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AmCham EU position on the European Commission's proposal to implement FQD Article 7a

Member companies of the American Chamber of Commerce to the EU (AmCham EU) are closely following the proposals and discussions surrounding the calculation methods and reporting requirements for Member States to implement a provision of the revised Fuel Quality Directive (2009/30/EC): Article 7a requiring fuel suppliers to reduce life-cycle—or well-to-wheel (WTW)—greenhouse gas emissions (GHG) per unit of energy by six percent by 2020 for transport fuels.

The Commission's proposed methodology to measure this reduction assigns different GHG values to certain types of crude oil, thereby introducing a penalty for using these crudes as feedstock and on early movers who have already converted to crudes with a lower CO_2 footprint. AmCham EU is concerned that such a methodology, currently being debated in the process of comitology, is akin to introducing discriminatory technical measures that are contrary to several key principles that are essential to legislation and broader policy.

Impact Assessment

Although Member States and stakeholders called for the Commission to conduct an impact assessment on its proposal, the Commission has not deemed it necessary. AmCham EU is concerned that the proposed methodology and the significant reporting requirements that it entails would affect European energy competitiveness, EU trade flows and ultimately costs to end-users in ways that were not effectively measured in the Commission's original impact assessment.[1]

Likewise, AmCham EU is concerned about the comitology discussions on electric vehicles (EVs), namely the methodology to be applied to calculate the GHG value of electricity. Introduction of EVs is a goal of the Commission as part of the technology mix to reduce GHG emissions from transport. However this goal may be contradicted by the initiative included in the FQD to account for GHG emissions related to the well-to-tank (WTT) part of the fuel chain and put this burden on the vehicle or its first owner respectively. Clearly the burden for WTT emissions should fall on the supplier of the energy source and not to vehicle manufacturer or its first owner.

[1] SEC(2007) 55, p. 116-117: In fact, the original impact assessment states, 'Introduction of the monitoring regime can be achieved through use of a Committee procedure to agree the methodology to be adopted. In view of the broad agreement between different life cycle models, the development of an appropriate methodology is not considered a major obstacle, but trade-offs between accuracy and complexity of the methodology will need to be made'.

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POSITION STATEMENT

From a systematic point of view, EVs must be considered zero emitting from tank to wheel, and should not be attributed a GHG value as the Commission proposes. Such a proposal would inevitably lead to a fragmentation of the EU internal market and have negative consequences on internal trade as it aims at attributing a different GHG emission value to each EV depending on each Member States' energy mix. Furthermore, introducing an EV energy consumption certificate to be used as a trading instrument, like the ETS, would be a needless extra administrative burden without generating GHG savings.

AmCham EU strongly supports those Member States and other organisations calling for a thorough, comprehensive and objective impact assessment to understand what this differentiation might imply for the European economy, security of energy supply, coherence of the internal market and trade relations.

AmCham EU reiterates its view that there is a need for a technology neutral approach with a comprehensive impact assessment.

Trade Barriers

The proposed measure includes a GHG value for bitumen, also known as oil sands. The primary market supplier of oil sands-derived crude is Canada. Canada has consistently warned the EU that it sees this as an unjustified trade barrier that would not stand up to scrutiny under World Trade Organization (WTO) laws. There is also a trade implication with the US as it is the main consumer of oil sands for feedstock, which US refiners then export to the EU in the form of refined products (e.g. diesel). This is especially important when one considers that the EU fuel market is largely dependent on imported diesel.

EU competitiveness

AmCham EU supports climate policy and legislation that is harmonised and market-based, and recognises the global nature of the problem. A specific GHG value for oil sands in the EU does not create an incentive to reduce emissions globally, as long as other economically viable markets exist for the product. Crude markets are global: any crude produced in one part of the world, e.g., Canada, will move to and be consumed in another region, with no overall environmental benefit, but still penalising EU fuel suppliers.

AmCham EU supports an approach to achieve the lowest impact on the cost of European fuel production, limited impairment to the EU refining industry competitiveness and limited impact on the fuel price for consumers.

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AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate U.S. investment in Europe totalled €1.4 trillion in 2009 and currently supports more than 4.5 million jobs in Europe.

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