

European Biomass Association

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AEBIOM answers to Commission's consultation on transportation biofuels

Note : The term "biofuels" is confusing for many of our AEBIOM members as it is a contraction of "biomass fuels" and can also relate to heat or electricity. Liquid biofuels is not appropriate as well because gaseous biofuels have started their development. AEBIOM would prefer the term "transportation biofuels".

How should a biofuel sustainability system be designed?

AEBIOM is supporting the idea of sustainability for transportation biofuels and we should ensure that their production and use remains sustainable. Yet, the concept of sustainability should not only be applied to biofuels but to any energy crop production and conversion, be it for biofuels, biogas, heat or electricity; also the food and feed production should be sustainable. Therefore an integrated approach is necessary.

In Europe the concept of sustainability is part of the common agricultural policy (CAP). Within the cross-compliance scheme there exist already many rules to secure a sustainable production that does not harm the environment. These rules are monitored by public authorities on regional, national and European level – they apply already for crop production for biofuels. The commission should not set up a second parallel system for the certification of biofuels for Europe. Therefore a possible certification scheme on crop production should particularly focus on imports.

But still a sustainable system would have to be implemented in Europe and AEBIOM thinks that several conditions are necessary:

- criterias should be simple in order to be able to implement and control them. Criterias proposed by conventional LCA studies look impossible to apply in practice. AEBIOM thinks that a pragmatic approach should be applied here. For example, a practical criteria like deforestation seems more realistic to implement as it can also be monitored (reference state established by satellite photos, impact assessment of new plantations). Such criteria would be a concrete answer to a concrete problem, ie deforestation due to palm oil plantations;
- administrative and economic consequences should be acceptable and should not decrease the competitiveness of biofuels;
- we should avoid redundancy with the existing European agricultural cross-compliance scheme. European agriculture already has to satisfy many environmental criterias (nitrogen limits, storage of fuels and manure, etc.);
- certification system should be elaborated taking into account the existing certification schemes when existing for the considered criteria (FSC for forest, RSPO for palm oil, RTSS for soybean, etc).

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Even if the ideal situation would be that support to transportation biofuels would be linked to environmental advantages, **we don't believe that a short-term market support (fiscal advantage for example) should be linked to a specific criteria such as CO₂ reduction.** It would lead to complex situation resulting in significant barriers to market. For example, as various biofuel production plants use many different energy sources, these plants would be eligible for many fiscal advantages which would lead to an extremely complicated fiscal calculations at a distribution level (different parts of that fuel will have different fiscal advantages which requires lots of efforts to manage them). The main reasonable instrument to reduce the fossil energy use in liquid biofuel production plants is by far a **CO₂ tax** (no discrimination between industries and different ways to reduce CO₂ emissions, favour rational use of energy as well, all sectors included).

Regarding CO₂ balance, **one proposal could be a benchmarking** procedure. The commission would give a mandate to a specific institution to inform after enquiry each liquid biofuel production plant about its energy and CO₂ balances as compared to an average ethanol plant in Europe (or best practice production). This institution could even give recommendations to improve these balances. Nonetheless, at least in a short term this should not lead to economic consequences for the plant itself and for marketing its products.

It is important, that if specific criteria are set for biofuels, the **same criteria should be applied for fossil fuels**, otherwise, biofuels would be put in a less favourable position on the market (unfair competition). The **same principle should be applied for food and non-food** crops. It doesn't make sense to apply a certain criteria for non food crops if the same crop is not certified for food application. For example existing sustainable palm oil would be certified for biofuels while at the same time new plantations for food applications without certification would replace primary forest to compensate the additional non food market.

It is obvious that the sustainability issue could bring us in endless discussion and possible complicated schemes that will favour the opponents to biofuels (some NGOs, some oil companies) and promote a business as usual oil based system. Therefore :

- Europe should not encourage imports of liquid biofuels or raw materials by keeping the existing import tax rates on ethanol and by leaving the biodiesel standard unchanged (this could allow to increase alternative to rapeseed oil)
- Europe should base the biofuels development firstly on its own agriculture resource potential

How should overall effects on land use be monitored?

