

FETSA POSITION ON BUNKER FUELS IN THE ETD

FETSA members represent businesses engaged in bulk storage and energy infrastructure across Europe. Bulk liquid and liquified gas terminals are present in ports, airports, logistic platforms and along rivers, canals and pipelines. In total FETSA members represent 141 companies operating 743 terminals across Europe. These storage terminals provide an essential interface between sea, road, rail, inland waterways and pipeline logistics. They are critical components in the supply chain for energy carriers, chemicals, animal feeds and fats, oils and other substances for human consumption helping to balance out supply and demand to ensure commercial and domestic consumers have access at the time they need them and in the quantity required.

Many storage terminals are designated as Critical National Infrastructure by the EU and national governments due to their importance in providing energy to industrial, transport and defence markets. The storage capacity represented by FETSA also includes strategic reserves held for emergencies and supply disruptions under the Compulsory Stocks Obligation.

The bulk liquid storage sector supports the EU and national governments in the energy transition by ensuring that existing infrastructure can be used for both traditional and alternative fuel sources; by adapting infrastructure to accommodate alternative liquids and gasses; by maintaining and developing supply chain efficiency; and by storing reserves for energy resilience. The very high level of investments in Europe (approx. 7.5 billion euros over the next five years) reflect our commitment to achieving EU climate goals. An efficient and sustainable bulk liquid storage sector is also key to EU energy independence, which promotes EU strategic autonomy and economic resilience.



BUNKER FUELS (ALSO KNOWN AS MARITIME FUELS) IN THE ETD

The revision of the ETD is a critical policy measure to encourage the uptake of more environmentally friendly, low carbon and renewable fuels. This is especially the case in hard to decarbonise areas such as long distance transport. Shipping is a prime example of an activity that requires attention from policy makers in this context.

Taxation is a fundamental area that needs to be addressed to encourage the uptake of low carbon and renewable liquid fuels.

The current reform of energy taxation in the ETD review is the key policy measure in this area, and is a measure that we support in order to accelerate the transition to low carbon and renewable liquid fuels.

The taxation of maritime fuels in the ETD merits careful consideration to avoid circumvention through bunkering outside the EU (e.g. Russia, UK, Gibraltar, Singapore¹). The reason maritime is particularly susceptible to this is due to the flexibility of navigation in this transport mode, which does not exist when it comes to aviation for example. Maintaining the existing tax exemption for bunker fuels is the only way to avoid circumvention.

Those members of FETSA who are present in EU Member States highly recommend taking into account the following principles when developing new rules on energy taxation in the maritime sphere:

- **Anti-circumvention and prevention of carbon leakage.** The revised ETD **should maintain** the existing tax exemption for bunker fuels to ensure a level playing field between the EU and its neighbouring jurisdictions across the entire EU. This is the only way in which Greenhouse Gas Emissions targets can be met without global targets being undermined through carbon leakage until a comprehensive Carbon Border Adjustment Mechanism can be implemented and enforced.
- **Emissions Trading Scheme inclusion.** Bunker fuels should be included in the Emissions Trading Scheme. Combined with the tax exemption being maintained, this will incentivise use of the cleanest fuels and enable the energy transition for this mode of transport whilst preventing carbon leakage.
- **International coordination.** New rules should be coordinated with the IMO.

1. CE DELFT 210349 - *The impacts of the ETD proposals on shipping and bunkering* – November 2021

ABOUT FETSA

FETSA represents the bulk liquid storage sector in Europe. Bulk liquid and liquified gas terminals are present in ports, airports, logistic platforms and along rivers, canals and pipelines. In total FETSA represents over 140 companies operating 716 terminals across Europe.

The sector energises the EU economy. Terminals provide an essential interface between sea, road, rail, inland waterway and pipeline logistics. They are a critical component in the supply chain for liquid energy sources, chemicals, animal feeds and fats, oils and other substances for human consumption helping to balance out supply and demand to ensure everybody has critical liquids at the time they need them and in the quantity required.

Many strategic terminals are designated as Critical National Infrastructure by the EU and national governments due to their importance in providing energy to industrial, transport and defence markets. Our storage capacity includes strategic reserves held for emergencies and supply disruptions.