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## The War in Ukraine and the Energy Dilemmas

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We will all agree that during the last two years, **everything changed in Energy Sector**.

On my part I will focus on the **Oil sector**, but let me use from now on the term **Fuels Manufacturers Sector**, which **corresponds** better to a future moving away from oil.

Let’s see what is the environment in which our industry operates.

2 unprecedented and unexpected **crises**, first the **Covid** pandemic and then the **war** against Ukraine. Our industry was one of the **most impacted** from both crises.

Along with those two crises, the sector must also respond to **an ever-changing and uncertain regulatory and business** environment:

- the **institutional** changes related to the Green Deal and the FitFor55 package,
- an always **highly competitive international** business environment,
- changes in **consumers’ choices** and decline of market demand
- new **investors** requirements

With all those changes and uncertainties, we can say for sure that, there is **no business as usual** for our industry anymore. “**Transformation**” towards climate neutrality is the **only answer, the only way out**.

The **Ukraine crisis disrupted** the markets and **geopolitics** of energy, driving oil and gas prices to their **highest levels** in nearly a decade, impacting thus the **cost of living and quality of life** for the EU citizens. During this crisis Europe realized a) the **vulnerability of its energy supplying** system and the urgent **need to revisit** it, b) the importance of the **energy assets in place** and the need to find ways to **secure energy autonomy** in the future.

And now, the main energy **dilemma** in Europe is how to **reduce dependence** on energy imports, securing thus our energy autonomy, **without losing track** of our ambitious climate targets.

**But let’s be clear**. Achieving energy autonomy while accelerating our efforts towards climate neutrality won’t happen tomorrow, but it will take years. Let’s not forget that according to Eurostat 2019, **60%** of our energy needs in Europe is covered by **imported fossil fuels**, while **renewables** account for only **15%** of the EU energy consumption, which means that Europe has **a long way** towards climate neutrality and **energy autonomy**. In the meantime, **Fuels Manufacturers** have to continue **supplying** secure, competitively produced and affordable energy for all EU citizens, while also **accelerating** their own transformation.

As we all know, the **RePower EU Plan** sets a **two-fold response to the crisis**, aiming, to **reduce** dependency on Russian Fossil Fuels and to **fast forward** the green transition, calling for **energy**

**savings, electrification, renewables.** All of them, very **important** in achieving a **fossil-free future**, but still, **not enough**. Renewable and Low carbon fuels are of **equal importance**, especially for the hard to abate sectors. But they are **entirely absent** from the RePower EU Plan, although it is clearly stated that **technology neutrality** is of fundamental importance.

Besides the RePower EU Plan, **FF55 package** also creates a **huge impact** on our sector, **clearly choosing** certain technologies, while banning some other, again, against the technology neutrality principle. Not only it does not provide the same level of **financing** and **demand side measures** for all technologies, but it even **bans** certain technologies. It should be made clear that we **need to ban fossil-origin fuels**, and **not the technologies themselves**. **All** technologies currently using petroleum origin fuels, **could use renewable** and low carbon fuels **from today**, in Aviation and Maritime, in Road transport, in the Industrial sector, with **no need for any new infrastructure cost**,

- achieving **from today** and in the short term a **crucial CO2 reduction**,
- and contributing to a **just transition** for all European citizens.

The question is How do Fuels Manufacturers' respond to all above challenges? I will briefly refer to the vision of HELPE Group.

As our CEO announced, according to our **Vision 2025**, we aim to reduce our Carbon footprint **by 50% by 2030**, in a twofold way,

- first by **transforming our core business**, not only by increasing our energy efficiency but also by adopting **new technologies**, such as CCS, blue and green H2, green electricity, in order to achieve **30%** reduction of our carbon footprint,
- while the other **20%** reduction will be **offset by investing** in Renewables, mainly solar and wind.
- We are also targeting our **scope 3 emissions**, by developing new **energy products and services**, with projects such as charging infrastructure, use of sustainable feedstock in our refineries, recycling of plastic in refining and petrochemical processes.

In this pathway we are **not alone**. All Fuels Manufacturers in Europe are investing in a wide range of LC projects across Europe, including CCUS, E-Fuels, Green H2, Advanced biofuels, bio-refinery conversions, waste to fuel, etc. In order to develop those technologies **at scale**, we need the **right and supportive regulatory framework**.

As for the **current crisis**, our industry is ready to play a **leading role** in progressively **reducing the dependency** on Russian oil and oil products.

- In the **short term**, our focus is on ensuring the **uninterrupted supply** of liquid fuels and other refinery products necessary to the EU businesses and citizens. Let us not forget that today **240 billion cars** in Europe, and **27.000 aircrafts and 90.000 ships** globally rely on liquid fuels produced in the refineries, without mentioning the **chemical industry's dependence** on refining products.
- In the **medium to long term**, as already said, our industry will **replace petroleum-origin feedstock**, which is mainly imported, by sustainable biomass, recycled CO2, waste and other **domestic** new raw materials in order **to produce** renewable and low carbon liquid fuels. The **final goal** being the e-fuels, 100% renewable fuels, produced from water and CO2 by using green electricity.

The **benefits** of such a pathway are obvious:

- Substantial **contribution** to the EU objective of **climate neutrality**, and
- Drastic **improvement of the energy security of supply** by severing the dependency on import of petroleum and oil products.

I will **conclude** by repeating that in order to achieve all the above, an **enabling**, supportive **regulatory framework** will be **key**.

## QUESTIONS

### 1. *investment needs in the coming years?*

According to **FuelsEurope**, the European Association representing all companies operating refineries in the EU, the investments that will be needed within the next 30 years, by 2050 are estimated between **400-650 billion euros**.

**On the part of HELPE**, and in order to achieve the goals of our Vision, our CEO has announced investments of **3,5-4 billion euros** within the next 5 to 10 years, while **half of this amount** will be directed to low carbon energy activities.

### 2. *In what way is technology neutrality connected to just transition? Can you give us an example?*

We cannot talk about **just transition** without considering the **affordability** and the **quality of life** of all EU citizens. **Access** to sustainable mobility for all is an important dimension of the just transition.

A **study**, recently released by a consultant for FuelsEurope shows that most of the EU citizens **cannot afford** to buy a new car. Only **40-60%** of the population in Western EU countries are able to buy a new car and only **20%** of the population in Central & Eastern EU Countries. The rest of them drive second hand cars.

**As for the cost** of an electric car, it is currently **beyond the financial capabilities** for the majority of the EU private consumers. This cost is currently influenced by the **subsidy schemes**, which are directly related to **MSs financial capability** and their **GDP**.

Within this context, technologies of renewable and LCLF can be **supplementary** to electrification

- They give customers a **choice** between low-carbon technologies in transport,
- **They enable the 200 million** ICE vehicles that will be on the road after 2030 to progressively become low-carbon,
- They ensure **access to low carbon mobility for all** citizens **without the cost** of a new car or a new infrastructure, and finally
- They secure a **just transition** in transport.

**In a completely different direction**, **Banning the ICE** car that had been proposed by the Commission through the vehicles' CO2 Regulation and was approved by the EU Parliament last week, with a narrow majority though, seems to **ignore** the parameters I mentioned on **affordability** and the **social dimensions** of just transition in transport.