

Green Paper – A 2030 framework for climate and energy policies

Contribution by the European Biofuels Technology Platform to the Public Consultation

The European Biofuels Technology Platform, hereafter EBTP, welcomes the European Commission's Green Paper, 'a 2030 framework for climate and energy policies', as it aims at providing long-term vision and political commitment, which are key for the industries and the investors to take an investment decision.

As already highlighted in its [Policy Toolkit](#) to improve the support mechanisms for advanced biofuels, the EBTP believes that over the last years, barriers for these biofuels' deployment have moved from technology to policy and financing. Commercialization depends now on political leadership and adequate policies, as it is recognized that innovative energy technologies such as advanced biofuels are not yet cost-competitive against conventional biofuels and fossil fuels they aim at displacing.

Lessons learnt from the 2020 framework: the need for binding targets

Mandatory targets associated with penalties for failure to comply are the way to go as the progress made towards meeting the EU's 20-20-20 objectives shows: while Europe is on track for its 20% GHG emissions reductions and its 20% renewables share, it is lagging behind for its 20% efficiency objective, due to the lack of mandatory objectives.

The lack of policy clarity as a result of the ILUC debate has impacted the next stage of biofuels innovation and the building of a viable, sustainable bio economy.

The importance of a stable and consistent framework

Because the main energy demand growth and the steady increase in GHG emissions come from the transport sector, it is equally important to pursue sectorial targets as initiated by the RED towards 2020. The experience where the RED followed the first Biofuels Directive (Directive 2003/30/EC, containing merely indicative targets, largely missed by the vast majority of the Member States), is another illustration of the need for mandatory targets in the transport sector.

A clear and predictable policy and regulatory framework is absolutely necessary to industrialize advanced biofuels pathways. Investment decisions can only be taken based on robust assumptions within a long term perspective. In that sense, constant changes or uncertainties around the biofuels policy framework, as recently triggered by the review of the Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD)¹ only few years after their entry into force, are a source of concern for advanced biofuels industries:

- A possible abolition of support schemes for conventional biofuels after 2020 would jeopardize the future of existing biofuels units and corresponding jobs in Europe as well as impede investments in advanced biofuels projects;
- The conventional biofuels industry must be seen as a basis for advanced biofuels industrialization as operational, financial, and to a certain extent technical synergies exists with some advanced pathways. In this respect, it is advisable to keep a healthy sustainable conventional biofuels industry and set a limitation of mandates (if any) more compatible with already existing production/blending levels in all EU member states, therefore, facilitating the transition to advanced biofuels.

Any renewable energy policy revision could have significant impact on both the RED and the FQD GHG emission saving targets. The achievability of RED and FQD targets must be carefully assessed, and instruments must be consistent. In the past, the introduction of multiple counting for advanced biofuels in the RED had negative implications on the achievability of the FQD targets since multiple counting was not replicated.

Dedicated instruments for advanced biofuels, reflecting their level of maturity

In the RED the European Union opted to encourage the diversification of feedstocks used to produce biofuels by introducing the double counting rule. Biofuels derived from wastes, residues and lignocellulosic feedstocks count for double their real energy value in terms of their contribution to the national objectives. This administrative support was meant to initiate a greater interest in using this type of biofuels and could create indirectly a greater value for those products. However this instrument

¹ COM(2012) 595 final from 17 Oct 2012; the FQD was revised in 2009 to incorporate new decarbonisation objectives and sustainability requirements for biofuels.

seems not to be sufficient to create conditions for investment in breakthrough technologies and to boost advanced biofuels deployment. Also in the 27 National Renewable Action Plans very little consideration is given to double counting material-based biofuels. Support schemes whose interpretation remains at the discretion of Member States also create distortion because of uneven application.

Against this background, the EBTP believes that a quantitative, binding target for advanced biofuels would reduce investment risk and lower competition with well-established biofuel pathways. Mandatory targets will only be effective if they are combined with high and stable, mandatory penalties for non-compliance – the proceeds of which could be returned to producers or contribute to the financing of demonstration and flagship plants.

The EBTP recommends a differentiated approach for advanced biofuels depending on their level of maturity. It believes that the extra-incentive, in the form of multiple counting for instance, appears no longer necessary for those pathways that appear to be already mature and competitive with conventional biofuels, e.g. biodiesel from used cooking oil or tallow. Extra-incentives should be targeted and earmarked for innovative technologies with a high implementation potential, a high GHG reduction potential compared to fossil fuels and upfront development and demonstration. When a technology matures, the extra-incentive should be phased out in a smooth transition allowing building on learning curve and economies of scale.

Competitiveness and security of supply

According to the World Energy Outlook 2011 of the International Energy Agency, the EU will further increase its dependence on oil imports by 2035. The substantial increase in energy demand expected globally (+40% between 2009 and 2035) will be accompanied by an increase in prices, with crude oil prices expected to rise to USD 140 (in year 2010 USD) by 2035 in a 'business as usual' scenario. Europe's high dependency on oil from a few countries poses a serious risk for its economy. One of the conclusions that the IEA draws is that "the most obvious action that oil-importing countries can take to reduce the impact of high prices on their economies is to reduce their reliance on oil". This will not happen without mandatory targets for renewable energy.

According to the International Energy Agency (IEA) Technology Roadmap Biofuels for Transport, biofuels could provide up to 27% of world transportation fuel by 2050, delivering significant CO₂ emission savings when produced sustainably and thus contributing to climate change mitigation. However, currently announced advanced biofuel projects would be sufficient to meet the roadmap vision only until 2015. Beyond 2015, considerably more new projects will be needed, and even more so after 2020.

The benefits of the creation of a healthy European biofuels industry lies not only in the climate change mitigation potential but biofuels production represents also a major opportunity for the European economy, especially in rural areas.

When developing ambitions for advanced biofuels deployment, it will be necessary to remember that any policy change must take into account the singularity of the European fuel market in terms of diesel/gasoline demand to ensure that biofuels continue to effectively contribute to Europe's security of energy supply.

Conclusion

Without additional policy measures to stimulate investment in scale-up, supply of relevant feedstocks and up-take of advanced biofuels, Europe is missing a unique, sustainable industrialization opportunity within the wider concept of bio-economy that offers leveraging with biotechnology and thermochemistry based industries.

The EBTP therefore recommends the EU to

- Develop a long term vision and a stable regulatory framework for the European advanced biofuels industry, placing at its heart the contribution it makes to European energy security, restoring economic growth and employment opportunity, and climate change mitigation.
- Set ambitious yet achievable targets for biofuels post 2020, incl. nested binding sub-targets for advanced biofuels.
- Sort out the ILUC debate so that investors and biofuel producers have policy clarity regarding the next stage of biofuel investment.