

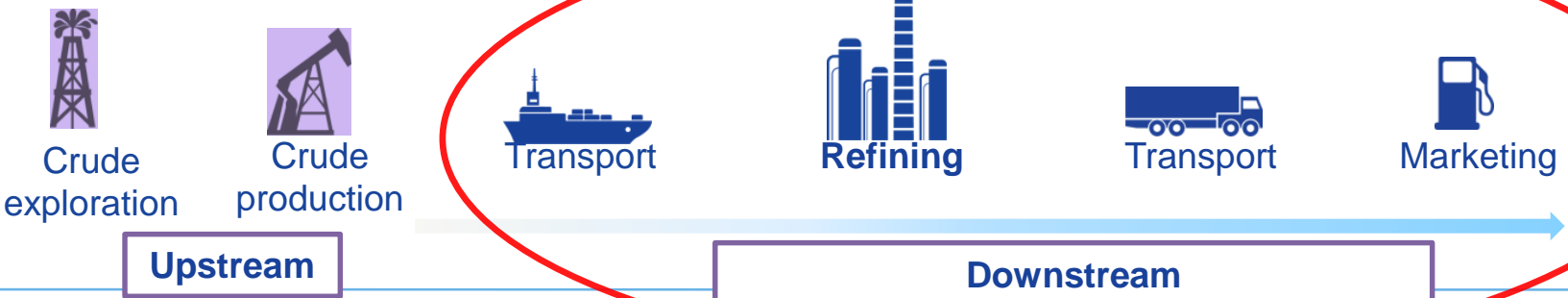
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Policy Executive

The refining Fitness Check

CIEP Refining Conference

FuelsEurope represents 41 Member Companies ≈ 100% of EU Refining



The challenges faced by EU refineries

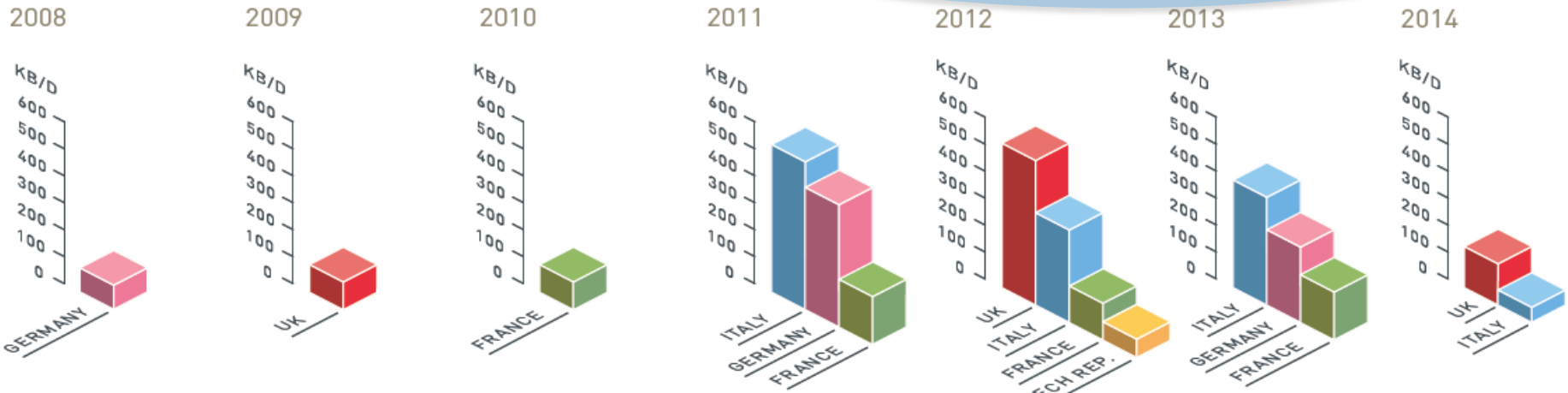
High energy prices

Reduction in oil products demand

Diesel gasoline imbalance

Aggressive competition from non-EU

Cumulative impact of regulation
(25% of the total loss of competitiveness of the EU refineries 2000 – 2012 (1))



Source: IEA

15 European Refineries closed in 2008-2014

35 M/t Diesel NET import

+6M

41 M/t Diesel NET import

Relocation of EU refining capacity is a lose-lose proposition

1. A LOSS FOR THE EU ECONOMY



2. A LOSS FOR ENVIRONMENT



Every 100 units of CO2 emissions reduced in the EU are replaced by 135 units outside the EU*

