Summary note on the third expert-level meeting of the EU Refining Forum

21 January 2020

The third expert level meeting of the EU Refining Forum, as a follow up event on the last high level meeting in April 2019, took place on 21 January 2020, with more than 80 participants from the oil, refining and energy intensive industries, Member States (of which 14 registered) and some attendants from the civil society. The forum focussed on two specific topics.

First, the recently adopted ‘Masterplan for a competitive transformation of the EU energy intensive industries, enabling a climate neutral circular economy by 2050’, along with the efforts of the MSs to deliver decarbonisation in their NECPs were discussed.

As **Paula Pinho, acting Director of DG ENER** mentioned, energy intensive industries are at the heart of the EU value chains and their products are needed for low-carbon solutions enabling the transition to climate-neutrality”. It has also been emphasised the importance of the industrial transformation required during the next decades to achieve the EU’s ambition to become the first climate neutral region by 2050.

Titas Anuskevicius, from DG GROW, from the Raw materials and resource efficiency Unit presented the key milestones to the adoption of the Masterplan. As he outlined, this industrial transformation would not happen without a vibrant and competitive industrial value chain. Energy Intensive Industries (EIIs) are enablers for the transition of other sectors, and many key value chains rely on them. The work produced in the Masterplan by the Commission High Level Group for EIIs resulted in a significant number of recommendations (to the Commission, Member States and to the industry), which will be reflected in the upcoming EU Industrial Strategy expected to be published in March 2020.

Jori Ringmann (CEPI – Confederation of European Paper Industries) emphasized that the consumers and customers should be in the centre of the industrial transformation process. Reaching the 2050 objectives is a real challenge but that this also represents an opportunity and that is why EIIs are all working on it. The climate neutrality will require large capital investments, it should be make sure that enough electricity capacities will be available. The social dimensions (jobs, skills) will be of particular importance.

Member States representatives welcomed the Masterplan and its conclusions and commented that this industrial transformation will require substantial investments. They called for an investment attractive EU, a recalibration of the State Aid principles to enable financial support for the creation of markets to accelerate demand for low-carbon products. Member States also underlined the importance of the development of low-carbon fuels, such as e-fuels, hydrogen or bio-based fuels. Some MSs also called for a review of taxation of fuels (e.g.: IT), mentioned the importance of social dimension (e.g.: HU) and issues like the carbon border adjustment (FR), hydrogen in transport (IE, NL), mitigation of extra CO_2 costs and factors hindering electrification (BE), etc.

Member States also provided some evaluation of the role of refining in their final NECPs, most of them referred to the fact that real profound transformation will come only after the horizon of the plan (2030). For example, NL mentioned the increasing role of blue and green hydrogen, but only after 2030. IT referred to support to bio-refineries and low carbon liquids in heavy-duty transport. PL mentioned the importance of R&D in the transition process, and IE also mentioned the increasing role of CNG, biomethane and hydrogen in transport. HU called for taking into account different positions and different investment needs of MSs in the decarbonisation procedure. BE specifically mentioned the importance of sustainable biofuels in maritime transport and aviation.

Brilé Anderson (OECD climate mitigation team) asked whether contract for differences type of incentives, reflecting the difference between the carbon market price and implicit carbon costs should be applied, in order to promote decarbonisation. In his answer, John Cooper (FuelsEurope) advocated this idea, pointing to high carbon costs in refining, transport and energy intensive industries. He also added that fuel taxation should recognise low carbon content fuels.

Member States (e.g.: IT, GR, HU) **called for the continuation of the Refining Forum** as an important platform to monitor the evolution of the refining Industry. One representative from the German petroleum industry expressed that **if the forum did not exist, it would be time to invent it, as the transformation of the refining and fuel sectors calls for a discussion forum between the industry and policy makers**.

In the second session the discussion focussed on the role of sustainable finance in the refining and energy intensive industries.

Martin Koch, Policy Officer at DG FISMA, presented the sustainable finance initiative, including a detailed outline of the EU taxonomy proposal, underlining that Taxonomy is a dynamic matter, which will be subject to regular reviews and updates to take in consideration changes in technologies, science and new activities.

Tom Howes (DG ENER) briefly presented the work of the Taxonomy Expert Group (TEG) and its structure (7 sectors, 67 activities), the importance of different energy sectors in the work of the group (electricity, refining, nuclear, bioenergy, etc.). The report of this expert group is an input to the Commission work. The TEG did not specifically pick up the refining sector itself, however, some parts of it were addressed. The work of the TEG and the taxonomy supports the growing sustainability of the EU Capital Market. The cost of capital is high in the energy sector, and a clear taxonomy can help lower capital costs for clean technologies. The next step will be the Commission’s preparation of the delegated act implementing the taxonomy regime.

Helena Viñes Fiestas (BNP Paribas Asset Management) described taxonomy as a dictionary to help decide whether a given activity is sustainable and under what circumstances it is. Taxonomy will also help to diversify the profile of the companies in the energy sector and it will simplify the data needs for making investment decisions. She refuted the idea that the taxonomy will limit the investments. The investor community supports the elaboration of taxonomy at global level.

Hugo Sietses (ExxonMobil) also underlined that industry has to have a seat at the table and all sectors likely to contribute now or in the future should be involved. Taxonomy should be technology neutral, all transitional activities should be included, and it should be avoided that it is too narrow in scope. There is a need to have holistic views on its impacts and it should be practicable and responsive to the needs of the financial markets. John Cooper from

FuelsEurope also underlined the need for deep cooperation and for continuing discussion at different fora.

As a final presentation, **Balazs Jozsa (DG ENER)** provided a summary on the results of the consultation on the international role of the euro in the energy sector. The consultation was done last year and a summary document was published in June 2019. In the oil sector, prospect of broader deployment of euro denominated transactions are more promising in the downstream sector (including refining) and in transport and aviation as well, compared to the upstream oil, which is globalised and revenue streams are mostly in dollars. In the gas sector, as trade on gas hubs in the EU is carried out in euro, chances of euro dominance are better. At the end of the presentation the Just Transition Mechanism was also mentioned, relevant to regions with energy intensive industries.

As concluding remarks, John Cooper (FuelsEurope) added that the transition is complex, it requires investments to be attractive, industries to be competitive within a stable policy framework, to produce products that are attractive for the customers. He also stressed that the refining industry is actively debating those aspects within its membership.

Lukasz Kolinski, Head of Unit of DG ENER (chairing the meeting), concluded that achieving climate neutrality will require a holistic approach, encompassing in the case of industry increased supply of low-carbon products, creation of lead markets, and access to clean energy. The transition requires a strong enabling framework, including for channelling finance into sustainable activities and for R&D in order to develop and upscale necessary technologies. The European Green Deal and the Green Deal Investment Plan provide a coherent framework in order to guide this economic transition.