

FUELLING EUROPE

The Voice of the European Fuel Distributors

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RENOVATION WAVE FOR BUILDINGS: A PRIORITY FOR THE EU ECONOMIC RECOVERY AND THE GREEN TRANSITION

On 27 May the European Commission published the [European recovery package](#), with a view to overcoming the economic consequences caused by the pandemic. It consists of a new funding instrument, the [Next Generation EU](#), amounting to €750 billion, and of a [reinforced long-term budget](#) of 1.1 trillion.

The package has the Green Deal rationale at heart, and is based on the two core priorities that are the green and digital transitions. It encompasses several policy areas, from clean mobility to sustainable buildings and energy efficiency, including the building sector.

The latter has been identified as one of the key areas likely to boost economic growth

while contributing to the achievement of the EU's green ambition. Indeed, the labour-intensive nature of the construction and renovation industry, coupled with its support to a wide range of sectors and SMEs, means it has the potential to create new jobs at local level. At the same time, the sector will also contribute to EU's 2050 climate targets, by increasing the EU's renovation rate and ensuring further energy efficiency, especially through action on heating and cooling. Finally, buildings-related initiatives are also expected to accelerate the transition towards the circular economy, by ensuring the use of sustainable construction materials.

To this end, a [Renovation Wave initiative](#) will be presented in September. Ahead of

that, the European Parliament is drafting a non-binding [report](#) to express its views on 'Maximising the energy efficiency potential of the EU building stock'. The current draft welcomes the Commission's approach but stresses the importance of decarbonising the heating sector, and of the electrification of residual demand through renewable energy combined with heat pumps or efficient district heating systems. Views are split on ending investments to support the installation of fossil-based heating devices, and increasing consumer information on this regard. The Renovation Wave is also seen as an opportunity to tackle energy poverty and provide healthy, decent, affordable and energy efficient buildings.

Several EU stakeholders commented

on the incoming buildings initiative, notably the NGO European Environmental Bureau which has [called](#) for the immediate decarbonisation of heating through renewable energy supply, and urged that fossil fuels no longer play a role in the Renovation Wave.

ECFD also submitted its initial feedback to the strategy, and contributed to the public consultation on the same initiative, calling for the European Commission to adopt a technology-neutral approach.

EU'S FOCUS ON HYDROGEN

As already announced in December 2019, alternative fuels are expected to play a key role in making Europe the first climate neutral continent by 2050. This vision was reinforced by the COVID-19 crisis, which showed the importance of making the energy system greener, smarter, more effective and less wasteful. In this regard, a significant part of the €750 billion recovery fund will be devoted to support investments in the production of renewable energy, the development of critical infrastructure as well as innovative technologies such as clean hydrogen, energy storage, batteries and carbon capture and storage/utilisation. In particular, clean hydrogen remains a priority area due to its strong potential in strengthening the EU's leadership in climate-neutral technologies.

On 8 July the European Commission published a [New Strategy on Hydrogen](#), encompassing different types of action, from research and innovation to production and infrastructure. According to the document, the EU recognises the role played by

"fossil-based hydrogen" in the transition, and outlines the potential of gas infrastructure, saying that "around 50% of existing fossil based hydrogen production could be retrofitted to produce low-carbon fossil-based hydrogen". A Clean Hydrogen Alliance will be launched this summer to identify technology needs, investment opportunities and regulatory barriers and enablers.

The topic is also gaining momentum at national level. Germany, which just took over the Presidency of the Council of EU Ministers, already announced the creation of a European hydrogen infrastructure as one of its priorities. The German government also recently adopted its national hydrogen strategy, aiming at increasing production capacity to 5 GW by 2030 and 10 GW by 2040. To achieve this, €7 billion from the economic stimulus package will be invested in new businesses and research, with the ambition to establishing itself as an export champion in the coming years.

NEWS IN BRIEF

EU REFINERS PROPOSES A PATHWAY TO CLIMATE NEUTRALITY BY 2050

FuelsEurope, representing the EU refining industry, published its [strategy](#) outlining a potential pathway to develop low-carbon liquid fuels (LCLF) for road, maritime and air transport, with a view to enable the transport sector to contribute to EU's climate neutrality objective by 2050. The document highlights the critical role that LCLF will play in the energy transition and in achieving the

decarbonization of all transport modes, alongside electrification and hydrogen technologies. To achieve this objective, the industry calls for further multi-stakeholder collaboration and an enabling policy framework for the deployment of LCLF. In this regard, the strategy outlines a set of policy principles, serving as a basis for discussion with policymakers, supply chain partners and customer groups.