3. A LOSS FOR SECURITY OF SUPPLY



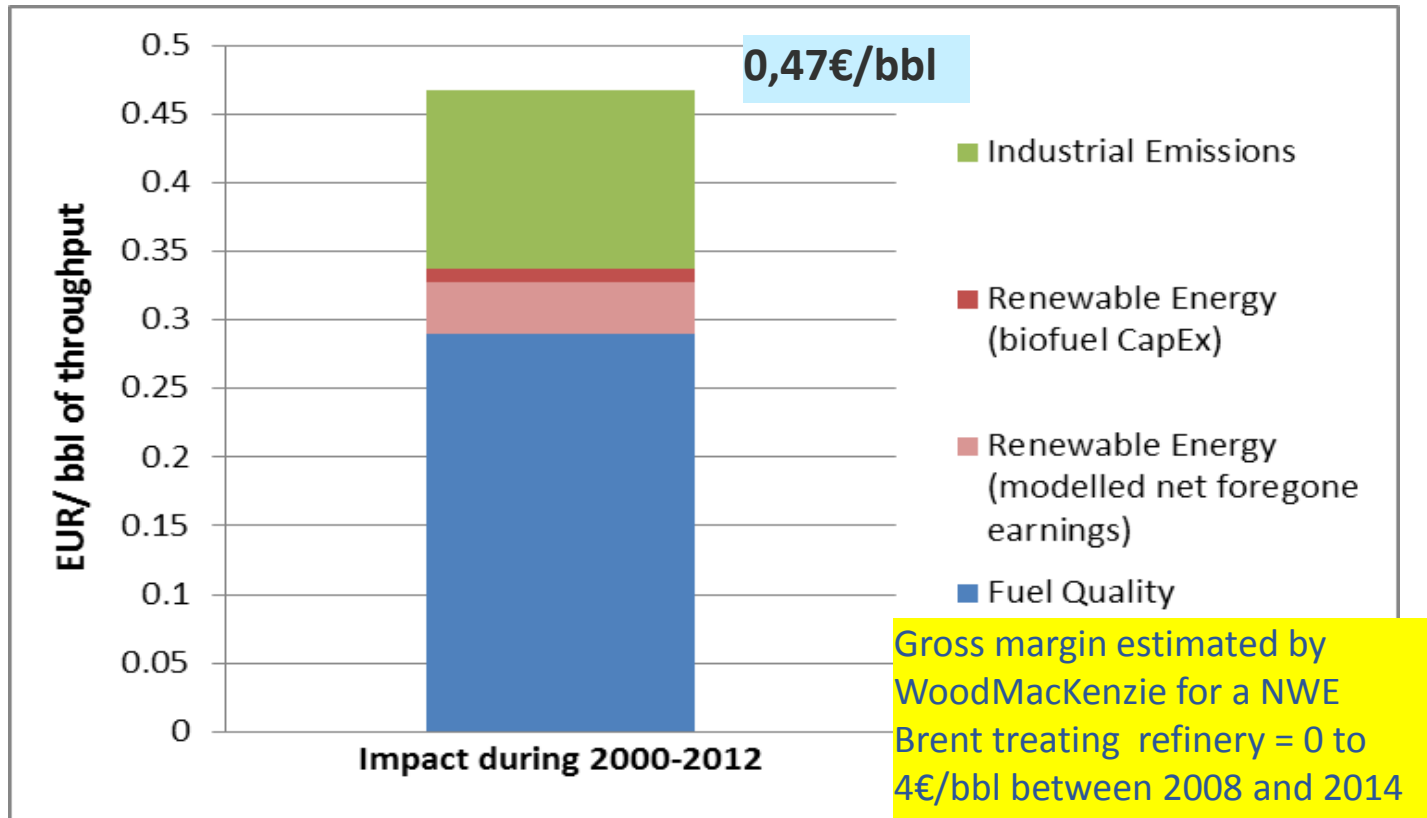
*Source: Vivid Economics for UK DECC – Case study on Refining - Carbon leakage prospects under Phase III of the EU ETS and beyond

Refining Fitness Check

- **A first of a kind exercise launched by the EU Commission in 2013 in the framework of the “Regulatory Fitness and Performance (REFIT)”. Completed in January 2016**
- **Scope:**
 - Evaluate “the impact on the petroleum refining sector of 10 pieces of the most relevant EU legislation [environment, climate action, taxation and energy]”
 - Assess the “**sector’s competitiveness position** from 2000 to 2012 [and] excessive regulatory burden, overlaps, gaps inconsistencies or obsolete measures”
 - It does not attempt to provide an exhaustive overview or cost-benefit analysis of the broader impact of the relevant legislation
 - Time frame of the quantitative study: 2000-2012. Qualitative considerations on the impact of post 2012 legislation.
- **Main actors:**
 - **Commission:** DG GROW (leader), JRC (technical study), SEC GEN and several DGs (CLIMA, ENVI, ENER, TRADE,)
 - Industry: Concawe and FuelsEurope
 - Other stakeholders, including NGOs.