The land use aspects and related consequences on food prices are often discussed. For AEBIOM, food production is obviously very important and biofuels production should not endanger the food supply. There is a link between biofuel production and food prices based on offer-demand market forces. However, AEBIOM is convinced that **limitation of biofuels production on the basis of food price/land availability is not relevant at the moment**, for the following reasons:

- So far set aside covers 7 millions hectares (Mha) of agricultural land in Europe (4 Mha in EU15 and 3 Mha of arable land not used in new member states). Currently only 1 Mha is used for non food crops. It makes sense to use this land for RES production, to provide jobs and save CO₂ emissions. Competition with other land use functions or food is not relevant for such surfaces.
- Due to overproduction of food commodities, EU and USA are usually dumping the surplus of food products in developing countries. Dumping the agricultural surplus destroys the local agricultural market as the local farmers are not able to compete with imports. Such practice also make the developing countries increasingly dependant on EU and USA for food products. Therefore, a real solution would be to use this surplus for non food applications in Europe rather

than irresponsibly dump them somewhere in the world without thinking of the consequences to those developing countries.

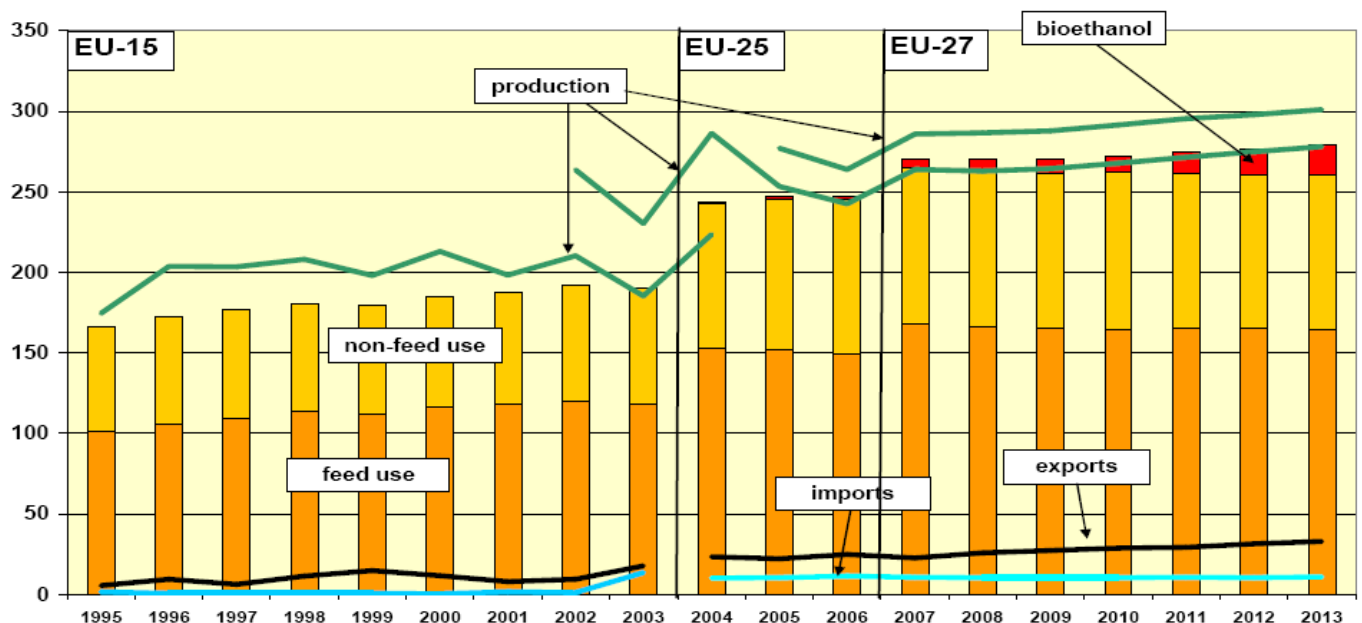
Sugar case : Due to a recent sugar market reform in Europe the price of sugar is decreasing tremendously. This reform has a negative impact on some ACP countries who are complaining about a much lower export price for their sugar in Europe. And EU has now accompanying measures to its new sugar regime to prevent the collapse of the sugar production as well as negative socio-economic impacts. For example, the EU is now studying the possibility to produce biofuels in ACP countries.

- The price increase of agricultural commodities like wheat or sugar has a minor impact on the expenses of private households in Europe. The wheat price impact in the final food products is negligible (wheat represents less than 10% of the bread cost).

In 2005 the price of wheat was roughly close to 100 eur/t. It has increased a few percents in 2006 but in the 80's it exceeded 200 eur/ton. Price statistics are proving that prices have decreased tremendously for all agricultural products over the last 25 years.

As we can see from the picture bellow taken from the Commission's DG Agri document ¹ "Prospects for agricultural markets and income in the EU: 2006-201", even up to 2013, the percentage of cereals used for bioethanol remains small and the difference between exports and imports is still increasing.

Prospects for agricultural markets and income in the EU: 2006-2013



To summarize, for AEBIOM the land use for biofuels has more advantages than drawbacks. Certainly, there might be local impacts in the short term for countries that are dependent on food imports and this type of impacts has to be prevented by accompanying measures. Nevertheless, **Europe shouldn't put any limitation on biofuels based on land allocation or food prices.** This would unnecessarily make things complicated and cause an unreasonable doubt in the mind of decision makers and population.

How should the use of second-generation biofuels be encouraged?

¹ European Commission, Prospects for agricultural markets and income in the EU: 2006-2013, January 2007, <http://ec.europa.eu/agriculture/publi/caprep/prospects2006b/fullrep.pdf> , 56 p.

AEBIOM states that we should **avoid an unfair discrimination between the so called first and second generation biofuels**. Generally speaking biomass should be converted as efficiently as possible to biofuels, whatever the type of biomass and type of technology. And efficiency goes hand in hand with CO₂ mitigation.

If the commission would like to introduce such discrimination, the definition on second generation biofuels will lead to complications. Endless discussions would take place over it. For example, a wheat based ethanol production factory that would use the by-products for it's own energy generation would get very positive energy and CO₂ balances. It would be a pity to negatively discriminate such plant. Moreover, we should take into account that one ton of lignocellulose generates more CO₂ savings when used in cogeneration than the same ton of wood used in some second generation biofuel production processes.

According to the experience of AEBIOM members a very efficient biofuels in terms of yield per hectare and energy balance is **biogas** production on the basis of agricultural by-products (manure) and energy crops (corn, grass, others). Therefore a concept to develop biogas as transportation fuel in Europe is recommended.

Market support (fiscal advantages) or obligations should not differentiate technologies or biomass resources. New technologies for biofuels can be promoted mainly through financial support for research, development, demonstration plants and semi-commercial plants (on the area of lignocellulosic biofuels for example). Standards for new type of biofuels should also be developed.

In the medium term, more efficient biofuels will find their place in the market naturally through the competition within the biofuels/fuels market, and because high intensive energy based biofuels will be penalised by higher energy costs.

What further action is needed to make it possible to achieve a 10% biofuel share?

In order to achieve a 10% biofuels share, AEBIOM believes that:

- **Standards** for increasing blending rates of biodiesel (from B5 to B10 and even more) and bioethanol (from E5 to E10 and even more) have to be established, as well as the standard for E85.
- In the upcoming RES directive, the commission should urge member states to implement **mandatory targets** for biofuels. This will give a clear signal to oil companies and car manufacturers that this alternative has to be developed. This is not the case now.
- **Tax advantages** should still be possible in combination with obligations. This is especially important for high blends (B100, E85) that would not be favoured in a mandatory system without fiscal advantages.
- Due to the fact that we have more biomass resources for ethanol production than for biodiesel, and a decrease in gasoline consumption as compared to the diesel consumption, a special attention should be paid to the **development of the market for ethanol** (E85 and E95 expansion, R&D and standards for ethanol incorporation into diesel, etc).
- **Good examples** must be exposed/multiplied in public in **all members states** such as biofuels use in public transport (buses, trains), in public and some private visible captive fleets (governmental cars, taxis, company cars).
- Stress the message that we need both a lower consumption of fuels and more biofuels. One shouldn't exclude the other.

- Clarify the message that we need **first generation biofuels in a short term as second generation biofuels are not commercially ready yet**. Arguments from oil companies and some NGOs that we need to wait for better technically and environmentally performing biofuels should not be considered. In fact, the 1st generation biofuels will prepare the ground for 2nd generation biofuels that will finally find their place in the market when they will become competitive.
- Comprehensive, effective and innovative **support schemes** should be implemented such as tax advantages for biofuel compatible vehicles (reduced annual tax, reduced VAT, reduced income tax etc), free parking and congestion charges. It is, nevertheless, important that vehicles with low fuel/biofuel consumption rate are favoured.