THE IMPACTS OF THE COVID-19 CRISIS ON GLOBAL ENERGY DEMAND

The International Energy Agency published a [report](#) providing an overview of the Covid-19 crisis impact on all major fuels and an outlook of likely energy consumption and CO2 emissions evolution trends over the rest of 2020. According to the report, the lockdown period coupled with the closure of large economy sections has caused a significant 20% reduction demand for nearly all major fuels, and especially for coal, oil and gas. At the same time, demand for renewables has increased, thanks to a major shift towards low-carbon sources of electricity including wind, solar PV, hydropower and nuclear. As a result, the report found that the combined share of gas and coal in the global power mix is set to drop by 3% in 2020, and that energy demand will fall by 6% in 2020. This is seven times the decline registered after the 2008 global financial crisis. On the contrary, renewables are expected to be the only energy source to grow in 2020.

EUROPEAN COURT OF AUDITORS' REPORT ON ENERGY EFFICIENCY IN BUILDINGS

A [report](#) from the European Court of Auditors (ECA) assessed whether EU energy efficiency investments in buildings, including upgrades of heating systems, had cost-effectively helped the EU toward its 2020 energy savings target. It concludes that greater focus on cost-effectiveness is still needed, as the projects delivering higher energy savings were not prioritised. The European Commission responded that a proper assessment should consider the differences between Member States, regions and individual buildings, as well as the long-term consequences of the measures adopted. For example, measures such as changing the lighting or the heating boiler have shorter paybacks, while measures such as building insulation and integrated renovation, have, respectively, payback periods of 11 and 14 years.

REPORT ON THE ECONOMIC IMPACT OF ENERGY TRANSITION ON THE FOSSIL FUEL SYSTEM

Carbon Tracker, a financial think tank, published an [infographic](#) showing the impact of the energy transition on the fossil fuel

system - which includes fossil fuels, their infrastructure and financial markets. The analysis of the different parts of the fossil fuel system's size and vulnerability highlighted its disruption by cheaper renewable technologies and more aggressive government policies, leading to lower prices, less profit, and [stranded assets](#). Against this background, Carbon Tracker warns investors against the risks of investing in the fossil fuel system, and urges policymakers to put in place an orderly wind-down of assets.

COVID-19 CRISIS HIGHLIGHTED THE ENERGY POVERTY EMERGENCY

The European Consumers Organisation (BEUC) is [claiming](#) that the COVID-19 crisis has highlighted the energy poverty in Europe. Not only the pandemic has raised poverty rates in Europe, but lockdown measures have also forced people to spend more time at home, increasing domestic consumption and energy bills. In such context, BEUC warned against the pandemic consequences, likely to have a higher impact on people living in homes with poor energy standards. The lack of adequate heating tends to increase damp or mould, which are associated with respiratory problems. Although there may not be any specific evidence that warm homes can help tackling Covid-19, BEUC claims that properly warmed indoor environments can better protect the human respiratory system. Moreover, the organization highlights that buildings are responsible for 40% of energy consumption in Europe. While around 75% of existing building stock are considered energy inefficient, the NGO specifies that 75% of heating supply is based on fossil fuels. Overall, BEUC urges EU and national policy makers to take a more systemic look at improving energy efficiency, tackling energy poverty and ensuring citizens' wellbeing.

ECFD ACTIVITIES

September 2020:
ECFD members' meeting

2020 CALENDAR

1 July Germany's Presidency of the Council of EU Ministers

14 July [webinar](#): Innovation dialogues - liquid fuels for climate neutral transport: dream or reality?

14 September adoption of the Parliament's report on maximising the energy efficiency potential of the EU building stock

23 September [Deadline to contribute to the public consultation on the Sustainable and Smart Mobility Strategy](#)

CONTACT

Johan Mattart

Léon Lepagestraat 4
1000 Brussels
Belgium

Johan.Mattart@brafco.be

OUR MEMBERS



(AT) Fachverband des Energiehandels



(BE) Belgian Federation of Fuel Suppliers - BRAFCO



(DE) Bundesverband mittelständischer Mineralölunternehmen e.V.



(FR) Fédération française des Combustibles et Carburants - FF3C



(UKIFDA) The UK and Ireland Fuel Distributors Association