



Connex on the RED-legislation: Compliance Obligation or Competitive Advantage?

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June 2026



Renewable Energy Directive (RED): Compliance Obligation or Competitive Advantage?

Across the European energy landscape, legislation has become one of the strongest forces shaping the future of renewable fuels. For companies operating in the biofuel and renewable feedstock markets, the Renewable Energy Directive (RED) stands as one of the most important regulatory frameworks.

RED defines sustainability standards, supply chain transparency, and greenhouse gas reduction targets for all 27 EU Member states, which directly impact how businesses within this region operate.

While some companies approach RED as a regulatory hurdle to clear, forward-thinking organizations are using it as a foundation for credibility, transparency, and competitive positioning in a rapidly evolving market.

Find out in this thought piece how we approach this at Connex.



The Evolution of RED from 2009 to today

The original **RED** was adopted in 2009, establishing binding renewable energy targets for EU Member States.

The directive set a 20% renewable energy target for the EU by 2020, with a specific 10% target for renewable energy in transport. This policy laid the groundwork for the modern biofuel industry by introducing sustainability criteria and encouraging investments in renewable fuel technologies.

As climate ambitions increased, the EU introduced **RED II** in 2018, expanding the scope of the directive and strengthening sustainability requirements.

Key elements included:

- A new 32% renewable energy target by 2030.
- Stricter sustainability criteria for biofuels.
- Increased focus on advanced biofuels and waste-based feedstocks.
- Greater emphasis on lifecycle greenhouse gas reductions.

One of the most significant developments under RED II was the shift in transport from volume-based renewable energy targets toward a stronger focus on greenhouse gas reduction. Member States were required to implement transport fuel obligations that incentivized sustainable renewable fuels, particularly advanced biofuels produced from waste and residue feedstocks.

At the same time, RED II addressed concerns around land use change and environmental impact by limiting the role of certain crop-based biofuels and encouraging lower-carbon alternatives. Together, these measures created stronger market demand for fuels with verified sustainability performance and more traceable supply chains.

In 2021, the European Commission proposed **RED III** as part of the broader Fit for 55 climate package, designed to reduce EU greenhouse gas emissions by at least 55% by 2030.

To achieve the desired reduction of greenhouse gas emissions, RED III includes:

- Increased renewable energy share of at least 42.5% by 2030.
- Accelerated adoption of renewable energy usage in transport and industry.
- Strengthened sustainability requirements.
- Expanded targets for advanced biofuels.

RED III should not be viewed in isolation. Its implementation coincides with sector-specific legislations aimed at decarbonizing some of the most challenging transport sectors. Through the FuelEU (Maritime) and ReFuelEU (Aviation), the EU is accelerating the adoption of renewable and low-carbon fuels in shipping and aviation, including increasing requirements for Sustainable Aviation Fuel (SAF).

Together, these frameworks reinforce the role of renewable fuels across road, maritime, and aviation transport, creating new opportunities for sustainable feedstocks and advanced biofuel solutions. At the same time, as EU Member States roll out RED III implementation measures, companies will face increasing requirements around supply chain traceability, transparent sourcing, and lifecycle emissions accounting through tools such as the Union Database.

RED III sends a clear message: renewable fuels will play a critical role in Europe's long-term decarbonization strategy.

Road to RED IV

While RED III implementation remains the immediate priority for industry participants, policymakers are already looking ahead to the next phase of Europe's energy transition. Discussions surrounding a future RED IV are expected to focus on the period leading to 2040, supporting the EU's longer-term climate objectives.

Several European markets, including Germany, are already considering how future renewable energy requirements may evolve beyond 2030. Similarly, the United Kingdom continues to develop its own renewable transport and low-carbon fuel frameworks, providing additional signals of where future policy direction may lead.

Although the final shape of RED IV remains uncertain, one trend is clear: expectations around traceability, sustainability verification, greenhouse gas reductions, and supply chain transparency will continue to increase.

Today's Competitive Advantages under RED III

For many organizations operating in the renewable fuels market, RED is treated as a regulatory checklist; a set of boxes that must be ticked to access European markets.

Certification systems, sustainability documentation, and greenhouse gas calculations are viewed primarily as an administrative burden. While compliance is essential, this approach often overlooks the broader strategic potential of the directive.

Companies that limit their view of RED to compliance alone, risk missing the opportunity to differentiate themselves as a leader in the renewable energy industry in an increasingly competitive environment.

At Connex, we approach RED differently

Rather than viewing it as a regulatory obligation, we see RED as a baseline standard that helps safeguard the integrity of the

renewable fuel supply chain. While RED compliance ensures that products meet the sustainability requirements expected by regulators and market participants, it also establishes the foundation for trust and transparency across the market.

As sustainability requirements become more demanding and supply chains increasingly complex, the ability to consistently deliver verified, traceable, and high-quality renewable products becomes a competitive differentiator.

To achieve the desired reduction of greenhouse gas emissions, RED III includes:

- Aggregating fragmented supply into large-scale flows while ensuring full transparency.
- Rigorous Know Your Customer (KYC) management and supplier risk control.
- Sustainability documentation management in accordance with the ISCC requirements.
- Robust quality checks and quality control protocols to ensure that products supplied via us meet the highest quality standards.
- Full traceability and auditability of the entire supply chain.
- Meticulous operational and compliance discipline.
- Continuously improving internal standards and processes.

For Connex, compliance itself is not the goal. Creating impact by building robust, transparent, and resilient supply chains that enable the renewable energy transition is.

The evolution of RED

From regulation to competitive advantage

2009

2018

2021

2030

RED I

Foundation

20% renewable energy
10% transport target

RED II

Expansion

32% target
Advanced biofuels
Stricter sustainability

RED III

Acceleration

Fit for 55
Stronger requirements
Supply chain control

Where we're heading

≥42.5% renewable energy
Full traceability
Market maturity

RED is not the finish line. It's the starting point.

Most see compliance. We see what comes next.

Compliance mindset

Certification
Documentation
Minimum requirements
Market access

Connex approach

Full supply chain transparency
Verified and trusted feedstocks
Continuous sustainability control
Built for long-term reliability

**Compliance builds access. Transparency builds trust.
Control builds leadership.**

connex

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