Refining Fitness Check: main outcomes (1)

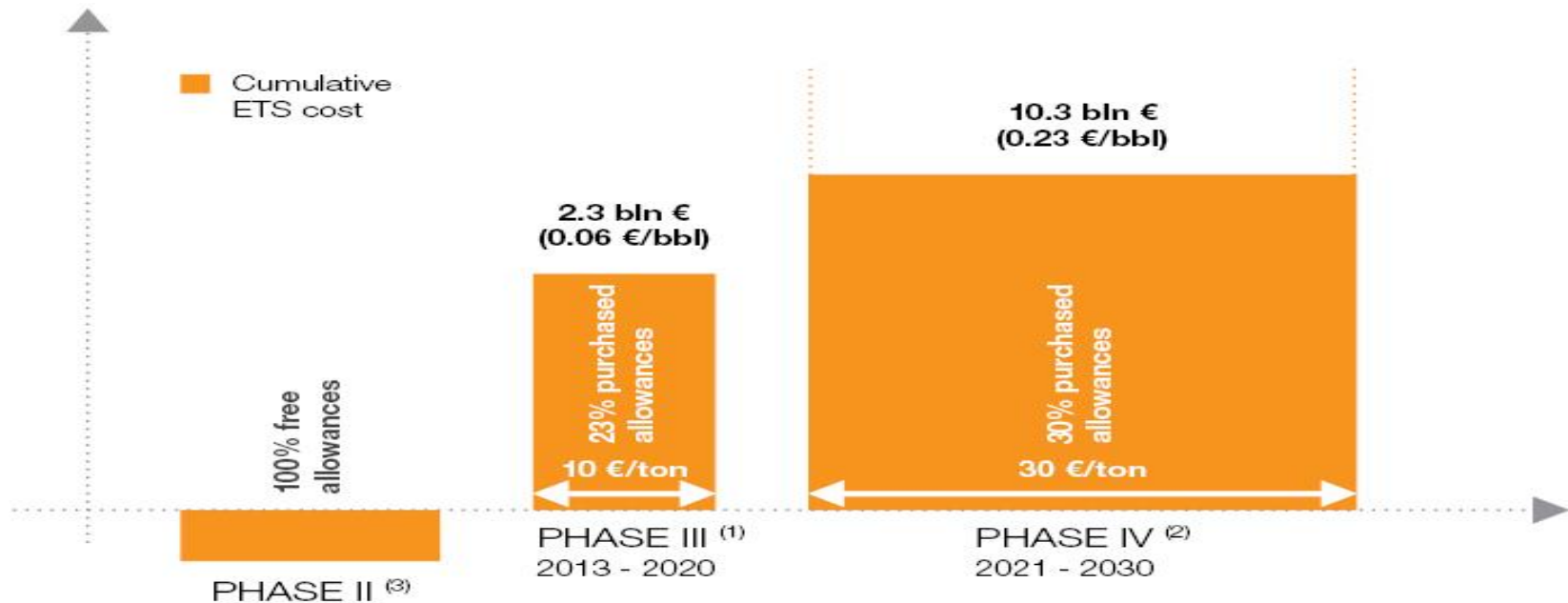
1. First time that COM recognizes and quantifies cost of legislation on EU refining sector.



2. First time that COM admits that cost of legislation **reduced by up to 25% the competitiveness** of EU refining sector.

Refining Fitness Check: main outcomes (2)

3. A section dedicated to the importance of EU refinery for economy and security of supply, among whose conclusions:
 - 0.9% of EU GDP
 - 1.3 million jobs
4. Recognition that significant **additional** regulatory costs are coming post 2012 (ETS, REF BREF,...), albeit with no quantification

