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Response of the Danish Government to the Commission's call for evidence - Sustainable Transport Investment Plan (STIP)

<u>Introduction</u>

On 7 August 2025, the Commission initiated a call for evidence to gather input for an upcoming Sustainable Transport Investment Plan (STIP). The purpose of the plan is to provide a strategic framework for the green transition of all modes of transport focusing specifically on the aviation and maritime sectors.

For road transport, electrification with battery electric vehicles is well under way due to technological advancement and supported especially by the CO_2-standards for light and heavy-duty vehicles as well as Member States' initiatives. However, especially in aviation and maritime transport, direct electrification with the current technological readiness level is in many cases unable to meet the high energy density requirements. Instead, renewable and low carbon fuels are needed and it is important that the production and uptake of these fuels is ramped up quickly, globally and in the EU. The production and availability of green fuels in the EU is not only important to deliver on the EU's climate ambitions, it can also help reduce air pollution if taking into consideration in the development of the fuels. In addition, production of renewable and low carbon fuels improves the EU's energy security.

The Danish Government agrees with the Commission that a guiding framework on how to support the production of renewable and low carbon fuels for the aviation and maritime sectors is indeed necessary and helpful in furthering and accelerating the transition.

Such a framework can address distinct investment barriers associated with each mode of transport and also increase the competitiveness of the clean tech manufacturing sector in line with the recommendations of the Draghi-report. Currently, we see e-fuel manufacturing projects being delayed or not reaching final investment decision. This has mainly been due to the inability of these projects to secure financing due to high perceived risk of investment in e-fuel manufacturing. This is despite of the ReFuelEU Aviation and FuelEU Maritime regulations requiring the use of e-fuels already from 2030.

However, dynamics in the fuel market and policy uncertainty increases the perceived risk of investing. Producers of e-fuels need offtake agreement for 10 to 15 years in order to obtain financing. Airlines and ship owners on the other hand operate on so thin margins that they cannot risk locking in a higher price on e-fuels than their competitors for 10 years and are therefore only willing to engage in short offtake agreements.

In addition, market participants rely on the stability of the mandates in the ReFuelEU Aviation and FuelEU Maritime regulations. If the market doubts whether the mandates will remain or if fines will not be imposed as stipulated in the regulations, then investment in e-fuels manufacturing becomes even more risky. Therefore, new mechanisms are needed to initiate the market for production of green fuels as the pricing challenge seems unlikely to be solved by market power alone.

Reiterate and reduce uncertainty in existing regulation

The Danish Government encourages the Commission to reiterate its commitment to the existing mandates in the ReFuelEU Aviation and FuelEU Maritime regulation. Together with a guiding framework of de-risking investment in production of renewable and low carbon fuels this could bolster market trust and incentivise more investment in these types of fuels.

Unfortunately, there has been uncertainty regarding the right of Member States to introduce national mandates for the aviation sector when transposing the revised Renewable Energy Directive (III). This has resulted in a heterogeneous landscape of aviation mandates across the EU. Denmark therefore encourages the Commission to provide clear and consistent guidance on the extent to which Member States may introduce mandates and support the uptake of sustainable fuels in the aviation sector. In general, Denmark advocates for a uniform and simple regulatory landscape across sectors.

The Danish Government suggests that the Commission ensures coherence between EU regulation and future international measures, including a potential fuel standard adopted at the International Maritime Organisation (IMO). It should also address the interaction between EU regulation, including FuelEU Maritime and the EU ETS, and the potential fuel standard under IMO.

Introduce de-risking mechanisms

The Danish Government agrees with the Commission that de-risking investments in renewable and low carbon fuels manufacturing is the appropriate tool. Neither the EU-budget nor the Member States can accomplish the task of bridging the entire cost difference between fossil fuels and green fuels, which alone for e-SAF could reach several billion euro per year. Private capital needs to be mobilised and the transitions ought in general to be driven by the market and privately financed.

The role of policy is thus to create a framework where the risk of investment in production facilities is as low as possible. The Danish Government welcomes the Commission's focus on different mechanisms that can reduce the risk, such as, but not limited to, double-sided auctions or contract for difference. Financing new initiatives will be difficult and we therefore support the Commission's effort to analyse how current funding mechanisms can be used.

Continue the work on simplifying the state-aid rules

In assessing novel policy mechanisms, if these are to be implemented by the Member States it is important to give the Member States, the best and most simple possible tools to do so. This involves making sure the state aid rules allow for speedy approval of these new policy mechanisms. We therefore support the Commission's ongoing work to simplify and clarify the state aid rules, for example with the newly adopted CISAF, and the focus in this framework on de-risking private investments related to clean industrial deal objectives. This work on simplification could also look into whether support for renewable and low carbon fuels and/or battery electric or hydrogen powered aviation could usefully be included in the General Block Exemption Regulation (GBER), making state aid tools easier to implement.

It is also important that the new policy tools are aligned with other regulations in this field. For example, Denmark has, to date, been unable to obtain a clear answer from the Commission on whether e-SAF subject to state aid can count towards the mandates set out in ReFuelEU Aviation. Such uncertainty regarding state aid rules hinders the ability of Member States to efficiently support the scaling up of domestic e-SAF production.

Coordination is important

The Danish Government recognizes that a coordinated EU effort is beneficial. The aviation and maritime sectors are by default international. A coordinated framework in the EU for supporting renewable and low carbon fuels can help secure alignment with the mandates of the ReFuelEU Aviation and FuelEU Maritime regulations as well as limit the fragmentation of regulatory requirements that investors need to comply with in different Member States.

The Danish Government thanks the Commission for the opportunity to contribute input and looks forward to assessing the solutions outlined in the Sustainable Transport Investment Plan.