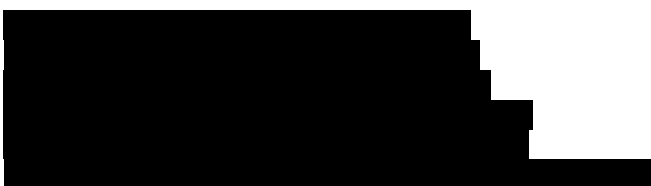




TO: Mr. Gunther OETTINGER
Commissioner for Energy
European Commission
B-1049 Brussels
BELGIUM

Brussels, 19 July 2011

CC:



Re: Impact of a potential iLUC proposal on the European agricultural and biofuels supply chain

Dear Commissioner,

As an integral part of the biofuels supply chain, FEDIOL¹ and COCERAL² are committed to promote biofuels from sustainable raw materials responding to the stringent criteria set out under the Renewable Energies Directive (RED). FEDIOL and COCERAL are, however, highly concerned about the implications of a likely proposal to address ways to minimize indirect land use change (iLUC).

The 10% EU target for renewable energies in transport took into account the environmental concerns as well as strategic needs of the EU, including security of energy supply and European agriculture. A proposal for addressing indirect land-use change in the RED will fundamentally change the balance of the present legislation; therefore we are asking the European Commission to carefully examine the economic and strategic consequences of such a change for all the operators in the biofuels supply chain (farmers, traders, crushers, refiners, biofuel producers); the EU 2020 competitiveness strategy; and the impact on vital EU trade with third countries.

- FEDIOL and COCERAL concur with the Directive according to which any decision should be based on best available scientific evidence. However, based on the currently available studies, including the IFPRI study leaked to the press, we believe that there is insufficient converging evidence to draw undisputable conclusions on the extent of iLUC. The science relative to iLUC is not mature enough and given that iLUC is global in its nature, the data available today is incomplete and inconsistent. In literature, there are a number of studies on iLUC which draw substantially different conclusions on the extent of indirect land-use change emissions. Moreover, the IFPRI study also admits that its model parameters are based on weak estimates and that an accurate range of iLUC could only be measured by systematic sensitivity analyses. Other limitations of the IFPRI study arise from its core assumptions. IFPRI presumes that 80% of biofuels production would come from extensification; however this hypothesis neglects the improvements in agricultural productivity and the possibility of reintegrating abandoned farmland into cultivation. Another key weakness is the failure to take account of essential co-products such as protein meal for animal feed resulting from oilseeds/ processing, casting serious doubts on the validity of this study to support a fundamental policy change. Furthermore, the study ignores the

¹ FEDIOL is the European Federation of European seed and bean crushers, protein meals producers and vegetable oils producers/processors. FEDIOL members represent 85% of the EU industry which corresponds to over 147 oilseeds processing and vegetable oils and fats production facilities across Europe, employing more than 20,000 people.

² COCERAL is the voice representing the European cereals, rice, feedstuffs, oilseeds, olive oil, oils and fats and agrosupply trade. The members of COCERAL are the national trade organisations of most of the EU-27 Member States, who for their part represent collectors, distributors, exporters, importers and agribulk storers of the above mentioned commodities.

existing environmental provisions of the RED, even though the EU Directive rules out biofuels made from raw materials obtained from high carbon stock land, including peatland and forests.

- For a successful and sustainable energy strategy, multi-feedstock sourcing is absolutely critical to meet the EU's 10% target for biofuels. Should the Commission rely on the findings of the IFPRI study to introduce provisions addressing iLUC in the Directive, EU industries' viability would be jeopardised. Moreover, this would put the pressure of reaching the 2020 targets on a reduced number of crops, concentrating demand and significantly increase volatility for those commodities. If biodiesel production in Europe were to suddenly decrease, the EU would also likely suffer a serious shortage of feed products which are currently made available through the often integrated oilseeds crushing, refining and biodiesel production process.
- Introducing an iLUC factor would be contrary to the customary "polluter-pays" principle, according to which every producer will be held accountable for activities that he controls directly, and not for changes in behaviour of others caused by market demand. Moreover, the iLUC factor may not even reach the desired effect of preventing land displacement, since those primarily responsible would not be held accountable.
- In the past years, our industries have made considerable investments relying on the legal framework coming into force in December 2010. Introducing radical iLUC provisions to the renewable energy policy would not only compromise the investments made, but it would also have a detrimental effect on the industry's investments in innovative biofuels. Long term predictability, transparency and stability are vital for the European biofuels supply chain.
- The supply chain would like to emphasise the necessity for any Commission proposal on iLUC to be compatible with the rules of the WTO and other international law. Since the iLUC effect cannot be proven empirically and there is no scientific consensus on this topic, attributing a crop specific iLUC factor will be contested by the major trading partners of the EU and risks being challenged under the WTO rules.

In the light of the observations presented in this letter, we urge the Commission to reflect on the entire rationale behind the Renewable Energies Directive (RED) and not to reach any conclusion based on inconclusive and scientifically incomplete studies and methodologies. The variation of results in the scientific literature on iLUC is quite dramatic, as the Commission itself has acknowledged previously. We therefore do not believe that reference to the precautionary principle should be taken as sufficient justification for legislation. We ask the Commission to continue efforts in monitoring the extent of iLUC and increase knowledge on this emerging scientific field.

FEDIOL and COCERAL remain at your disposal to provide further information and meet with you and your services at your convenience.

Yours Sincerely,


FEDIOL


COCERAL



CC:

