



ORLEN S.A. position regarding the Commission's call for evidence on Sustainable Transport Investment Plan (STIP).

Below are some general issues identified when it comes to the works on STIP:

- Achieving climate neutrality by 2050 and the interim targets set for 2030 and 2040 under the Fit for 55 package, as well as fulfilling the ambitious decarbonisation pathway for transport under EU regulations, including RED III, RefuelEU Aviation, FuelMaritime EU **will require significant investments in the energy transition of the transport sector**. It is advisable to create conditions conducive to investments in low-carbon and renewable technologies and enabling the transformation of the refining industry in the EU. Investments of this type are generally high-risk, which combined with high investment costs and low profitability, makes it difficult to take a final investment decision (FID). In order to increase the attractiveness of low-carbon and renewable projects and those supporting sustainable development, the role of financial instruments, including EU funds, should be strengthened, which will significantly contribute to unblocking projects awaiting FIDs.
- **Important factor limiting new investments in low-carbon and renewable technologies is the availability of raw materials and affordable energy.** Access to affordable electricity is crucial for the development of synthetic fuel technologies. Legislative solutions supporting the development of green energy in the EU should be promoted. The availability of renewable raw materials is limited, and a significant proportion of them are burned, which is not the most efficient way to use them. Priority should be given to the use of renewable raw materials, with a high priority for the production of biofuels, including SAF. At the same time, technologies based on locally available raw materials should be promoted, which will have a positive impact on the EU's energy independence and security.
- **Another important factor influencing the development of technology is its scalability and operating costs.** Financial support for research and development of new technologies should be increased, which will contribute to lower operating costs and greater availability of technology, as well as increase the competitiveness and innovation of the EU economy. Currently, the most widespread technologies, i.e. HVO (HEFA SAF) and FAME (UCOME), will enable the current decarbonisation targets in transport to be met, but due to the limited supply of raw materials (including the risk of dependence on supplies from outside the EU), efforts should be made to increase investment in the development of alternative technologies, including second-generation bioethanol, bio-CNG and bio-LNG.

Key recommendations:

- **Regulatory framework shall be clear (yet flexible), stable, predictable way beyond 2030, up to 2050 at least.** In order to achieve that, regulatory barriers shall be dropped, and existing regulations shall be harmonized, simplified, so as a result, they provide a complete and coherent regulatory framework. Only such a long-term perspective will allow for strategic investment decisions with a 20-30 year horizon, mitigate the risk of investment uncertainty and stranded assets. Current EU climate and energy policies, like the RED III directive, provide a relatively clear framework of overly stringent targets, mandates, and support mechanisms up to 2030. However, there is a significant lack of clarity on what the rules will be post-2030. For

investors and banks, this creates a "regulatory cliff." Therefore, additional, yet less stringent , regulatory framework for future years is needed.

- **RFNBO production criteria:** one of the main barriers to the production of renewable hydrogen RFNBO, which is both a transport fuel and a raw material for the production of other transport fuels and e-fuels, are the additionality and temporal correlation criteria set out in Regulation 2023/1184. At the initial stage of the RFNBO hydrogen market development, these criteria limit the economic viability of its production and thus the number of installations being built in Europe, particularly in countries that are still decarbonising their energy systems with a high carbon footprint and an insufficient share of RES. Therefore, we propose the introduction of exemptions and derogations from the requirements of additionality and hourly correlation in the production of RFNBO, taking into account the local conditions of its production.
- **Fossil CO2 for e-SAF production:** extending the use of fossil CO2 until 2050 will increase the bankability of carbon capture installations and enable their integration with e-SAF production installations, as well as making e-SAF production more flexible by increasing the number of installations for the production of synthetic fuels.
- **All renewable and low-carbon fuels technologies should receive equitable support under EU regulations.** Biofuels (bioliquids and biomethane) should be explicitly mentioned in the STIP as an eligible, proven and scalable technology. They are ready to deploy drop-in solution for every transport segment, allowing significant GHG emissions reduction without major investments in drivetrains replacement. Similarly, low carbon fuels should receive a stronger support, especially in the field of harmonization and recognition under different regulatory frameworks. For example, where regulations cross (e.g. RED III and ReFuelEU Aviation) and there are some discrepancies, they shall be eliminated, e.g. crop based biofuels are allowed under REDIII regulations (max 7%), whereas SAF under ReFuelEU Aviation can only be produced from advanced feedstock or in form of RFNBO. Furthermore, vehicles running on carbon-neutral fuels (both sustainable biofuels, renewable and low-carbon e-fuels) should be classified as “zero-emissions” in the upcoming LDV/HDV CO₂ regulation.
- **When it comes to financial aspect of investments:**
 - **Long-term, stable financial instruments shall be introduced.** Such long-term financial instruments allow the offset of the so-called “green premium gap”, and ensure project bankability. For instance, mechanisms that guarantee revenue stability, such as Contracts for Difference (CfD), are essential. They provide investors with the certainty needed to secure debt financing and launch investments. In addition, such long-term contracts shall be promoted as desirable and should be combined with long-term bank guarantees or other financial instruments that safeguard investments.
 - **Regional support for RFNBO production, including eSAF and SAF:** Dedicated support programmes/competitions for RFNBO production projects should be created, including e-SAF and SAF, taking into account geographical baskets – considering the diverse production conditions so that certain regions of Europe are not marginalised and support is not concentrated in others. This approach will ensure that production and fuel availability remain diversified across all regions.
 - **Supporting demand for infrastructure that meets AFIR objectives:** Creating mechanisms to support demand for fuels refuelled at hydrogen refuelling stations that meet the objectives of the AFIR Regulation is needed. The refuelling stations under construction need steady demand for hydrogen and an accelerated increase in the number of consumers at the current, initial stage of market development.
 - **Dedicated funds for logistics infrastructure:** the development of the RFNBO fuel market requires adequate logistics infrastructure connecting fuel production sites with consumers. Europe needs a developed hydrogen transmission network and terminal infrastructure to ensure diversification of supply. Without adequate logistics infrastructure, RFNBO fuels will be used to a limited extent, mainly at their production sites, and the best areas for the production of these fuels will not be developed.

