



EUROPEAN COMMISSION
Impact Assessment Board

Brussels,
D(2013)

Opinion

Title

DG CLIMA – Impact Assessment on the calculation methods and reporting requirements pursuant to Article 7a of Directive 98/70/EC of the European Parliament and of the Council relating to the quality of petrol and diesel fuels

(draft version of 7 June 2013)*

(A) Context

In 2009, the Fuel Quality Directive (FQD) introduced an obligation on fuel suppliers to reduce by 6% the lifecycle greenhouse gas (GHG) intensity of road (and non-road mobile machinery) fuels by 2020. To comply with this requirement fossil fuel suppliers need to report and account for the GHG emissions associated with the fuels they supply. To this end, the Article 7(a) of the FQD requires the Commission to adopt inter alia an implementing measure establishing a calculation method for the GHG emissions from fuels, other than biofuels, and energy. The methodology for calculating the GHG emissions for biofuels is already included in the FQD at the time of adoption. This impact assessment supports a proposal for such methodology calculating the lifecycle GHG intensity of fossil fuels.

(B) Overall opinion: NEGATIVE

The report should be significantly improved in several important respects. Firstly, it should clarify the main drivers for the high GHG intensity in transport fuels and how they are going to evolve over time. In doing so, the report should explain why transport fuels with high GHG intensity coming from conventional feedstock are treated differently than those from unconventional feedstock. Secondly, the report should clarify the precise level of accuracy required to verify the compliance of fuel suppliers with the 6% emission reduction target. It should explain how the objectives reflect the need for a simple and enforceable methodology to calculate lifecycle GHG emissions and incentives for GHG emission reductions. The report should also explain how it will be monitored and evaluated whether the methodology has achieved the intended effects (accuracy, global GHG emission savings). Thirdly, the report should analyse if any Member State (or groups of) is disproportionately affected and assess the risk of discrimination of crudes coming from third countries and potential impacts on trade policy relations. Fourthly, the report should better integrate stakeholders' different views, particularly the most critical ones throughout the text and explain how their concerns have been addressed.

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted

Given the nature of these recommendations, the Board asks DG CLIMA to submit a revised version of the report, on which it will issue a new opinion.

(C) Main recommendations for improvements

(1) Clarify the problem drivers and baseline scenario. The report should clarify the main drivers for the high GHG intensity in transport fuels. In particular, it should explain why the use of unconventional feedstock is presented as the main driver for GHG intensity of fossil fuels given its very low share in the EU market and while it seems that the GHG intensity can be at least as high from certain conventional crudes when flaring/venting is used. While the report differentiates between conventional and unconventional feedstock, it should explain why no differentiation is made between high and low GHG intensive fuels from conventional feedstock resulting in different treatment of high GHG intensity fuels from conventional and unconventional feedstock. In this context, the report should better explain what problems will occur without the GHG intensity differentiation of feedstock and energy sources. The report should also better describe the fuel supply sector by presenting how much of fossil fuel consumed in the EU comes from each feedstock and by indicating the related GHG emissions. The baseline scenario should describe how the consumption of fossil fuel from high GHG intensity conventional and unconventional feedstock is going to evolve by 2020. It should ensure that all the elements assessed in the impacts section are also clearly indicated in the baseline scenario, for example, with regards to environmental impacts.

(2) Clarify the objectives and related monitoring arrangements. The report should distinguish between different levels of objectives and ensure that operational objectives defining a suitable methodology adequately reflect the key drivers for high GHG intensity in fossil fuels. It should explain the hierarchy and trade-offs between the different objectives, e.g. accuracy, simplicity, consistency with biofuels methodology. The report should define what precise level of accuracy is necessary to verify the compliance of fuel suppliers with the 6% emission reduction target, so that the reference to 'sufficient' accuracy becomes clear in operational terms. It should clarify if an incentive to reduce lifecycle GHG emissions from more polluting fuels is an objective to be covered by this methodology. The report should list the core indicators that will be used to monitor the extent to which the methodology for calculating lifecycle GHG emissions from fossil fuels has achieved its intended effects, including if it results in global GHG emission savings. It should describe the timing, main focus and purpose of the evaluation of this initiative. The report should consider potential implementation and compliance challenges, for example, how information collected from fuel suppliers, including those from outside the EU, will be verified.

(3) Better assess and compare options. The report should briefly explain how and why the options differ from the methodological choices made outside the EU (as described in an annex, for example, Californian Low Carbon Fuel Standard). It should explain why period updating of default values was not considered. The report should discuss distributional impacts for Member States (or groups of), for example, those where exploitation of unconventional feedstock is significant. It should clarify to what extent each option can take into account upstream and downstream emissions occurring outside the EU, and better explain disincentives of fuel suppliers for crude 'shuffling'. The report should analyse if SMEs/microenterprises are disproportionately affected, and if so, what lighter reporting regimes are foreseen to alleviate this. It should explicitly state if microenterprises (e.g. individual gas stations) need to be covered and why. The report should discuss the impacts on trade policy relations with third countries by clarifying if

any of the options risks creating trade barriers/disputes. To allow informed decision-making the conclusion section should avoid giving the impression that any of the feasible options were "discarded", in particular option E. It should rather highlight the trade-offs between the impacts of different options assessed.

(4) Better present critical stakeholder views. The report should briefly summarise in the main text stakeholder views, particularly the most critical ones and explain how their concerns have been addressed, e.g. complexity and impracticability of the proposed reporting requirements (necessary traceability), potential discrimination against tar sands from third countries, reduced competitiveness of crude oil producers and refineries. It should better reflect the different views of the stakeholders throughout the report, in particular regarding the impacts and comparison of options.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.

(D) Procedure and presentation

The report should clarify the key terms used (e.g. high GHG intensity feedstock) and the language should be streamlined to make it more accessible for the non-expert reader. The current text can be shortened, for example, by eliminating repetition in the introduction and policy objectives sections as well as shortening the scene setter. As the report should be a stand-alone document, it should integrate all essential information from the background report, such as availability of biofuels, fuel demand projections, etc.

(E) IAB scrutiny process

Reference number	2012/CLIMA/009
External expertise used	No
Date of IAB meeting	3 July 2013