

EBB

European Biodiesel Board

*Avenue de Tervuren, 363 – 1150 Bruxelles
Tel: +32 (0)2 763 24 77 – Fax: +32 (0)2 763 04 57
E-mail: info@ebb-eu.org - web site: www.ebb-eu.org*

October 9th, 2008

ADOPTION OF THE RENEWABLE ENERGY DIRECTIVE (RE-D)

EBB position on the forthcoming Parliament-Council negotiations

As part of the global Climate-Energy package, the draft Renewable Energy Directive (RE-D), currently in discussion within the Parliament and the Council, is one of the most important pieces of legislation to be considered by the EU in recent years. It will have a major bearing not only on the EU renewable energy and biofuels industries, but also on EU policies in favour of energy security, climate change, economic growth and research.

Recognising the strategic significance of renewable energy, EU decision-makers already some years ago set ambitious biofuels targets of 5,75% by 2010¹ and of 10% by 2020². The original Commission RE-D proposal confirmed this 10% 2020 target for biofuels use in transport. A mandatory target is an essential element for meeting the EU goals.

However last September 11th, the European Parliament's Industry Committee adopted a report on the draft RE-D, which, in a surprising and unfortunate move, risks to downgrade and distort the biofuels objectives which have been approved at EU level already five years ago.

As the Parliament and the Council are now entering in a crucial negotiation phase aiming at a compromise by the end of this year, the European biodiesel industry would like to stress the following key messages:

The 10% binding target for biofuels use should be preserved – Interim targets, if any, should be set at a meaningful level, corresponding to biofuels demand and needs

Encouraged by the EU legislator as well as by increasing biofuels demand, the European biodiesel industry has committed significant investments to set up **a world-wide leading industrial production capacity of more than 16 million tonnes/year, attaining already the 5,75% target established by EU legislation** and providing a valuable tool for achieving EU's energy and environmental objectives.

Such efforts would be placed in serious jeopardy if the 5,75% 2010 objective and the 10% 2020 target were to be revised downward, as suggested by the Parliament's Industry Committee.

In this respect, **the European biodiesel industry is concerned about the Parliament proposal to create a 5% interim target by 2015 for renewable energy contribution in the transport sector, 20% of which would be met by other technologies than biofuels**. Such proposal will result in a 4% target for current biofuels by 2015, which looks unreasonably low compared to the

¹ Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport, OJ L123/45, 17.5.2003, article 3.

² Presidency Conclusions Brussels European Council 8/9 March 2007, p.21, (doc. 7224/1/07 REV 1, 2 May 2007).

5,75% objective validated by the EU back in 2003. **The 1,75% difference represents at least 4 million tonnes in terms of biodiesel requirement.** Dismantling 4 million tonnes biodiesel production capacities cannot be the acceptable result of a Directive on the promotion of Renewable Energy Sources.

However, intermediate targets - if properly designed - can help reaching in a progressive way a 10% renewables share in the transport sector. **EBB considers that meaningful binding intermediate targets would be 7% in 2012 and 8% in 2015** (expressed in energy content).

EBB recalls that binding targets for renewables use in the transport sector should mirror the reality of the energy market, rather than mere political considerations.

Here, two major trends have to be taken into consideration:

- **The EU is today facing a mounting diesel deficit, predominantly towards the Russian Federation.**

In 2001 the EU imported 19 Million tonnes of diesel from Russia whilst in 2006 it imported 32 Million tonnes³. This is posing two main challenges: an economic one and a security of supply one. **EU biodiesel provides a practical and sustainable solution to decreasing both the EU's dependence on imported diesel and its exposure to unreliable sources of diesel supply.** The biodiesel industry stands ready to tackle this challenge, but will only be able to do so provided the political commitments made already in 2003 are respected.