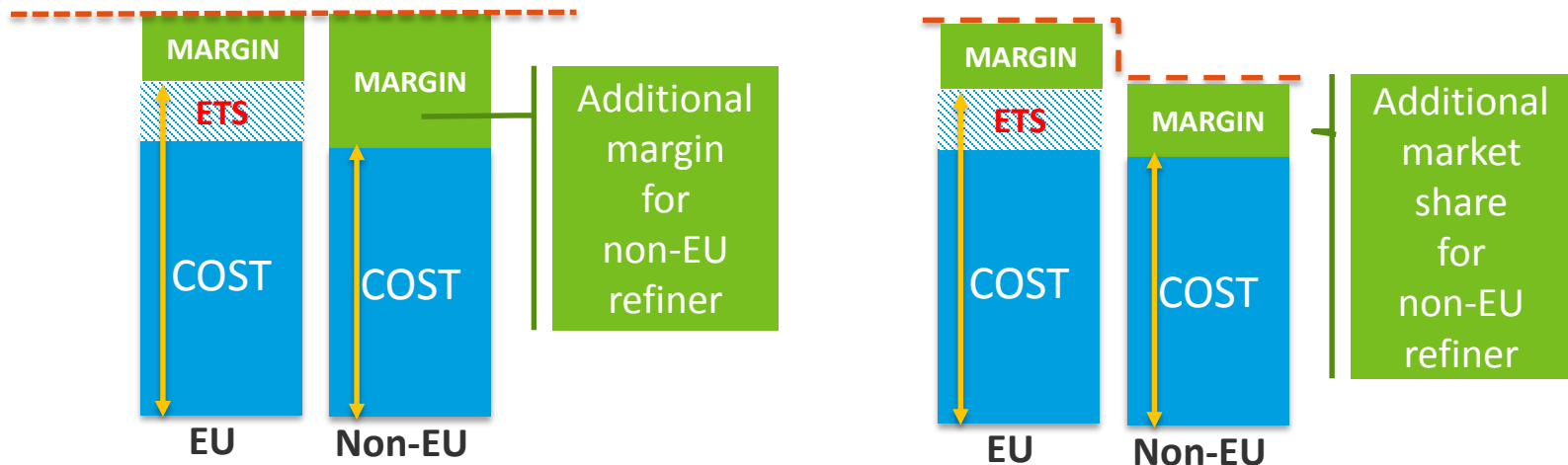


Source of the chart: Concawe

Refining Fitness Check: main outcomes (3)

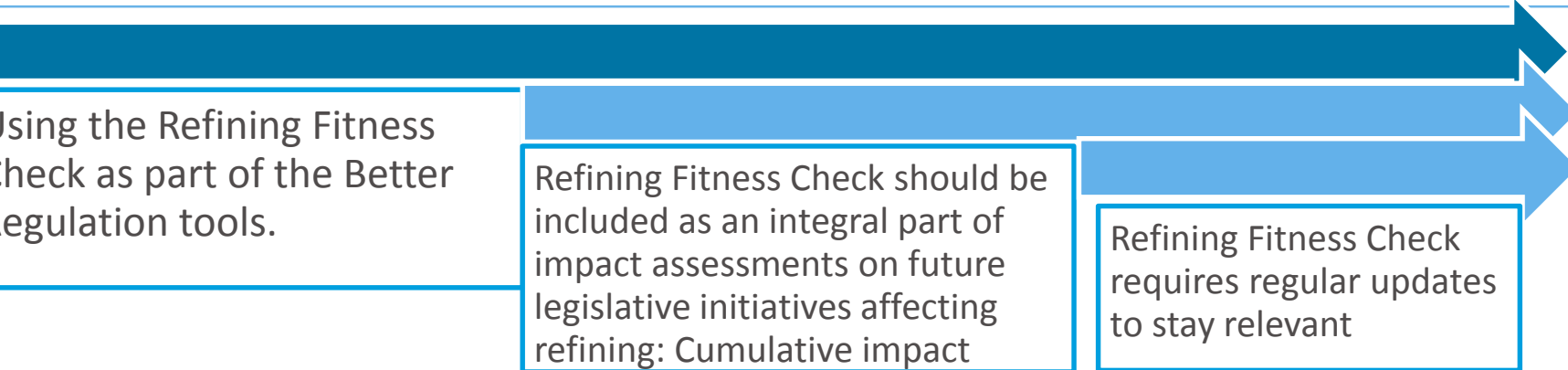
5. Balanced assessment of hypothetical capability of **pass-through of ETS cost**:

- “[...] the available empirical evidence is not conclusive with respect to the degree of ETS-related costs pass-through actually exercised
- “The recent Commission's Impact Assessment for the revision of the EU ETS (published on 15.07.2015 [...]) estimates the possible cost pass-through in refining as reported in studies on the statistical relation between the carbon price and the final products' prices. These studies **do not consider possible shifts in producers' market shares in the long term** “



Source of the charts: FuelsEurope, for illustrative purpose only

Refining Fitness Check: what's next?



Using the Refining Fitness Check as part of the Better Regulation tools.

Refining Fitness Check should be included as an integral part of impact assessments on future legislative initiatives affecting refining: Cumulative impact

Refining Fitness Check requires regular updates to stay relevant

Refinery Forum June 2015 and March 2016: actions proposed by several **Member States**

1. Keep Refinery Fitness Check (RFC) regularly updated and used as a part of the Better Regulation tools
2. Ensure that future impact assessments affecting refining take into account the RFC results.
3. Use it to inform policy makers on the cumulative impact of the new regulations on sectoral competitiveness
4. The Refining Forum to become the reference body to officially discuss and recommend the most appropriate timing and scope of future assessments of the sector legislation.
5. Security of fuel product supply is important for Member States: the findings of the RFC shall be used in this context, shall be included in the annual state of the Energy Union reports and possibly discussed among the Energy Council Conclusions

THANK YOU FOR YOUR ATTENTION

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