POSITION – 19 March 2021

Energy Performance of Buildings Directive (EPBD)
Contribution to the EC Roadmap

The Fit for 55 package foresees a potential early revision of the Energy Performance of Buildings Directive (EPBD). We are writing to you as 4 associations active in the liquid heating fuels industry, namely ECFD (European Confederation of Fuel Distributors), Eurofuel (European Heating Oil Association), FuelsEurope (European Petroleum Refiners Association), UPEI (Europe's Independent Fuel Suppliers). We support measures to help decarbonise the heating sector, including the EPBD which contributes to higher-performance and comfortable buildings and reduced energy bills for citizens, as well as facilitates the acceptance of the energy transition.

Benefits of liquid fuels for heating

Liquid fuels – such as heating oil – provide numerous benefits to consumers and to the wider energy system: they are easy to store and easy to transport, they have a high energy density, which means they are very efficient, and an excellent supply infrastructure. Thanks to the lower capital investment and running costs, heating oil systems are part of the solution against energy poverty. Twenty (20) million households – often located in off-gas grid areas in Europe - use these fuels. But liquid fuels are more than conventional fossil fuels like heating oil. They also include the new generation of renewable and/or low-carbon liquid products such as sustainable biofuels and synthetic fuels.

With the 2050 decarbonization ambition set out in the Green Deal growth strategy, the European Commission is driving an ambitious agenda to foster the energy transition across different economic sectors. Heating with liquid fuels can contribute to the success of this vision through a **three-step approach**[1]:

- The first step is to **maximise the boiler efficiency**. Installing modern oil-fired condensing boilers in all buildings would have immediate benefits. They reduce both fuel oil consumption (with an efficiency close to 100%) and the greenhouse gas emissions - by up to 30% compared to outdated boilers.
- The second step is to promote **hybrid heating systems**. Hybrids build on the strengths of different technologies – ie. renewables which reduce greenhouse gas emissions, and oil which are readily available independently of the wind and sun. This provides a cost-effective solution to immediately reduce greenhouse gas emissions in the building sector.
- The third step is to **introduce CO_2 neutral liquid fuels**. These drop-in fuels can be used in both traditional and modern condensing boilers. The heating oil sector is currently running field tests with boiler manufacturers to confirm the full compatibility. Furthermore, the existing supply infrastructure can be used. The technology to produce renewable liquid fuels is already available:
    - HVO (Hydrotreated Vegetable Oil: produced from used cooking oil, residues from the food industry and from vegetable oils which are not intended for food) is a mature technology and the fuel is available at an industrial scale[2].

[1] https://www.eurofuel.eu/images/Heating_with_liquid_fuels.pdf

[2] Currently, 3.5 million tonnes per year of HVO production takes place globally expected to increase to 6-7 million tonnes per year by 2020. In the EU, further refinery conversions and co-processing have the potential to provide additional biofuel volumes in the range of 12 million tonnes (source: www.eafo.eu)

- BtL (biomass-to-liquid) can be generated from a variety of vegetable raw materials (algae, waste, wood or straw).
- E-fuels are synthesized in a catalyst driven process called the "Fischer-Tropsch" process, which has been known for decades (PtL: Power-to-Liquid process).

Contribution to the Renovation Wave

The revision of the Energy Performance of Buildings Directive will focus on provisions that are central to boosting building renovation. Our sector can contribute to increasing the renovation rate in Europe: a big part of liquid heating fuels are used by off-grid located rural houses. They represent 24% of the EU residential buildings, as noted by the European Union Building Stock Observatory. These households have specific energy needs which can be accommodated through already existing cost and energy efficient technologies. Our first step approach proposes to switch to a condensing boiler, with an hybrid system, lowering significantly the consumption of liquid fuel (thus reducing the greenhouse gas emissions), while avoiding major renovation work. At a later stage, incorporating low-carbon liquid fuels progressively will ensure a smooth transition for these households, in line with the EU 2050 climate target. As such, consumers increase their energy performance while keeping the renovation work affordable.

