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EBB Position Paper on Commission DG Climate draft proposals on ILUC

ILUC non-verified assumptions are used as a pretext for a sudden U-turn in EU wide biofuels policy denying investments strongly promoted until few months ago

The European Biodiesel Board (EBB), represents the EU leading biofuels industrial sector producing more than 75% of all of the European biofuels. The European 20 million tonnes biodiesel industrial capacity has been built on the basis of a consistent EU policy on the promotion of biofuels started in 2003 and confirmed less than 3 years ago by Directive 2009/28. Today some branches of the Commission propose to radically amend this policy with the pretext of unverified assumptions on econometrical modelisation of land use at world-wide level (ILUC).

If approved the proposal issued this week in inter-service consultation would definitively cause the death of the whole EU biodiesel industrial sector closing hundreds of production sites worth many billions euros of recent investments and driving to the immediate loss of 50.000 direct and 400.000 indirect employments in the EU biodiesel production chain.

More precisely as regards the recent proposals for the revision of Directive 2009/28 and 2009/30 which would fundamentally modify the EU biofuels policy and the objectives of the EU Renewable Energy Directive, EBB:

- Highlights that ILUC factors inserted by the proposal in the Fuel Quality Directive 2009/30 will definitively hamper the possibility for conventional biodiesel producers to access to fuel distribution markets, where biodiesel (having an unreasonable and badly calculated ILUC factor of 55g) will be certainly abandoned for other biofuels having ILUC factors five times lower (around 10g);
- Notes that, paradoxically, with good peace of all ILUC and deforestation theories and objectives, the only kind of biodiesel which according to the present proposal may survive in the market would be palm oil based which today is imported almost exclusively from Indonesia;
- Raises the attention of the Commission on the fact that the pretended aim clearly worded in the Commission proposal to "protect existing investments" is a mere linguistic exercise since the EU biodiesel industry will very quickly disappear as result of this proposal with such ILUC factors (as many relevant civil servants in the Commission were made aware in detail along the last year);
- Challenges the rationale applied by the EC Commission which appears ready to disrupt a world leading EU based renewable energy industrial sector such as the EU biodiesel industry on the basis of an econometrical concept like ILUC which has no scientific proof and verification and, using the word of Commission proposal itself *"is calculated through modelling and remains sensitive to and may vary according to the modelling framework and assumptions made"*;
- Strongly criticises in this frame the Commission choice in such *sensitive* frame of assumptions *varying* among different ILUC models to base all its methodology not on an holistic and prudent approach but on a single, very cryptic and unverifiable study performed by the US based IFPRI consultancy, whose wide range of inconsistencies have been largely proven in the press and in scientific literature;

- Warns EU authorities on the fact that the introduction of quadruple counting for non-mature biofuels technologies arising from so far very marginal or hypothetical amount of suitable waste and raw materials in reality will shrink the target to only 25% of the real target and will not provide real large scale availability of biofuels – **all the remaining quota being in reality reabsorbed by fossil fuels**;
- Questions the consistency of EU policies in the field of biofuels which first encourage the investment of billion euros in biodiesel in 2009 and then after a few months from their entry into force aim to “discourage” (quote from draft proposal) conventional biofuels as early as in 2012. The impact of this deep inconsistency risks to be catastrophic for today’s EU suffering economy, as well as for EU climate change and renewable energy targets;
- Highlights that the proposed 5% maximum conventional biofuels quota is a lower percentage than what already attained in many major countries such as France, Portugal, Germany and Sweden which already reached percentages of incorporation higher than 6% or even 7%. After having consistently promoted this biofuels progress the Commission seems therefore ready to oblige these countries to regress and diminish their biofuels production. Has the Commission fully considered that Sweden has already reached a 9,8% incorporation in 2011? The same question applies to Slovakia which attained 7,8% in 2010: if proposals were approved these countries would be obliged to cut their biofuels consumption by an inconceivable 3 or even 5%(!) of their fossil market share **substituting biofuels with fossil fuels**. Incredibly in all these virtuous countries **an immediate effect of the revised EU Directive supporting renewable energy in transport will be therefore to heavily promote fossil fuels against biofuels and renewable transport**;
- Believes that a complete U-turn on biofuels policy motivated only on the ILUC related estimations is conceptually erroneous since it does not take into account that in the mind of EU authorities the promotion of biofuels is aimed since more than a decade to achieve **three main goals**, i.e. not only GHG reduction but also independency in the security of energy supply and rural development;
- Reminds that the dieselisation of the EU fuel market is a fast growing reality since a decade. It has led to over 30 million tonnes/year of fossil diesel imports in Europe from Russia¹ mainly and a spectacular 30 million tonnes of gasoline exports out of Europe, since EU refineries produce too much gasoline and are every year shorter in diesel. Today in Europe 2/3 of the fuel sold to vehicles and trucks is diesel. In this frame it does not appear as a very visionary energy policy to stop, as a dramatic effect of ILUC factors very penalising for biodiesel, the European production of biodiesel which today contributes to fill the EU diesel fuel deficit with an annual production of 10 million tonnes and could even contribute for twice such a quantity since the EU biodiesel production capacity is of around 20 million tonnes. **If current proposal would be adopted Europe would be obliged after their entry into force to import an additional 10 million tonnes of fossil diesel (mainly from Russia) with several billion euros which would get out of EU economy every year**;
- Highlights similarly that the loss of million of hectares of European rapeseed production linked to biodiesel (with no direct ILUC effect since EU forestry surfaces progress every year) would lead to dramatic effects in the EU agriculture and would increase once again the European deficit of vegetable proteins closely linked with our EU dependency on the supply of vegetable protein from South American countries;
- Underlines that the only biofuels available in large scale at EU and worldwide levels are conventional biofuels. The drastic reduction from 10% to 5% of the target for conventional biofuels in reality means that fossil fuels would fill the gap. This would lead to a consistent sudden extra demand for fossil fuels for transport which would probably be satisfied with the marginal oil offer in the market (i.e. oil from unconventional oil sources such as **tar sands**);

