

## FEDIOL's Position Paper on renewable energy policy post-2020

Conventional biofuels have proven to be beneficial in improving food security and have shown not to have any significant effects on global agricultural prices, nor to restrict the supply of food products, as confirmed by several studies such as those from the World Bank and IFPRI.<sup>1</sup> Moreover, their decarbonisation potential makes them the most important contributor towards the EU objectives of reducing the share of fossil fuels and the GHG emissions in the transport sector.

All biofuels consumed in the EU – such as biodiesel - are produced according to the most stringent sustainability criteria in the world, which ensure biofuel crops are not grown on deforested land, peat lands, or in areas with a high biodiversity value.

Since the introduction of the Renewable Energy Directive in 2009, biofuels production has led to billions of Euros in investments and supports around 220,000 jobs in Europe, mainly in rural areas. The industry has made major investments over the last ten years in biodiesel production, green chemistry and bioeconomy, thereby becoming a key industry in replacing petroleum-based products with more environment-friendly solutions. The entire value chain includes about 180 oilseed crushing and refining plants and 120 active biodiesel plants in 23 Member States.

Biodiesel production also helps feed the European livestock: the EU has a structural protein deficit, but thanks to an increased biodiesel production - which also delivers protein meals - it has reduced its import dependency on high-protein feed material. European rapeseed is the main feedstock for biodiesel, delivering 9.6 million tonnes of protein-rich animal feed annually and reducing imports by more than €3.2 billion every year. Overall, the production of rapeseed for biodiesel generates extra and diversified income for EU farmers.

In light of these points, FEDIOL urges the European Parliament and the Council to amend the Commission's proposal so as to ensure that conventional biofuels continue to be part of the renewable energy mix after 2020 by:

- Including conventional biofuels in the list of feedstocks which fuel suppliers will be obliged to incorporate in their mix (through blending obligations);
- Maintaining the 7% cap for conventional biofuels, which deliver substantial GHG emissions savings, contributing to transport decarbonisation, and support the EU agricultural sector through the production of high protein supplies;
- Granting a reliable framework for further developing and investing in advanced low-carbon technologies alongside conventional biofuels, so as to meet an overall minimum 15% renewables' target in transport.

### [Negative impact of the Commission's Renewable Energy Directive proposal](#)

The European Commission's proposal for a Renewable Energy Directive after 2020 raises many concerns for the biofuel industry and for the entire European agricultural sector. Overall, the proposal fails to meet the main objectives it was initially conceived to achieve, namely reducing GHG emissions, decreasing the EU's dependency on fossil fuels and providing a market outlet to the agricultural sector.

The Commission has decided to call for a phase out of conventional biofuels as of 2020, outlining a reduction path which should bring the share of biofuels such as rapeseed biodiesel down to 3.8% by 2030. However, this being a maximum and not a minimum limit, it is to be expected that Member States - in the absence of any legal requirements – will no longer set blending obligations on fuel suppliers for conventional biofuels. As a consequence, their phase out would occur in an even quicker and sharper way, cutting production and turnover in our

<sup>1</sup> "Despite a rapid increase in biofuel production, there is no evidence of biofuel impacts on food-related health, either beneficial or detrimental", extract from "Reconciling food security and bioenergy" – IFPRI et al. (2016)

sector almost by half. In parallel, the Commission envisages an increased focus on low-carbon, renewable fuels which should bring those feedstocks – among which advanced biofuels – to a 6.8% share in transport by 2030.

The overall negative impact of this proposal can be summarised in four main critical points:

- 1- since incorporation obligations for fuel suppliers will no longer cover conventional biofuels, the decreasing trajectory set by the Commission will most likely entail an even sharper and quicker phase out for those feedstocks, putting at risk 220,000 jobs in the EU biofuel sector and depriving farmers of a vital revenue;
- 2- also, in the absence of these incorporation obligations, national policies will define the role of biofuels in the mix, leading to market fragmentation across Europe;
- 3- difficulties in the development and availability of advanced feedstocks, linked with a lack of confidence by investors in view of the uncertain policy context, make the target set for advanced biofuels overly ambitious and highly unlikely to be achieved;
- 4- the combined effect of the points above will result in an overall lower share of renewable energy in transport, thus paving the way to an increased use of fossil fuels and jeopardising the EU decarbonisation target.

### EU biofuel policy: between inconsistency and lack of realism

The EU biofuel policy was introduced in a context of agricultural production surplus and regularly depressed global prices as a mandatory set-aside in the framework of the Common Agricultural Policy (CAP) in order to maintain producers' revenues and facilitate the production of vegetable proteins and biofuels. The successive debates around land use change and the alleged competition between food and fuel impacted negatively the perception of the biofuel industry, leading to an unexpected shift in European biofuel policies. The capping at 7% of the contribution from conventional biofuels to the renewable target in transport via the ILUC Directive was meant to bring a solution to this debate.