Technology open approach

We are of the opinion that the European Commission should acknowledge in its future proposals the broad range of heating technologies available, or soon-to-become available. Although we fully agree in empowering consumers by ensuring access to all relevant information, we also believe that they should be able to decide between the widest range of options possible, adopting a technology-open approach. This translates into facilitating investments in tomorrow's innovative solutions such as carbon-neutral liquid fuels, which will replace fossil fuels in oil heating systems going forward. Alternative products such as biomass-to-liquid, hydro-treated vegetable oils and power-to-liquids are undeniably part of the toolbox to decarbonize the heating sector. Forthcoming EU initiatives should recognize them all and help to ensure their market access.

We therefore strongly encourage the European Commission to carefully assess in its preparatory work the following elements:

- The impact of banning existing technologies that will support the deployment of carbon-neutral liquid fuels in the near future, and in particular in relation to alleviating energy poverty;
- The contribution of carbon-neutral liquid fuels to the EU decarbonization objectives, in addition to other solutions;

In addition, it is important to understand the very specific nature of the housing stock within all Member States before considering moving targets forward – in particular for generally larger, older homes, in rural/ remote locations often with poorer households that may not be able to afford diverse and more expensive heating solutions. This is an important factor as migration of these types of houses over to electrification or other alternatives for example, regardless of which sort, is very much at the "very hard" and "very expensive" end of the spectrum apart from using new boiler technology and low carbon liquid fuels. The design of these types of houses, for example farmhouses, is such that retrofitting to heat pump-systems and improved energy efficiency measures may require a huge capital expenditure to improve the insulation of the properties.

A major challenge is that the demographics mean that many of the owners are cash poor and asset rich (pensioners, farmers etc.). They will find it very difficult to raise the required capital to undertake major refurbishment of their homes.

Households urgently need access to more affordable low carbon solutions. This is especially true for those living off grid where properties tend to be older. Fuel poverty tends also to be higher in rural areas, making cost an even more crucial factor.

Gradual phasing in to ensure social acceptance

We believe that a phased approach to the likely introduction of mandatory minimum energy performance standards for different types of buildings will be critical to ensure social acceptance. We would support different options for the type, scope, timeline and phasing in of such standards and the level of flexibility for Member States in order to have a smooth and inclusive transition towards EU energy efficient building stock.

As providers of liquid fuels for heating purposes, our members cannot stress enough the benefits of well-performing and efficient heating systems in terms of energy consumption, energy efficiency and CO2 emissions. We therefore support future initiatives that will facilitate regular upgrades of obsolete and/or inefficient heating systems. Given the high costs of buildings refurbishment, such upgrades often constitute at the time being the first and sometimes only affordable step towards increased energy efficiency for EU consumers. This stands particularly true in the case of vulnerable households. Moreover, replacement of old boilers with state-of-the-art and/or hybrid ones do make a considerable difference on European consumers' energy bill thanks to the reduced energy consumption. Besides, upgraded boilers are suited to future decarbonized options such as carbon-neutral liquid fuels, meaning consumers will be able to transition to them without further investments. We therefore strongly warn against banning them.

EU/Governments need to understand the role and benefit that new low carbon liquid fuel can play in reducing emissions from heating using current infrastructure and at low cost to the consumer which should be a key element to considered. We therefore would strongly advise against banning specific types of appliances. Unlocking fiscal and policy incentives, together with private investments will allow the necessary upgrades to happen. The gains will go beyond decarbonisation, contributing to put energy poverty at bay.

When assessing the impact of EPBD and its likely direction of revision, we recommend having a thorough analysis of:

- Cost repartition and an overview of which parties will be paying for this transition, who will carry the financial burden and how this will impact vulnerable consumers and social acceptance?
- What the impact would be on phased introduction of mandatory minimum energy performance standards from 2026 onwards and how this will fit with each Member State local circumstances.
- If such mandatory minimum requirements are introduced before 2026, would those lead to a compliant increase in the use of renewables or a reduction in the energy performance of buildings?
- The positive impact of other legislative proposals included in the "Fit for 55" package, such as the review of the Energy Taxation Directive and the Renewable Energy Directive that should unlock the deployment of renewable and carbon neutral liquid fuels, including in the heating sector.

CONTACT

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