

EUROPEAN UNION CO₂ STANDARDS FOR NEW PASSENGER CARS AND VANS

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Alternative fuels crediting

As a part of the Fit for 55 package, the European Commission proposed to revise the CO₂ emission performance standards for new passenger cars and new light commercial vehicles. The European Parliament and the European Council are currently reviewing the proposed revision and are developing their own proposals for amendments ahead of negotiations between the three governing bodies. A plenary vote on the amendments is expected in the European Parliament in early June 2022.

As part of discussions within the European Parliament, the Committee on Transport and Tourism (TRAN) submitted amendments that would allow vehicle manufacturers to apply “alternative fuels” credits towards the CO₂ standards. Specifically, these amendments would add an article to the regulation where, *“Upon application by a manufacturer, CO₂ savings achieved through the use of synthetic and advanced alternative fuels (‘alternative fuels’) shall be considered in accordance with paragraphs 2 and 3 of this Article.”* According to the suggested amendments, CO₂ savings would be calculated in accordance with methodology in the Renewable Energy Directive (RED II), and no “simultaneous allocation” may take place between the RED II and the CO₂ standards.

Previous ICCT publications summarize how the potential supply of biofuels made from wastes and residues is low and, at the same time, synthetic fuels are inefficient and expensive to use for vehicle transport applications. This factsheet focuses specifically on the language in the amendments proposed by the TRAN Committee and the danger it would allow fuels that are worse than fossil fuels to qualify towards the vehicle CO₂ standards, thereby increasing, not decreasing, greenhouse gas emissions.

Vague language could allow crediting of unsustainable fuels towards the vehicle CO₂ standards. The amendments proposed by the TRAN Committee define alternative fuels as “synthetic and advanced fuels”, but the words “synthetic” and “advanced” are not clearly defined. The definition of “synthetic fuels”, for example, could reference the Renewable Fuels of Non-Biological Origin (RFNBO) definition in the RED II, which would mean these fuels must adhere to specific sustainability criteria and greenhouse gas reduction requirements. The “advanced fuels” definition could reference the “advanced biofuel” definition in the RED II, which defines these fuels as those produced only with the wastes and residues listed in Annex IX, A. A direct reference to the advanced biofuel and RFNBO definitions in the proposal would greatly reduce the climate risk.

Without reference to these specific RED II definitions however, synthetic fuels could also include e-fuels produced using regular grid electricity, which provides no

greenhouse gas benefit relative to fossil fuels. “Advanced fuels” could also potentially be interpreted to mean hydrotreated vegetable oils, the production of which exacerbates increases in food prices. Some kinds of hydrotreated vegetable oil are even worse for the climate than fossil fuels due to land use change emissions. Further, without clarity about the definition of these fuels, one could interpret “alternative fuels” to have the same definition as in the Alternative Fuels Infrastructure Directive, where they are defined to include fossil fuels like natural gas.

Tracking fuel credits and enforcing compliance would provide a great administrative challenge for EU Member States and the European Commission. While the amendments proposed by the TRAN Committee state that any alternative fuels credited towards the CO₂ standards would not also receive credits under the RED, it would be very difficult for EU Member States and the European Commission to track the fuel credits and enforce compliance. Because the RED II is a directive, tracking how fuels are counted towards either legislation will be left to the 27 EU Member States, each of which has its own system for determining RED II compliance. A proposed Union database in the revision of the RED II would help, since it would require economic operators such as fuel suppliers to submit information, including lifecycle greenhouse gas savings about renewable fuels, into one central database. However, this database would not help Member States or the European Commission to determine whether fuels are double credited towards the RED and any other regulation, such as a fuels crediting allowance in the vehicle CO₂ standards. This would require a new EU-wide or inter-Member State database capable of tracking every single liter of alternative fuel produced with a unique serial code to enable cross-checking across policy targets and between Member States.

Regulations addressing vehicle in-use emissions should remain separate from regulations addressing the emissions and energy intensity of fuels. For over a decade, the EU has pursued a strategy to decarbonize road transport using separate well-to-tank (fuels and energy) and tank-to-wheel (tailpipe emissions) legislation. On the tailpipe side, the vehicle CO₂ emission standards, a regulation implemented by the European Commission at the EU level, have gradually increased in stringency. This provides a continued incentive for car manufacturers to improve the efficiency of internal combustion engines and transition to alternative power trains that provide greater reductions in emissions. On the fuels side, policymakers have incentivized greenhouse reductions through the production of renewable fuels with the Renewable Energy Directive (RED II). A fuels crediting system in the vehicle CO₂ standards would duplicate existing support for these fuels.

FOR MORE INFORMATION

Title: How is alternative fuels crediting in the EU vehicle CO₂ standards a bad idea? Let me count the ways.

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Link: <https://theicct.org/how-is-alternative-fuels-crediting-in-the-eu-vehicle-standards-a-bad-idea-let-me-count-the-ways/>

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