

ReFuelEU Aviation

Sustainable aviation fuel (SAF) provides a significant opportunity to reduce carbon emissions over the fuel lifecycle and can be used in existing infrastructure and aircraft. It plays an important role in bp's strategy, and we aim to supply 20% of the world's SAF demand by 2030. As such, **bp welcomes the Commission's proposal for a SAF blending mandate** as a pragmatic tool to ramp-up production and consumption of SAF.

Target level and SAF feedstock / technology pathways

Multiple SAF pathways exist and should compete on their own merits, provided they are aligned to the sustainability framework set out in the Renewable Energy Directive (in particular Annex IX for biofuels). We acknowledge that some higher cost pathways that have an important role to play in the long-term, such as e-fuels, need additional support in the short-term, such as via sub-targets. In the next 10-15 years, we expect that most SAF production will come from the HEFA (hydroprocessed esters and fatty acids) route as this is currently the most scalable SAF production pathway.

To provide a strong investment signal in SAF production, we would encourage the co-legislators to **increase the 2030 target from 5% to 10%**¹ and consider a longer transition period to generate savings in cost on SAF.

- The Commission estimated that a 5% target in 2030 would require only seven plants to be built, producing 2.2 million tonnes of SAF².
- We think there is significant potential to add more SAF capacity through dedicated plants (e.g. HEFA plant with an annual output of 0.5 Mt), shifting existing HVO (renewable diesel) production towards HEFA and upgrading of existing refining capacity to co-process bio feedstocks³.

Municipal solid waste (MSW)-to-SAF is an important pathway for SAF production but would be severely hindered by the proposed exclusion of so-called 'recycled carbon fuels' (RCFs). RCFs are currently a compliance option for member states under RED II. MSW consists of a biogenic and non-biogenic

¹ Consistent with the World Economic Forum's Clean Skies for Tomorrow pledge to achieve a 10% share of SAF by 2030, signed by bp and 59 other companies.

<https://www.weforum.org/press/2021/09/clean-skies-for-tomorrow-leaders-commit-to-10-sustainable-aviation-fuel-by-2030>

² ReFuelEU Aviation Impact Assessment, p. 49

³ "A rough estimation of the volume potential of co-processed biofuels could be that if 30% of EU refining capacity (230 million tonnes year) would use 5% bio-feed, the resulting biofuel volume would be in the range of 3.5 million tonnes per year." <https://eafo.eu/alternative-fuels/advanced-biofuels/hvo>

portion. While the biogenic portion would be considered an advanced bio feedstock under RED II (Annex IX, Part A) – and be eligible under ReFuelEU Aviation – the non-biogenic portion would not be able to count towards the SAF mandate, severely restricting the use of mixed waste streams.

To support the development of MSW-to-SAF, RCFs should be included in the SAF mandate. This should be done in a way that respects the waste hierarchy to avoid diverting waste to fuel production where it can be avoided, reduced, reused or recycled instead. It would be appropriate to further define sustainability requirements for RCFs under the RED sustainability framework, such as under the pending RED II delegated act on the GHG accounting of RFNBOs and RCFs.

Key points:

- Support higher ambition: 10% by 2030 (instead of 5%)
- Include recycled carbon fuels to support MSW-to-SAF, but need to further clarify sustainability requirements under RED

Mandate design

We support the principle of the proposed obligations **covering fuel suppliers** (to supply SAF-blended fuels) and **airlines** (to uplift fuel). We believe this can be an effective way to encourage collaboration across different types of market participants to develop SAF. The obligation on airlines to uplift fuel is an important measure to **address the risk of ‘tankering’** (i.e. refuelling in non-EU countries without a similar blend of SAF).

We fully **support the proposed scope** covering most flights departing from airports within the EU, regardless of their destination. This is because 2/3 of aviation carbon emissions relate to medium and long-haul flights – where currently no alternatives to SAF exist. A wide scope is also necessary to provide a strong signal to invest in SAF production along with continued efforts to bring along the international aviation community to promote a global market for SAF.

Sufficiently high penalties for suppliers who fail to meet the targets are essential to promote investment in SAF production. Any rational supplier would always prefer to supply SAF over paying the penalty, provided the penalty is set at a level above the marginal cost of supply in normal market conditions.

- The Commission’s proposal would require a fuel supplier, in the event of failing to meet its quota, to **pay the penalty *and* supply the market** in

subsequent volumes with additional volumes equivalent to the shortfall in a previous year.

- Such an approach runs a high risk of increasing market volatility rather than stabilising it, resulting in difficulties for airlines and unpredictable pricing for consumers and investors. It would be better to use an alternative compliance mechanism which would act as an incentive to supply SAF under normal market conditions, where suppliers could meet the obligation by supplying fuel or paying the compliance mechanism but not needing to supply the volumes in the next period. In times of short-term supply shortages such an approach would act as a safety valve and restrict price volatility to the level of the mechanism. The proposed system of fine and later supply would act as a ratchet, making each subsequent year more supply constrained than the year before and pushing fuel prices unpredictably higher in response to short term supply perturbations.

To reduce emissions and financial costs associated with SAF supplies, fuel suppliers should be allowed to **comply – i.e. blend SAF (Article 4) and report (Article 9) – on the basis of their total SAF and jet fuel supplies** in the EU (or at a national level). Fuel suppliers should not have to ensure that fuel supplied to each airport meets the blending mandate, as proposed in Article 13.

- SAF is a drop-in fuel that has the same characteristics as fossil jet fuel. As such, there is, in our view, no reason why increased costs (and emissions) associated with supply at individual airports should be supported.
- Reporting requirements for fuel suppliers under Article 9c represent an unnecessary burden as they would duplicate requirements under Article 30 of RED II which is referenced in the proposed ReFuelEU Aviation Regulation.

Further clarity is needed on how the competent authority for a fuel supplier (as per Article 10(5)) should interact with various member states, in which a fuel supplier may have supplied fuel (determining sustainability in accordance with Article 30 of RED II).

The airline industry is subject to **multiple layers of overlapping regulations**, e.g. CORSIA, ETS and this EU SAF mandate. Article 8 would require airlines to avoid double counting the SAF they bought under this mandate and another GHG scheme. In time as regulations are tightened this will lead to a scenario where airlines would be required to buy more SAF than their airplanes could load if the combination of the various overlapping regulations required SAF blends beyond the current 50% maximum.

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- A fairer, more flexible, and future-proofed approach would be to allow SAF to count against multiple regulations, matched by a commensurate increase of ambition to compensate for any potential double-counting diluting the environmental ambition.

Key points:

- Support obligation on fuel suppliers and airlines
- Support wide scope, i.e. applying to all departing flights
- Non-compliance: paying penalty should suffice, no 'catch up' of supply shortfall
- Fuel suppliers should be allowed to comply on the basis of all their jet fuel supplies in the EU – not at individual airports.
- SAF should count against multiple regulations, matched by a commensurate increase of ambition.