- **Increasing the budgets of EU funds and programmes**, e.g. CEF, Innovation Fund and the successor to Horizon Europe as the current pool of funds is highly insufficient.
- **Creating incentives on the demand side**: Creating incentives for airlines and ship operators to enter into long-term contracts, e.g. for a period of 5-10 years (long-term purchase agreements help secure project financing).
- **Accumulation of aid**: In order to enable synergies between various complementary policies and financing mechanisms, STIP should establish 'extraordinary' rules for the accumulation of public aid in the field of decarbonisation projects. The use of one support mechanism (e.g. subsidies under the European Hydrogen Bank) should not preclude the possibility of parallel use of national subsidies and/or subsidies under CEF AFIF or the Innovation Fund.
- **Unlocking the full potential of biofuels requires a fundamental rethinking of the way we classify, promote and certify different bio- and waste feedstocks**. The list of RED-eligible sustainable feedstocks should be expanded, and existing caps (particularly concerning biofuels of 1st generation) should be reevaluated and, where appropriate, softened up. At the same time European fuel producers are ready to take an active role in reinforcing the anti-fraud tools and processes, mainly concerning imported feedstocks.
- **In order to ensure energy security and the stability of the transition, it is crucial to utilize the full potential of sustainable feedstock available in Member States, including those from domestic agriculture**. EU regulations create strong demand for sustainable feedstocks, especially those derived from waste and residues listed in Annex IX of the RED Directive (Part A, e.g., straw or forest biomass, and Part B, e.g., used cooking oil - UCO and animal fats). However, the supply of these feedstock is becoming increasingly limited, which, from a European and global perspective, leads to a supply gap and intense competition. Asian countries, Indonesia and Malaysia being the main global players are limiting the availability of UCO in the international markets. It imposes pricing and feedstock availability risks on Europe. Asia is also becoming driven by aviation decarbonisation. Supply and demand imbalance may result in fierce competition and limited availability of feedstock for Europe to maintain continuous production of SAF.
- **STIP should better reflect and support role of cross-sectoral multi fuel producers**:
 - **Production of road, aviation, marine and rail fuels in one integrated plant is a bedrock of modern fuel markets**. It provides necessary flexibility in addressing seasonal demand fluctuations, and contributes to better energy efficiency and feedstock utilization, thus guaranteeing secure and affordable fuels for business and individual consumers. Those plants are already gradually switching from conventional into renewable, waste and circular based feedstocks; contributing to decarbonisation goals of EC.
 - **Support for stand alone, greenfield e-fuel plants** is an obvious necessity, but ample, resilient and affordable supply of renewable and low-carbon transport fuels will not materialize without an adequate support for investments in transition of brownfield plants co-producing a wide range of fuels. Clear framework for such investment, will not only allow to strengthen Europe's strategic autonomy and improve competitiveness of domestic producers, but also will drive innovation in technologies, that will be in demand on global markets for decades to come. Dedicated funding programs could be based on existing solutions like Innovation Fund or European Hydrogen Bank.
- **BioCNG, BioLNG, and hydrogen should be fully integrated into the future EU transport investment strategy**. These solutions are not only available and scalable today, but are also critical to ensuring that decarbonisation does not come at the expense of competitiveness, affordability, or energy sovereignty and security.
 - **Incentivise first movers**: Establish de-risking mechanisms, including CfDs and targeted grants, for BioCNG, BioLNG, synthetic gaseous fuels and hydrogen production and refuelling infrastructure and gas infrastructure operators.
 - **Adopt LCA-based emissions accounting**: Enable fair treatment of renewable fuels and promote real-world GHG reductions,

- **Promote regulatory coherence:** Align CO₂ standards with RED II and ensure recognition of renewable gases across EU frameworks.
- **Foster local and circular economies:** Prioritise locally produced renewable gases that contribute to energy independence and security, waste valorisation, drive regional economic and social development and job creation.
- **Ensure fair access to biomethane:** This gas is increasingly recognised as essential to decarbonising sectors where electrification is difficult or cost-effective. Maintain market-based accounting methods and allow consumers to claim the decarbonisation benefits of renewable gas purchases.
- In order to reduce NO_x and GHG emissions, **standardised network of urea solution delivery points in ports shall be commenced.** Therefore:
 - SCR (Selective Catalytic Reduction) and reagent availability shall be included as a part of the strategic transformation framework;
 - Pilot projects shall be launched at offshore wind service points and ferry ports;
 - European standards for urea solution bunkering shall be developed, as it was done previously with LNG.