As highlighted above, in 2008, the EU biodiesel production capacities already in place rise to 16 million tonnes. Therefore there is a substantial potential to **replace an equivalent quantity of diesel.**

- **Biofuels and biodiesel increased production has been inappropriately correlated with both agricultural commodities prices and fuel commodity prices.**

While biodiesel and biofuels production is continuously increasing since many years both in the EU and world-wide, the price of the main agricultural commodities is experiencing a significant decrease since May 2008.

Arguments linking biodiesel with price spikes on agricultural commodities markets is overseeing the fact that **biodiesel production yields valuable co-products for the food and feed chains** (oilseeds meals), reducing the EU dependence in terms of vegetable protein.

Furthermore, it is important to remember that biodiesel production, by substituting fossil fuel influences downward the price of mineral diesel. Overall, it is estimated that worldwide biofuels production already **decreased the price of oil by 15%**.⁴

In that sense, the 10% target is both desirable and reachable in a sustainable way, predominantly drawing on existing technologies and domestic EU production.

Segmenting the 2020 objective with sub-targets will generate no incentive for the production of renewables but merely shrink the 10% target

EBB strongly opposes the Industry Committee's decision to segment the targets, whereby future and as yet unproven technologies like green electricity and hydrogen would have to fill significant shares (20% and 40%) of the 2015 and 2020 targets.

In particular, it should be acknowledged that **hydrogen and electricity are not renewable energy sources per se**, but mere energy carriers, as already highlighted by the European Commission also in official documents⁵.

In the absence of any certitude about the availability of new technologies, such a segmentation strategy will serve to reduce the practical content of the targets rather than

³ IEA, OECD Statistics

⁴ From the baseline scenario where the biofuels production was not developed, Merrill Lynch Report, March 2008.

⁵ Commission Communication on alternative fuels for road transportation and on a set of measures to promote the use of biofuels, p.9 (COM(2001) 547 final, 7 November 2001).

promote new biofuels and new renewable transport technologies. This holds especially true for the promotion of electric cars, which will be charged in private places where the electricity is only one and very predominantly of fossil origin, making it impossible to segregate and choose to run on renewables. If all cars were to become electric overnight, this would not increase at all the use of renewables in Europe, even it would decrease it, penalising biofuels use, as certainly intended by the promoters of this proposal.

EBB would however support an additional support to be granted to a range of future technologies with extremely positive CO₂ balance, in particular biofuels produced from waste (Used Frying Oils), animal by-products (animal fats), residues, algae and plants growing on arid land used to fight desertification. Those biofuels pathways, if adequately supported, can pay a significant contribution to the 10% objective.

However, an additional support to extremely high CO₂ performing pathways should not consist in a segmentation of the targets.

As far as algae are concerned, **EBB opposes as far too restrictive the Parliament proposal to limit public support only to algae cultivated in "vats"**. Given the early stage of scientific research on algae, **all kinds of algae and all options should be considered**. The wording **"cultivated in vats" should be deleted from the RE-D also since it is scientifically incorrect**, algae being rather grown in various forms of bio-reactors, which at this stage would be unreasonable to pre-define.

EBB also **strongly rejects the recent attempts to exclude or penalise biofuels production from animal fats as being contrary to the very aim of the Directive**.

GHG savings requirements for biofuels should be designed to encourage efficiencies and should be based on a new transparent scientific study

While the GHG performances of biofuels are a legitimate concern of EU decision-makers, such requirements should be set in way that will trigger industrial and agricultural improvements. In that sense, the EU biodiesel industry considers the 35% cut-off as a good starting point and is already working on reaching much higher levels of savings in the near future.

Science and technology develop rapidly and continuously. Before setting more stringent GHG saving requirements (45%-60%) via EU legislation it will be appropriate to perform a more comprehensive and reliable Life Cycle Assessment of biofuels, coordinated by EU institutions and associating all stakeholders. **A clear provision setting a date for a scientific review** of the default and typical values, as well as the proposed methodology and set of data **should be inserted as an amendment in the Renewable Energy Directive**.

