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## **Valero Energy Ltd response to the EU 2030 framework for climate and energy policies**

**Valero Energy Ltd ID number : 98019938020-21**

Valero Energy Ltd owns and operates the Pembroke Refinery in south west Wales, as well as six terminals across the UK, and the Mainline Pipeline which links Pembroke with the Manchester and Kingsbury terminals. Valero markets fuel in the UK and Ireland under the Texaco brand, with around 800 independently owned and operated Texaco-branded service stations in the UK. In total, Valero employs approximately 820 people in the UK and supports several thousand other jobs at the refinery, terminals and service stations.

### General comments

Valero agrees with the EU's three energy and climate change objectives: sustainability, security of supply and economic competitiveness. However we believe that the EU must take a more balanced approach, to ensure that progress can be equally achieved across all three objectives.

Valero welcomes the adoption of the Industrial Policy Communication update in October 2012, which stressed the importance of supporting industry in order for the EU to remain a global economic leader. It identifies a strong European energy infrastructure as key to this objective.

The International Energy Agency forecasts that oil will continue to be a major source of energy well beyond 2030. However, our industry faces huge challenges in meeting the EU's energy needs in a sustainable and secure way. Ultimately this can only be achieved by a better alignment between energy and environment policy. It is also important that all sectors of European society contribute equitably to the reduction of emissions and any EU policy should promote consistent abatement costs across the economy. We are seeking equal treatment with other sectors within the EU, as well as global competitors.

Climate and energy policy legislation, at EU and national level, should not be overlapping or setting multiple regulations for the same overall target. The proposals should aim to keep costs to a minimum, be transparent and be predictable in their impact. Furthermore, they should be technology neutral to maximize innovation through market competition.

Climate and energy policy proposals should be based on sound facts and we urge the commission to carry out transparent, independently verified and detailed impact assessments which identify not only intended, but also unintended consequences. We would also urge the commission to engage with industry at an early stage of policy debates.

### Targets

It is clear that substantial and long-term investment in the energy infrastructure will be required in order to meet the challenging greenhouse gas emission reduction target of 80-95% by 2050 (compared to 1990) and industry will need a clear and stable post-2020 policy framework.

We believe that the focus of future climate and energy policy should be on emissions reduction, rather than trying to set specific targets for the energy sector, and that the EU should adopt a single, transparent and cost effective trajectory for carbon abatement, which is shared across all sectors of industry. It is also important that all sectors contribute to the target and that the policies are technology- neutral.

In order to achieve this, the EU will need to ensure that it carries out a clear and transparent impact assessment. Sectors that are deemed to be exposed to carbon leakage, including the refining industry, should continue to receive protection after 2020.

Any EU target needs to take account of differing levels of commitments in other countries and ensure it does not damage EU competitiveness. The EU represents approximately 10% of global emissions and this is still reducing. EU commitments should be contingent on other major economies agreeing to measurable and equitable commitments. If this is not achieved, carbon leakage will increase and global emissions will not be reduced.

The EU mandatory renewable target has had the effect of distorting carbon prices within the ETS and detracted from more cost effective carbon reduction options. Because of this we do not support the setting of renewable targets post-2020, especially if the targets overlap with other carbon abatement mechanisms. However we do believe that sustainable biofuels have their part to play and we support the development of cost-effective advanced biofuels.

### Instruments

Valero believes that the EU ETS is most cost-effective way of reducing carbon emissions and that the EU should retain this scheme as its central climate policy tool after 2020. This must be supported by an appropriate market-based compensation scheme in order to protect EU industry from carbon leakage.

Ultimately the linking together of emissions trading schemes from other parts of the world is the best way of moving towards achieving a global scheme. However we would call for policy measures to ensure EU refining remains competitive in the absence of a global agreement.

We accept that for some sectors in industry or society the application of a market-based instrument may not be practical or cost effective (e.g. transport or building sector). In these areas the climate policy should consider alternative measures which do not overlap with the main carbon reduction scheme, but which set a consistent price on emissions.

All forms of energy should be taxed proportionately to their energy content and, where carbon content is used as the criteria, the tax should be consistent with the ETS market price.

Valero also believes that end-users have their part to play in reducing emissions, but in cases where the energy costs are not a significant part of their operating costs, facilitating measures should be considered to encourage end-users to take the necessary energy efficiency steps. These carbon reduction benefits could be achieved at little cost, without overlapping with existing mechanisms.

We recognise the importance of research to develop low carbon technologies, but believe that all energy products should be introduced to market without subsidies. This will allow the most cost effective renewables to compete not only with conventional energy sources, but also other low-carbon options. Greater emphasis on R&D will be more productive in achieving carbon reduction than the current renewable production support mechanisms.

#### Competitiveness and security of supply

Valero believes that energy independence is not realistic and that the EU should instead focus on the diversification of its supply routes and sources. Ultimately the EU will always be dependent on imports to maintain its energy mix.

As previously mentioned , Valero welcomes the adoption of the Industrial Policy Communication update in October 2012 and its focus on promoting industry and sustaining a strong European energy infrastructure as key to this objective.

The refining industry is currently burdened with a growing volume of legislation, often overlapping, which is having a severe impact on its competitiveness. It is critical that the EU ensures that any new planned legislation undergoes a fitness check to ascertain its impact on the industry and the wider economy. In this respect Valero welcomes the Commission's initiative to establish a Refining Forum and its recent decision to conduct a fitness check to assess the cumulative effect of EU legislation on our sector.