¹This trend is expected to continue in the next years leading the annual EU diesel deficit over 50 Mio tonnes (over 1/4 of 2010 EU consumption) according to Wood MacKenzie. This estimate of course does not jet include ILUC factors leading to the end of the biodiesel market and production in the EU

- **Refuses the groundless idea that conventional biofuels from food crops and/or feed crops should be abandoned as from 2020.** In the oilseed sector a biodiesel crop such as rapeseed produces 1/3 of oil to be transformed in biodiesel and 2/3 of meals to be transformed in feed. Stopping biodiesel production means stopping feed production and the only real effect of closing biodiesel production plants would be that also twice the same quantity of feed will not be produced or available in the feed market. The so called food versus fuel debate is based on the false assumption that a crop has only one product as outlet. On the contrary by replacing a food or feed crop such as rapeseed with an inedible multi-annual lignocellulosic crop, the same agricultural surface will be used for producing something which will be 100% non-food and never available for food markets. **In reality promoting non-food crops for biofuels means to promote a strategy to diminish the growth and availability of food and feed in Europe and world-wide.** Also the oil part of a rapeseed crop, even if grown for biodiesel can be diverted to food in case of shortage, while in the case of multiannual lingo-cellulosic surfaces, such conversion remains impossible for many years;
- Raises the attention of the civil society on the fact that according to this proposal, written under the strong impulsion of EC Commissioner for Climate Change, while biofuels would be heavily penalised in the renewable policy mix and heavily substituted by fossil fuels, the 20% overall renewable energy would remain unchanged and most of biofuels losses would be covered by a further progress of wind energy, which - on top of covering as an advertising whole walls of Commission buildings - seems to have become by far the major if not the only renewable energy to be very strongly supported by EU authorities in what should be the EU renewable energy mix. In this sense we would like to highlight that a renewable energy mix similar to the one of Denmark² or other countries whereby the contribution of biofuels is discarded to the profit of almost exclusive wind energy development cannot be applied to the whole of Europe.

In the light of the above the **EU biodiesel industry proposes what follows:**

- A democratic and impartial panel of international experts on ILUC and agricultural economy should be created by the European Commission;
- The natural revision clause of 2014 for the Directive 2009/28 on the revision of renewable energies should be respected in order to achieve a real impact analysis of the impact of the Directive (the present proposal coming when still some countries have not fully implemented the Directive comes as an inappropriate and very premature thorough revision of the Directive);
- Instead of creating a black and white "extreme" situation where conventional biofuels are heavily penalised and other hypothetical biofuels would count four times, dynamic and positive ILUC mitigation actions should be encouraged with decision, in the field of biodiesel for instance with better agricultural practices, better use of agricultural residues e.g. **using the huge amount of rapeseed straws abandoned in the fields** (representing several times the quantity of biofuels produced) **for bio-materials and carbon sequestration**;
- Investment made so far under what has always been considered as a reliable impulsion from the EC Commission should be preserved as a matter of fair and wise EU industrial policy (especially in times of crisis);

As a conclusion EBB intends to express its highest concern once again for the fact that the Commission branches proposing this sudden U-turn on biofuels seem not to be fully aware that this would represent the immediate and catastrophic end of the EU biodiesel industry (which from world leader would simply disappear), i.e. to the loss of an economic sector worth more than 10 billion/year of turnover.

We believe that this is an essential moment in time for the promotion of a real fuel alternative that could contribute to meet the targets set in international protocols for climate change and could enable the EU to be less dependent on oil and diesel imports. We would therefore appreciate if you could consider our suggestions.

²Denmark attained a market share close to 0% of biofuels in 2010