Indeed, the data currently used in the RE-D are derived from a quite partial study conducted by only the oil and car manufacturing industries in co-operation with the Commission Joint Research Centre, excluding experts from the agriculture, fertilizers and biofuels sectors. This study may serve as an initial and provisional scientific basis but certainly will need accurate review for future use under eventual tighter limits (as entire agricultural or industrial sectors cannot be excluded from the market without solid scientific evidence).

EBB therefore calls for a revision of the RE-D scientific basis via a new study to be performed in a more balanced, transparent and democratic way including the expertise of the agricultural and bio-energy sectors and comparing biofuels with a **more realistic fossil fuel reference** (also including unconventional oil extractions, etc.) than the one provided by the oil industry and validated by the Commission.

Until such an EU-wide agreed study is available, EBB believes that the first step of the GHG savings requirements should be maintained at 35%. If the cut-off value is raised above that threshold, this should be done within a realistic timeframe (only following a new accurate study) allowing improvements along the whole production chain, especially at the cultivation stage.

In contradiction with this approach, the Industry Committee has proposed an initial 45% cut-off value to be raised to 60% by 2015. Given the unreasonably low value allocated to biodiesel and EU biofuels, this proposal may risk to create obstacles to many EU biofuels pathways, **“strategically” favouring non-EU producers and the increased use of fossil fuels.**

EBB also calls for a realistic assessment of **indirect land use change effects**, which at this stage should not be part of the GHG calculation methodology. Indirect land use change effects cannot be assigned with the necessary methodological certainty to **individual consignments of biofuels**. **EBB therefore opposes any proposal that would translate hypothetical land use change effects into a CO₂ penalty applied to the typical and default values.** This is all the more unacceptable as it would apply blindly to all biofuels pathways, without taking into account their respective GHG performances. In line with the Commission proposal, EBB also believes that no change should be made for the reference date for land use change (2008).

A pragmatic and realistic approach to sustainability should prevail – the early addition of new criteria risks compromising the practicability of the entire scheme

With regard to the overall sustainability issue, the ITRE proposal inserting in Article 15§5 an extensive list of additional sustainability criteria should raise major worries. **Adding new criteria at this early stage will unavoidably jeopardize the practicability of the entire scheme.** Against this background, it is not useless to remember that the CAP cross-compliance rules already provide a good basis for sustainable biomass production in the EU. Should the inclusion of further criteria, in particular social criteria, be considered, this would raise major legal issues and might affect the overall WTO compatibility of the new Directive.

Being relatively new industries, but already facing unfair international competition, the biodiesel and biofuels sectors need a favorable legislative and regulatory environment at EU level, avoiding unnecessary burdens being imposed on individual operators. The sustainability scheme should therefore remain simple and transparent.

By contrast to the ITRE proposal, the environmental criteria contained in the initial Commission proposal for a Directive represent a balanced approach that will have to be further defined via adequate implementation measures. **EBB strongly believes that the set of criteria composing the sustainability scheme should not at this stage be expanded beyond those contained in the Commission proposal, which the industry considers as a positive challenge.** A monitoring of additional criteria by the European Commission certainly represents the most pragmatic, efficient and cost-effective alternative to the ITRE proposal.

The Renewable Energy Directive **is a major piece of legislation with far-reaching implications for EU citizens.** Rapid adoption and implementation of the RE-D would be a positive signal for the EU biodiesel and biofuels industries. However, a pragmatic approach, taking into full consideration the importance and potential of the EU biodiesel and biofuels industries should be a primary objective of both the Council and the Parliament during the forthcoming negotiations.

*The European Biodiesel Board, also known as **EBB**, is a non-profit organisation established in January 1997. EBB represents the voice of the EU biodiesel industry. It gathers 73 companies and associations and aims to promote the use of biodiesel in the European Union. EBB member companies account for around 80% of EU biodiesel production*