Conversely, the new Commission proposal currently on the table goes even further by calling for a phase out of conventional biofuels while only maintaining a minimum incorporation share from other renewable sources among which advanced biofuels, which should reach at least 3.6% within the overall 6.8% by 2030. While we support the development of advanced biofuels and investments therein, the objective set for advanced biofuels is overambitious and highly unrealistic: currently they are not in a position to replace the first generation by 2025 or 2030, since the feedstocks meant to be developed for the advanced generation either already have a use and are the result of the processing of conventional feedstocks (such as straw or crude glycerine) or are simply not available in sufficient quantities. In addition, many players in the first generation biofuel sector are supposed to invest considerably in the advanced industry. Therefore, reducing the share of conventional biofuels will not contribute to the rise of the next generation, but on the contrary it will discourage further investments in the advanced sector, since the additional change in policy will not convey a message of confidence to investors who will be losing their existing investments due to this inconsistent policy decision.

Reference scenarios developed by the European Commission show the need to achieve a 14-16% share of renewable energy in road transport to meet the 2030 target of 27% renewables use, as well as a needed reduction of 17-18% in GHG emissions to meet the decarbonisation and energy efficiency objectives.<sup>2</sup> By phasing out conventional biofuels such as rapeseed biodiesel, which actively contributes to transport decarbonisation by delivering more than 60% GHG emissions reduction compared to fossil fuels, the Commission proposal is reversing its own progress and lowering its ambition: after 2020, indeed, the 10% renewable share in transport foreseen by the current legislation will no longer be in place. Instead, the only mandatory target for renewables will be a mere 1.5% in 2021, which should raise to only 6.8% in 2030. This will mean that, to meet the growing energy demand in transport, the EU will have to rely on an increasing share of fossil fuels.

<sup>2</sup> Impact Assessment on a policy framework for climate and energy up to 2030

FEDIOL believes that, in order to meet the EU 2030 climate and energy objectives, the RED II proposal should aim at maintaining incorporation obligations both for conventional biofuels and for advanced feedstocks with an overall minimum cumulative share of 15% of renewable energy in transport by 2030, which would ensure that the European Union stays on track to achieve its ambitious decarbonisation goals. Moreover, it should avoid to further decreasing the 7% cap already set by EU legislation through the ILUC Directive.

### The benefits of biodiesel production for EU agriculture at stake

European biodiesel production helps the food and feed outlet through the production of proteins for animal feed, as the EU is still dependent on 75% of protein imports. A potential phase out of conventional biodiesel after 2020 would deprive farmers of an important revenue and of a critical outlet, whose production guarantees positive agronomical effects, provides direct and indirect employment and ensures activities are kept in rural areas.

In fact, the cultivation of oilseeds delivers positive agronomical effects due to crop rotation and helps farmers meet the CAP 3-crop requirement, particularly in less fertile production areas. As part of the crop rotation, rapeseed prevents the spreading of diseases and weeds in the following grains, thus reducing the need for crop protection products; rapeseed can also improve soils' fertility and workability thanks to its deep root system and, as a consequence, increase the yield potential of those crops which follow it in the rotation system.

The demand for biodiesel has resulted in an almost doubling of the EU production of rapeseed to supply the oil. As protein meal accounts for 60% of the rapeseed, finding alternative outlets for the remaining 40% oil share was and is crucial for the development of the European protein sector and, considering that the food sector in Europe is saturated and that rapeseed oil has difficulties competing with lower priced oils on the world market, the only valid outlet is represented by biodiesel. Should there no longer be a market for the 6.4 million tons of rapeseed biodiesel currently produced, rapeseed cultivation would likely be stopped and agricultural land would be abandoned, due to the difficulty to switch to alternative productions (such as cereals or protein crops) in the absence of market and of revenues comparable to oilseeds.

This would lead to a total loss of 16 million tons of rapeseed crush, implying a loss of more than 9.6 million tons of protein meal from rapeseed. However, consequences would also be on EU soybean, implying a reduction of 2.7 million tons of soybean crush (currently needed to supply 2.1 million tons of protein meal). The total 11.7 million tons loss would therefore need to be compensated by an equal amount of imported meal, which would come from additional production of more than 14 million tons of soybeans from South America. The overall loss in turnover would be in the order of €16.9 billion for farmers, €22.5 billion for crushers and €11.7 billion for compound feed manufacturers over an assessed phase-out period of 5 years. Thereafter, every year the revenue losses would amount to more than €5.3 billion for farmers and €7.5 billion for oilseed crushers, while compound feed manufacturers would face yearly additional import costs of €3.9 billion.<sup>3</sup>

### Public polls show support for biofuels

Contrary to European Commission's allegations, the phasing out of crop-based biofuels is not reflective of public opinion. Indeed, the results of the public consultations on the post-2020 renewable energy policy and bioenergy sustainability issued by the Commission itself revealed a positive public view on crop-based biofuels: 58% of respondents have a neutral or positive view about biofuels from food crops, with 35% calling for active measures to further promote them. Moreover, the majority of stakeholders quoted bioenergy as of critical importance for GHG emissions reduction, energy security, growth and jobs in rural areas and environmental benefits. In countries such as Germany, recent polls showed that more than 69% of surveyed respondents rate biofuels as fundamentally positive.<sup>4</sup>

<sup>3</sup> The full scenario is presented in the FEDIOL's Impact Assessment "Implementing the Commission's proposal on conventional biofuels: the consequences for agriculture and industry"

<sup>4</sup> Source: European Commission's Analysis of stakeholder views on Public consultations & TNS Infratest