport decarbonisation needs to be done in a manner that maintains competitiveness of industries and value chains, and affordability of transport for citizens

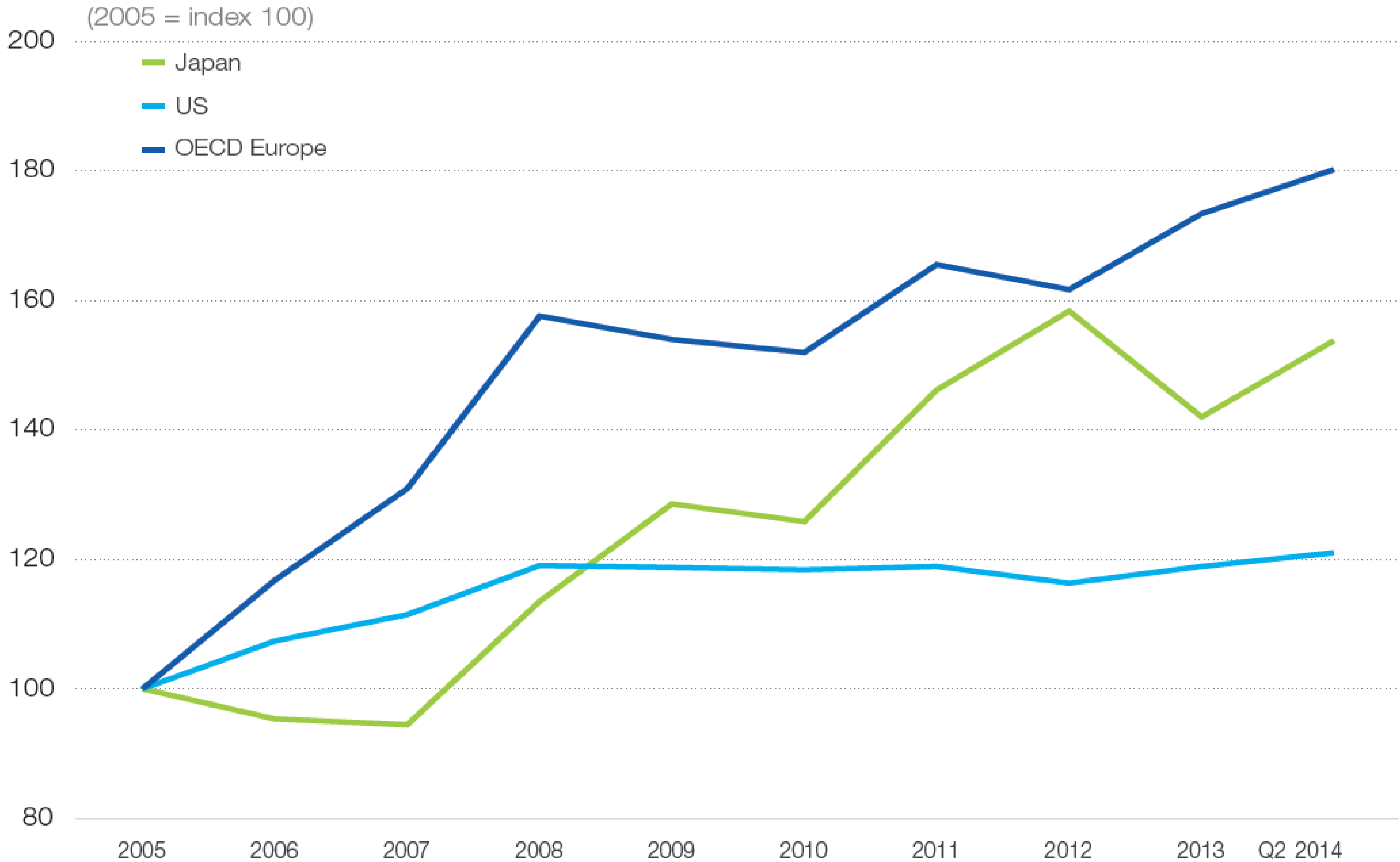
Technology neutrality, and a rational approach to the cost of carbon is necessary

