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NGVA Europe Position on the Fit-for-55 Package

NGVA Europe welcomes the Fit-for-55 Package (FF55) and its increased ambition in reducing the GHG emissions of the transport sector. **The industry that NGVA Europe represents is committed to reaching climate neutral mobility by 2050**, which is an absolute necessity for maintaining global warming to 1.5 degrees Celsius, as defined by the Paris Agreement. NGVA Europe is convinced that **the only way of doing so is to support all existing clean solutions, including biomethane (both in compressed and liquified forms – bioCNG and bioLNG), in accelerating the decarbonisation of road transport.**

The FF55 package should **focus on massively decarbonising fuels rather than on the underlying drive-train technology, by including all available options within a coherent pathway towards carbon neutrality of road transport.** Restricting our options to a limited set of still developing and costly technologies, while excluding others that are already contributing to decarbonisation thanks to increasing blends of renewable fuels, is not the right approach to ensure that Member States and consumers have immediate access to affordable and clean solutions. **This risks instead to delay the necessary fair transition towards clean mobility.**

In NGVA Europe's view, the FF55 package should fully embrace the multifaceted potential of solutions like natural and biomethane to decarbonise road transport, by integrating the fuel dimension in the EU legislation. This means that the FF55 should go beyond the pure tailpipe approach when measuring CO₂ emissions from vehicles, and **concretely acknowledge the contribution of biogas in drastically reducing GHG emissions on a Well-to-Wheel basis.**

For these reasons, NGVA Europe holds the following positions on the Fit-for-55 Package:

CO₂ standards for cars & vans

- Underlines the need to recognise the contribution of renewable fuels, including biomethane in cutting GHG emissions of vehicles fleet as of now and beyond 2035, **by introducing a so-called Renewable Fuel Crediting System.** Such a scheme would allow automotive manufacturers (OEMs) to partially benefit from the use of sustainable renewable fuels for compliance with their targets, on a voluntary basis. The scheme would also allow to bridge the gap between policies supporting the production of renewable fuels (REDII) and policies focused on the use of fuels in road transport, such as the CO₂ standards for cars and vans, which are solely based on tailpipe emissions.

Alternative Fuels Infrastructure Regulation

- Stresses that the CO₂ standards for cars & vans is currently being revised, and the revision of the CO₂ emission standards for HDV will only start as of next year. It is crucial that the AFIR matches the updated ambitions of these regulations. **The AFIR should therefore not anticipate the results of these processes by prematurely phasing-out support to CNG and LNG infrastructure,** which is key for the decarbonisation of road transport across the EU.

- Properly align with the existing legal framework; **the AFIR should act in a coherent and complementary way to the Renewable Energy Directive**, which already defines the types of fuels that should be produced and used to decarbonise road transport. The new sub-categories of alternative fuels introduced in the European Commission’s proposal are not based on any clear legal criteria and bring additional unnecessary complexity to the overall FF55 framework. Instead, the definition of “alternative fuels” within the AFIR should rather mirror the definitions of the REDII (and upcoming REDIII), **and clearly include advanced biofuels such as bioCNG and bioLNG within its scope**. This would allow to better link renewable fuels production (REDII) and their actual distribution and uptake by the transport sector (AFIR).
- In parallel, AFIR’s revision should be based on the **principle of infrastructure neutrality** and acknowledge that **infrastructure is an enabler of the further uptake of renewable fuels and the decarbonisation of road transport**. The development of CNG and LNG infrastructure is necessary to ensure the increase of the share of bioCNG and bioLNG used in vehicles, and should continue to be fully supported by the AFIR.
- **Reintroduce provisions to support the development and maintenance of CNG refuelling stations**. While the number of CNG stations is growing steadily, distribution across Europe remains uneven and additional investments need to be made to build the comprehensive network of CNG refuelling stations that is needed to increase the uptake of bioCNG in road transport. The network of CNG stations also needs to be strengthened especially around cities, where CNG is a solution often chosen by local authorities to decarbonise their fleet and preserve air quality, while ensuring autonomy for specific mobility uses such as coaches, buses, garbage trucks etc.
- **Extend the support to LNG refuelling stations beyond 2025**. With a high blend of bioLNG achievable in the medium term, LNG is a mature, affordable and necessary technology to accelerate the decarbonisation of the heavy-duty vehicles. It is therefore the only immediately viable alternative fuel to diesel for this specific sector.

Energy Taxation Directive

- Welcomes the switch to an energy-based taxation for all fuels, which will create more transparency and readability for consumers.
- Raises however **strong concerns over the proposed levels of minimum tax rates for natural gas used as a fuel, which risk to jeopardize the future of the biogas market in road transport**. Because gas used in vehicles is a blend, – currently over 17% of the gas used in the EU fleet is biomethane (bioCNG and bioLNG) – raising tax levels for natural gas would severely compromise the further development of biomethane, whose uptake rely on the competitive advantage of its fossil counter-part over conventional fuels. **This would have counter-productive effects, since biomethane is one of the only already available alternative solutions to decarbonise road transport – especially the heavy-duty sector**. The increase of minimum tax levels should rather be proportionate to the potential of fossil fuels to integrate higher blends of renewables.
- Setting minimum tax levels based on the environmental performance of the fuels is a good step in the right direction, but **it should be consistently applied to all energy carriers**, and not only to gaseous and liquid fuels. Minimum tax rates for electricity should also be set based on its environmental performance, which heavily depends on the origin of the energy used to produce it. On the same logic, **natural gas used as a fuel should also benefit from lower**

minimum tax rates than petrol/gasoil as of 2023 and until after 2033, to reflect its positive effects in reducing GHG emissions compared to conventional fuels.

- **Give more flexibility to Member States to apply different nominal tax rates even below the minimum rate thresholds**, in line with local resources and especially in accordance with their overall strategy for decarbonisation defined in their National Energy and Climate Plans. The possibilities for exemptions should also consider the level of market penetration specified per sector of application.
- Ensure that the distinction of the different types of gaseous fuels to set the applicable minimum levels is done based on a reliable and robust tracking system. Gaseous fuels cannot be physically traced, as it is impossible to differentiate once in the pipeline between molecules of biomethane and fossil gas. **A clear methodology is therefore necessary to avoid that, due to this physical constraint, biomethane is applied same minimum tax rates as natural gas, which would be in direct contradiction with the objectives of the ETD's revision.**

Renewable Energy Directive III

- Supports the proposed increased targets for the transport sector combined with **the deletion of multipliers for advanced biofuels and renewable electricity**.
- **Ensure that the extension of the Union Database to gaseous fuels is compatible with the gas market architecture and trading practices**. In their current state, the proposed rules would create significant interpretation and applicability issues for gaseous fuels (both in gaseous or liquid forms, for biomethane), which represents a significant risk that those requirements will hinder the deployment of renewable gases in the future. The European Commission should reconsider the proposed implementing rules and the intention for them to cover gaseous fuels. At least, the European Commission should consider tailored rules for gaseous fuels which would fully acknowledge the specificity of their supply chains and markets.
- **Ensure that the proposed credit mechanism for renewable fuels supplied to the transport sector can benefit in a fair way to all fuel suppliers and apply to all fuels supported by the REDIII.**

ETS for road transport

- Introducing a new ETS for road transport does not contribute **to creating more coherence** between policies supporting the production of renewable fuels (REDII) and policies focused on the use of fuels in road transport (CO₂ standards for cars and vans), which are solely based on tailpipe emissions.
- At the same time, NGVA Europe would like to stress **the need to avoid overlapping between the different elements of the FF55** in order not to overburden fuel suppliers with double pricing on CO₂ emissions.