

Brussels, 10 February 2026

Federal Chancellor Merz
Head of State of Germany

Subject: Retreat of Heads of State - a call from Europe's Refining and Fuel Manufacturing industry

Dear Federal Chancellor,

On the occasion of the Antwerp Declaration discussions, bringing together the European Commission, European industry and Heads of State and Government, and in the run-up to the Retreat of Heads of State in Alden Biesen, taking place at a decisive moment for Europe's industrial base and competitiveness, we write to you with clarity and urgency. The future of Europe's Refining and Fuel Manufacturing industry is no longer a technical question. **It is a strategic choice.**

In a world defined by permanent geopolitical tension and accelerating industrial competition, Europe's fuel manufacturing industry must be recognised for what it is: a **Strategic Industry, a pillar of Europe's economy, security and sovereignty.**

This industry underpins Europe's energy security, defence and military readiness, mobility and industrial value chains. It supplies fuels and essential feedstocks to aviation, maritime and road transport, defence, agriculture, construction machinery, specialties, waxes and lubricants. Today, all these sectors rely almost exclusively on fuels and products from refining: around 97% of energy for mobility, and effectively 100% for defence and military operations, construction and agricultural machinery, and specialty industrial products, while the chemical industry alone depends on refining for around half of its feedstock. **There is no substitute at scale for all these uses.**

Refineries are not isolated assets. They are deeply embedded in Europe's industrial ecosystem. Their competitiveness determines the resilience of entire value chains and Europe's capacity to act independently in times of crisis. **During geopolitical shocks and supply disruptions, the refining and fuel manufacturing sector is indispensable.** It anchors security of supply and reduces dependency on external sources.

Competitiveness of refineries today is a prerequisite for the multi-billion-euro investments required to lower the carbon footprint of our operations, scale renewable and low-carbon fuels and enable hydrogen deployment at scale. It is also a prerequisite for the decarbonisation of all sectors that rely on our products: aviation, maritime, road transport, chemicals, defence, and specialty products. **Their transition depends on ours. If our transition fails, theirs will fail as well, or will rely on imports, with severe consequences for security of supply, strategic autonomy and transition costs.**

Our transition progressively replaces imported fossil feedstock with mainly domestic sustainable alternatives. It paves the way for strategic autonomy, enables new decentralized liquid energy production models, and supports new value chains, local economies and job creation. Our of billion-euro investments have started. Our industry is already delivering the renewable fuels required by European legislation, such as the ReFuel EU Aviation and the Renewable Energy Directive (RED).

Yet today, **this strategic sector is under immense pressure.** Since 2009, 35 Refineries have shut down, representing a 20% reduction in capacity, while global competition is intensifying for the remaining 83 refineries and 11 biorefineries. Europe is already a net importer of jet fuel and diesel. Energy costs in Europe

are structurally higher. Carbon costs are the highest in the World and continue to rise. Regulatory complexity continues to grow. The lack of technology neutrality constrains investment in decarbonised fuels. These pressures contradict Europe's ambition to restore industrial competitiveness, precisely at the moment when unprecedented investment is required to comply with EU law. If this trajectory is not corrected, the outcome is clear. **Investment will be deployed, but not in Europe.** Domestic production will decline and will be replaced by imports from regions with more investment-friendly regulations, or with lower environmental standards. Europe will lose control over critical supply chains.

Europe's ambitions require enablers, not obstacles. We therefore urgently call on you to take action.

Ensure competitiveness of our industry

Carbon costs must be addressed and reduced. Carbon leakage protection must remain effective. ETS benchmarks and indirect cost compensation must be adequate and predictable. Short-term measures are urgently needed, as a result of rising ETS carbon costs combined with rapidly declining free allocations.

The Cross-Sectoral Correction Factor should not be triggered, and the invalidation of allowances in the Market Stability Reserve should be stopped. A pragmatic solution is also required to address the hard stop of emission allowances around 2039. The share of free allowances allocated to sectors exposed to carbon leakage must be increased to reflect today's realities.

CBAM must be fixed, including an effective solution for exports. Should any extension to refined products be envisaged, the coexistence of ETS protections with CBAM must be ensured until its effectiveness is fully proven.

Regulatory burden must be reduced. Simplification must be real. Where rules are not workable, timelines must pause to allow correction.

The European Chemicals legislation, such as REACH and CLP, has become a global benchmark. **Simplification efforts should reduce administrative burden** while preserving those core reference frameworks, aligned with international systems such as the United Nations Globally Harmonised System (GHS).

The EU Methane Regulation must be implemented consistently and pragmatically across Member States. Import provisions must reflect global realities. A stop-the-clock approach and targeted adjustments are necessary to avoid supply risks, cost shocks and irreversible capacity closures.

Enable investment cases for the low-carbon transition

Technology neutrality must be preserved. Climate policy must recognise renewable and low-carbon fuels alongside electrification across all transport modes, not just for aviation and shipping. Co-production of fuels for all demand sectors underpins refineries' competitiveness. Regulatory certainty and demand-side market creation are essential to unlock capital and innovation.

Regulations must be better synchronized with technological development. Imposing premature obligations for immature technologies, at excessive cost, is counterproductive, as is the case for liquid RFNBO use for aviation as early as in 2030.

Refineries are strategic industrial assets that should not be demonized, but instead protected and supported to transform. The EU, and the world, will need our fuels and products throughout the transition. Yet current EU taxonomy and regulatory frameworks often exclude refineries from decarbonisation support, despite their central role in decarbonising large strategic sectors.

Finally, **Europe must enable credible investment cases for the low-carbon transition** to renewable and low-carbon fuels through road transport CO₂ standards, clean vehicle frameworks, RED III implementation and

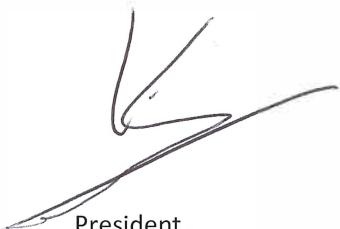
the post-RED III framework. Selective regulatory improvements to enable availability of more sustainable feedstock, more and better processing technologies, and demand across all transport markets would mobilise far greater investment

A Strategic Dialogue on the future of Europe's refineries is urgently needed.

Europe cannot deliver climate ambition, competitiveness or strategic autonomy without a strong refining sector. This is not a sectoral request. It is a strategic reality.

A high-level Strategic Dialogue that is forward-looking and cross-sectoral, bringing together policymakers with all upstream and downstream sectors linked to refining, from energy and transport to chemicals, defence and manufacturing. A Dialogue that delivers a concrete Action Plan with a clear timeline to restore competitiveness, secure investment and enable transformation. This Strategic Dialogue is the missing piece of the EU Industrial Strategy.

The European refining industry stands ready to deliver security of supply, decarbonisation and resilience. **What happens next depends on political choice.** We call on Europe's Heads of State and Government to show leadership, take bold decisions, including the **setting up a Strategic Dialogue for our industry**, and act now to anchor this transformation in Europe.



President
Luis Cabra



Director General
Liana Gouta

