EBB
European Biodiesel Board
Boulevard Saint Michel, 34 - 1040 Bruxelles
Tel: +32 (0)2 763 24 77 - Fax: +32 (0)2 763 04 57
E-mail: info@ebb-eu.org - Website: www.ebb-eu.org

Brussels, September 18th, 2009

EBB POSITION

DRAFT COMMISSION DECISION ON DISBURSEMENT OF THE EU EMISSION TRADING SCHEME NEW ENTRANT'S RESERVE (NER 300)

Last September 15th 2009, the European Commission DG Environment circulated the draft Commission Decision on disbursement of the ETS New Entrant's Reserve (NER 300) for comments from the members of the European Renewable Energy Council (EREC). EBB would like to take this opportunity to express its position on a number of issues arising from this draft document.

EBB welcomes the commitment to achieve coverage over all the annex project categories and stresses the need for funding for algae biodiesel projects. EBB considers that the use of state of the art biofuels is instrumental in developing future technologies likely to bring greater volumes of highly sustainable biofuels on the market. The Commission only included one single category for 'bioenergy' and no specific category for biofuels, whereas every other technology has its own category (two categories in the case of solar power). Consequently, EBB suggests the creation of a separate category for biofuels.

EBB would like to point out that biodiesel technologies are already under-represented in the list of technologies streams identified as eligible in Annex I of the draft Decision. The various applications of algae for fuel production are represented by only one sub-category, whereas 6 possible sub-categories are listed for lignocelluloses. Along various highly valuable by-products (animal protein feed, bio-plastics, green chemicals, polymers and pharmaceuticals), algae can produce vegetable oil for biodiesel production and products similar to fossil fuels such as bio-crude and high-quality fuels.

The production capacity requested for algae biodiesel is three to four times more than for lignocellusic ethanol, which could be seen as the 'counterpart' of algae biodiesel. The figures requested for algae fuel production correspond to the production volume currently produced by biodiesel plants regarded as large ones. As the purpose of the draft Commission Decision is to fund demonstration projects (article 1), the Commission would be consistent in requesting demonstration scale to be achieved (10-50 Ml/y) instead of large commercial scale.

Therefore, EBB recommends that the sub-category in Annex A II related to algae biodiesel is modified to request 10 to 50 Ml/y and that the following sub-categories are added:

- *Algae and/or micro-organisms **to vegetable oil for biodiesel production** via biological and/or chemical processes with capacity between 10 and 50 Ml/y (million litres per year)*

- *Algae and/or micro-organisms **to bio-crude** for biodiesel production via biological and/or chemical processes with capacity between 10 and 50 Ml/y (million litres per year)*

- *Algae and/or micro-organisms to liquid fuels **or vegetable oil for biodiesel production via cultivation in photobioreactors** with capacity between 10 and 50 Ml/y (million litres per year)*

- ***Animal waste** to liquid fuels with capacity between 10 and 50 Ml/y (million litres per year)*

- ***Jatropha** to liquid fuels with capacity between 10 and 50 Ml/y (million litres per year)*

- ***Used cooking oils** to liquid fuels with capacity between 10 and 50 Ml/y (million litres per year)*

EBB is aware of the mechanism that will allow screening and selecting the pre-proposals in case the funding required by the submitted project exceeds the financial resources of the NER300. However, EBB considers that algae biodiesel projects should not be disregarded at this stage. This would also be consistent with the fact that the second Commission call for projects intends to support technologies not selected under the first call.

Algae biodiesel fulfils the basic technology requirements set out in article 6 of the draft Commission Decision:

- *innovative in relation to the state of the art in the key sub-streams for each technology:* once brought to commercial scale, algae biodiesel could represent a significant source of high quality transport fuels without any competition with food crops and with very limited land use. Algae fuels are currently considered as one of the major options for the aviation sector to fulfill its obligations under the ETS Directive. Any delay in bringing algae biodiesel to commercial scale may hinder GHG savings in the transport sector. This is especially true for aviation, where the weight factor makes it difficult to consider using another technology than liquid fuels.
- *Not yet commercially available, but sufficiently mature to be ready for demonstration at pre-commercial scale*: algae biodiesel projects fully fit this description, given that commercial scale has not been achieved yet, but several players have reached demonstration scale and many of them are expecting an investment decision to do so. Allowing a project to reach demonstration or commercial scale at this stage would be a decisive support, as applied research is still needed to identify the best production method for algae biodiesel production.
- *The technology has reasonable prospects of demonstration:* the state of the art in algae biodiesel production is close to demonstration and this stage has been reached by several players already.
- *No significant problems are expected from further scaling up* and *cost-effective CO_2 reduction both in Europe and globally:* Bringing a demonstration project to commercial scale or allowing a demonstration plant to be built up would reduce the timeframe for commercial availability of the highly sustainable algae biodiesel.

On a more general note, EBB believes that bioenergy should be treated on a level playing field with other kinds of technologies, which implies to fully include bioenergy production in the scope of technologies considered in the draft Commission Decision. Thus, article 2(d) second indent ("relevant costs" for RES) should include 'the production of fossil fuels' in the comparison used to identify eligible costs for renewable energy projects. Similarly, EBB suggests replacing 'the amount of electricity produced' with 'the amount of energy produced' in article 12(3).

Finally, EBB welcomes article 4(2) of the draft Commission Decision, where it is made clear that the European Investment Bank (EIB) will act '*on request and as an agent*' of the Commission. EBB would like to express some concerns about the so far not very well defined cooperation between the Commission and the EIB for the selection of projects, and would appreciate to receive further clarification in this respect. More specifically, it should be ensured that the EIB respects the guarantees given by the Commission, including the Commission Decision to be adopted, and uses a transparent and pre-defined selection procedure. EBB believes that *ad hoc* approaches as suggested in this case should not lead to hasty decisions that would have far-reaching implications for the concerned industries.

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