A long term vision and regulatory consistency enable innovation and investment

Chapter

Competitiveness

Energy Costs for Refineries & Petrochemicals:
EU at disadvantage



Source: IEA

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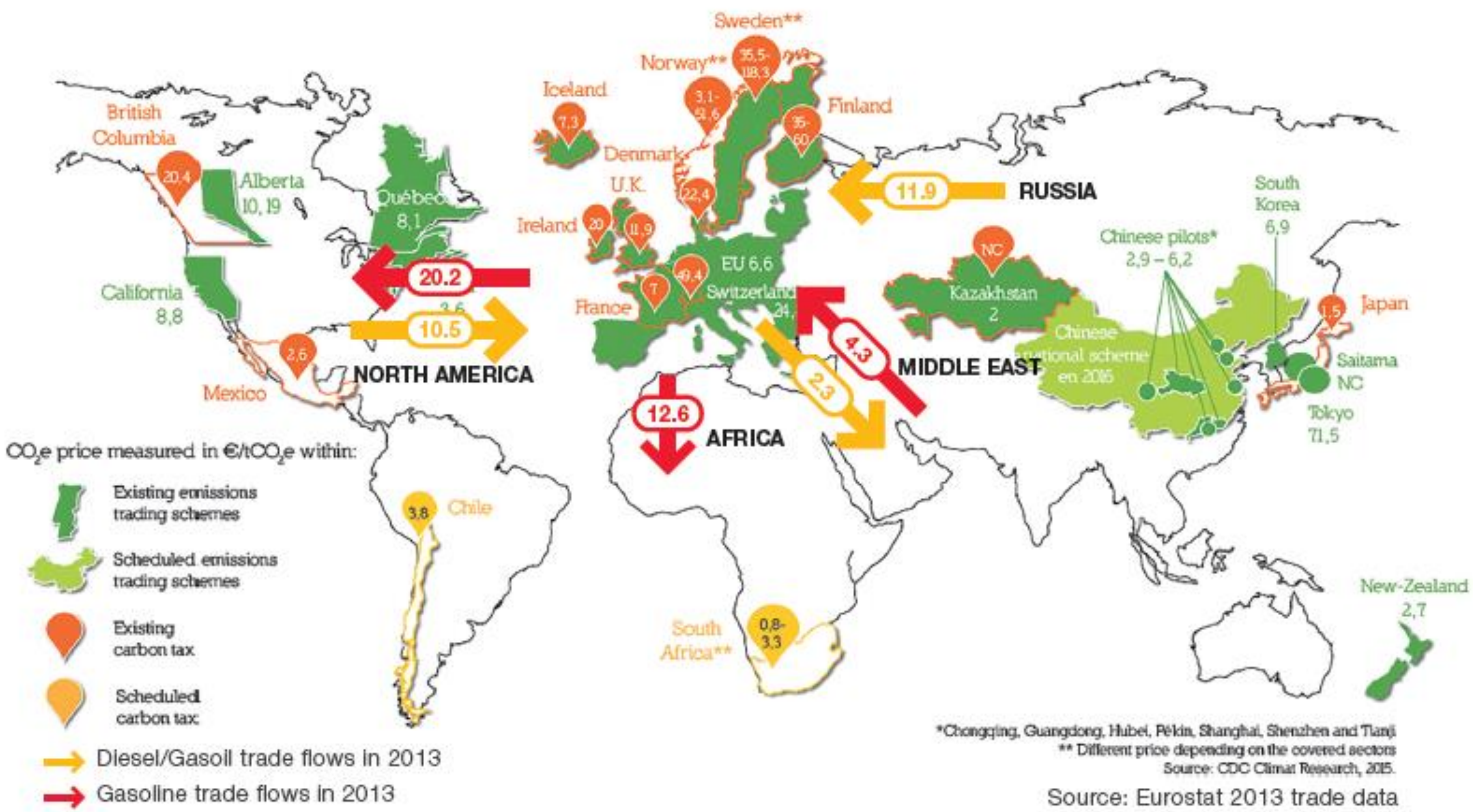
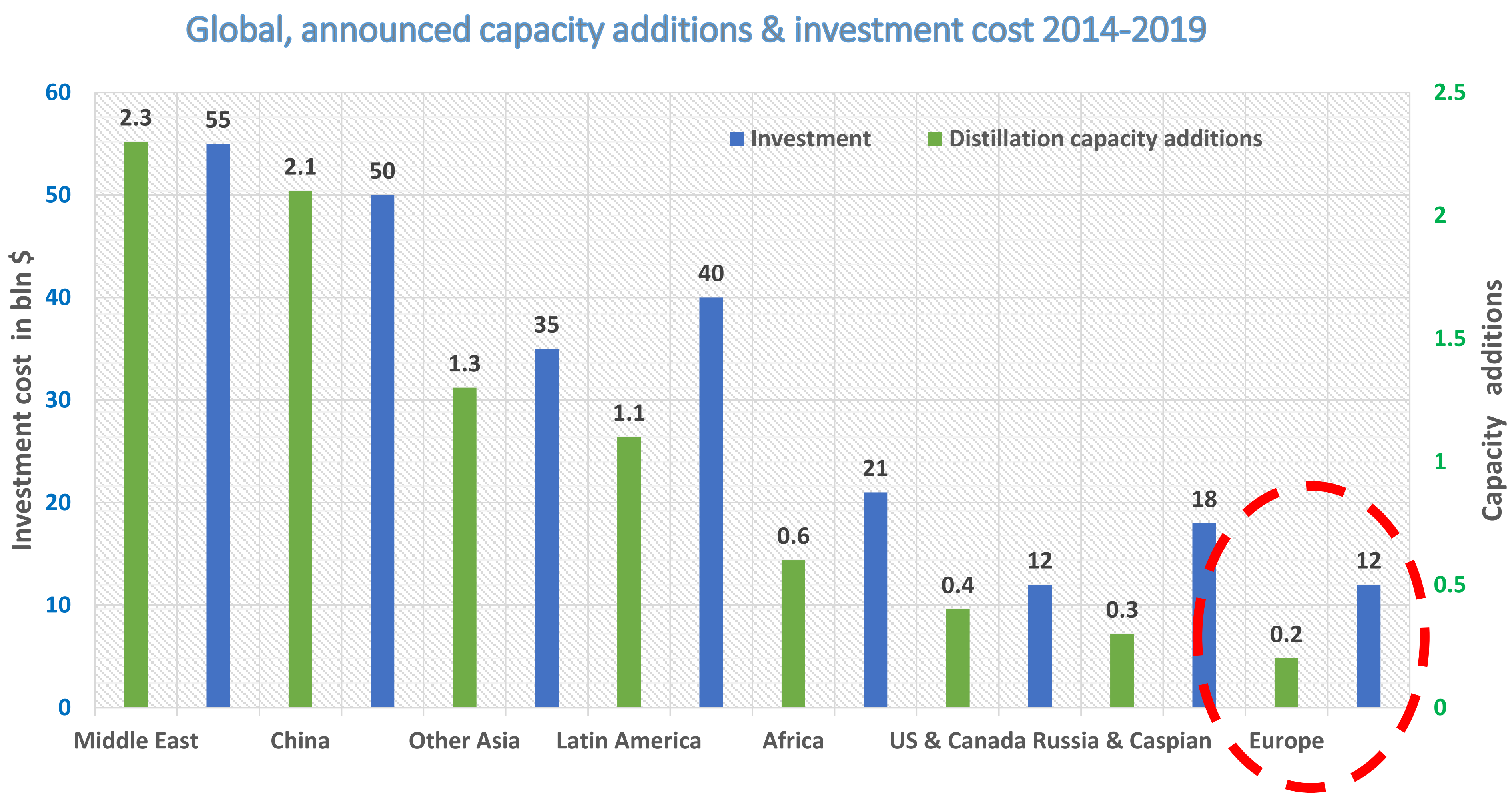
Trade Flows & Carbon Prices:

Carbon leakage is real, whilst cost pass-through is challenging

Carbon pricing world map in 2014



Investments in global refining industry: jobs and growth are going elsewhere



Source: OPEC, World Oil Outlook 2014

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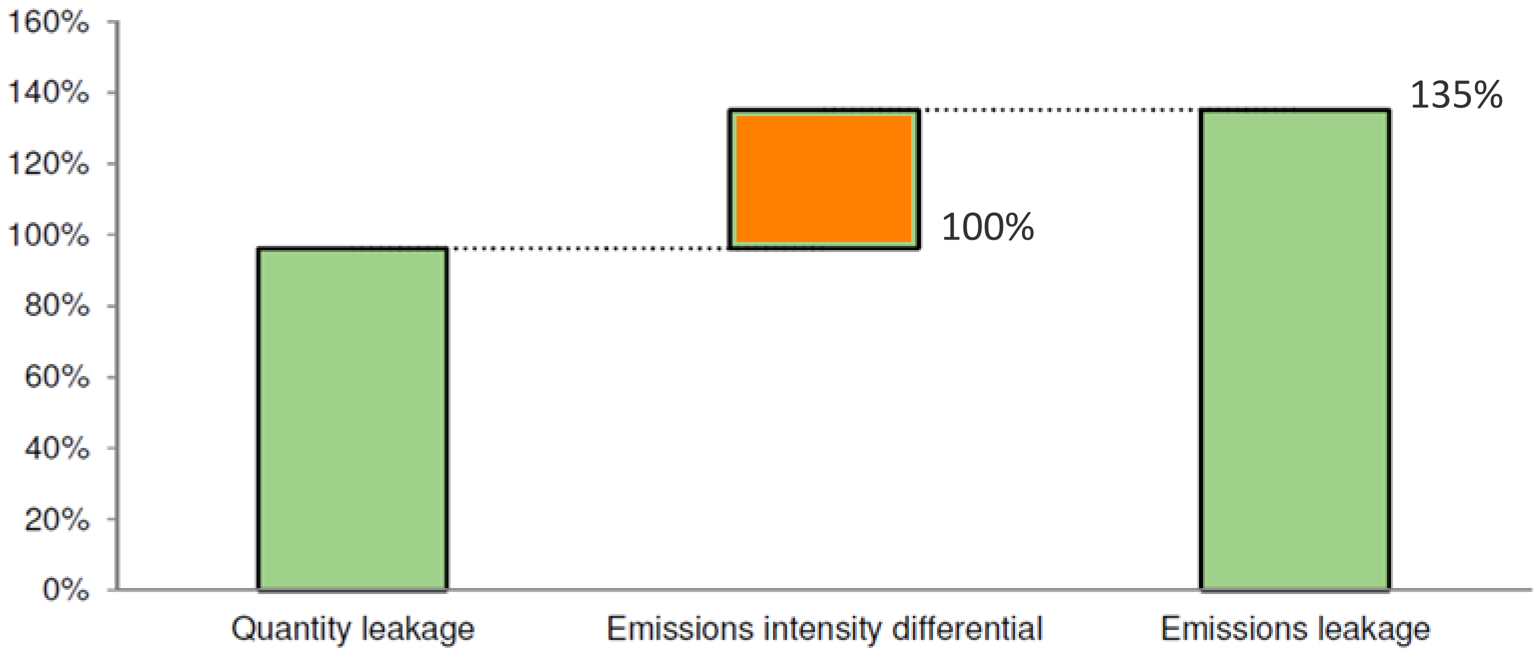
Relocation of EU Refining capacity to unregulated regions has a negative effect on climate

EU refining on average less emissions-intensive (**0.21 tCO2** per tonne of product) than non-EU firms (**0.29 tCO2** per tonne of product)

⇩

carbon leakage exceeds output leakage:
every **100 units of CO2** emissions reduced in the EU are replaced by **135 units outside** the EU



Source: Vivid Economics for UK DECC – Case study on Refining - Carbon leakage prospects under Phase III of the EU ETS and beyond

Refining Fitness Check

The industry welcomed the opportunity to do this

Excellent co-operation between Concawe/ FuelsEurope & DG Grow/JRC

Our recommendations:

- Should use Refining Fitness Check as part of Better Regulation tools
- Should be part of future Impact Assessments
- Fitness check should be updated to stay relevant

Better Regulation

The industry welcomes the initiative, and we welcome the proposal for greater transparency →

We have past experience of many regulations… →

We recommend the separation of duties for impact assessments →

We welcome independent representation on Regulatory Scrutiny Boards →

The Board needs to ensure not only “box ticking”, subject matter needs to be completed and reviewed thoroughly →

Challenges from stakeholders should be answered

Conclusions

Liquid fuels and Petroleum Products are key to our economy's value chains and affordable mobility, for the near term and longer term

We should maintain the competitiveness of the EU refining industry in support of jobs, growth and economy wide competitiveness

THANK YOU FOR YOUR ATTENTION

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