

# EBB

**European Biodiesel Board**

## *EBB views on Indirect Land Use Change*

**Raffaello GAROFALO**  
**EBB Secretary General**

*Sustainable biofuels regulations, standards and certification*  
*18-19 September 2012*



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## European Biodiesel Board

### Membership



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### 1. EU biodiesel experience and European Energy Policy

- *Market Status*
- *Trends of energy consumption in the EU*

### 2. EBB views on Indirect Land Use Change

- *The challenges of econometrical modeling*
- *EBB alternative proposal on ILUC mitigation*



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### 1. EU biodiesel experience and European Energy Policy

- *Market Status*

- 2009 EU biodiesel production: **9 million tonnes**
- 2010 EU biodiesel production: **8.5 million tonnes**
- 2011 EU biodiesel production: **8.1 million tonnes**
  
- 2010 EU biodiesel productive capacity: **21.9 million tonnes**
- 2011 EU biodiesel productive capacity: **22.7 million tonnes**



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### Meeting the 2020 10% target: perspectives from the National Action Plans

- Forecasts can be established on the basis of National Action Plans (NAPs) released by Member States in 2010
- NAPs forecast strong progression of biofuels and specifically biodiesel demand until 2020
- Member States anticipate differentiated path towards 2020 target (linear vs. irregular)



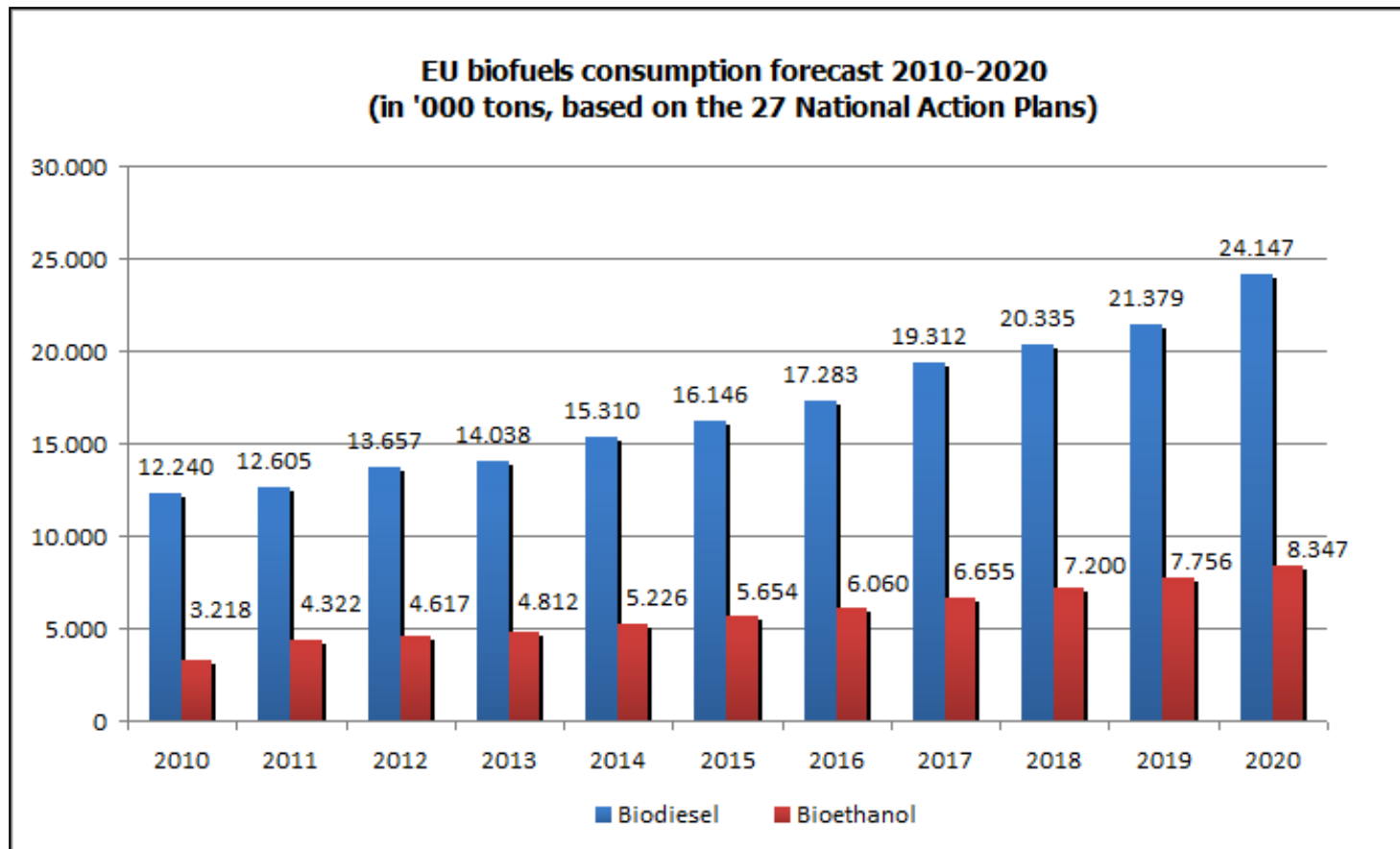
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### 2. EU biodiesel experience and European Energy Policy

- *Trends of energy consumption in the EU*
- EU energy reliance on third-country (Russia, MENA) can be overcome by alternative fuels : Enhancing Security of Supply
- Share of diesel in the overall transport modes is forecasted to increase steadily : Permitting Diversification of Supply



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### The widening EU mineral diesel deficit: a major strategic challenge

The EU is confronted with an enduring deficit in conventional diesel

This represents a two-fold challenge:

1. From an economic perspective: **it affects the EU's competitiveness**
2. From a security of supply perspective: **EU is dependent on foreign supply of diesel, mainly from Russia**

***Biodiesel can provide a practical and sustainable solution to this challenge***



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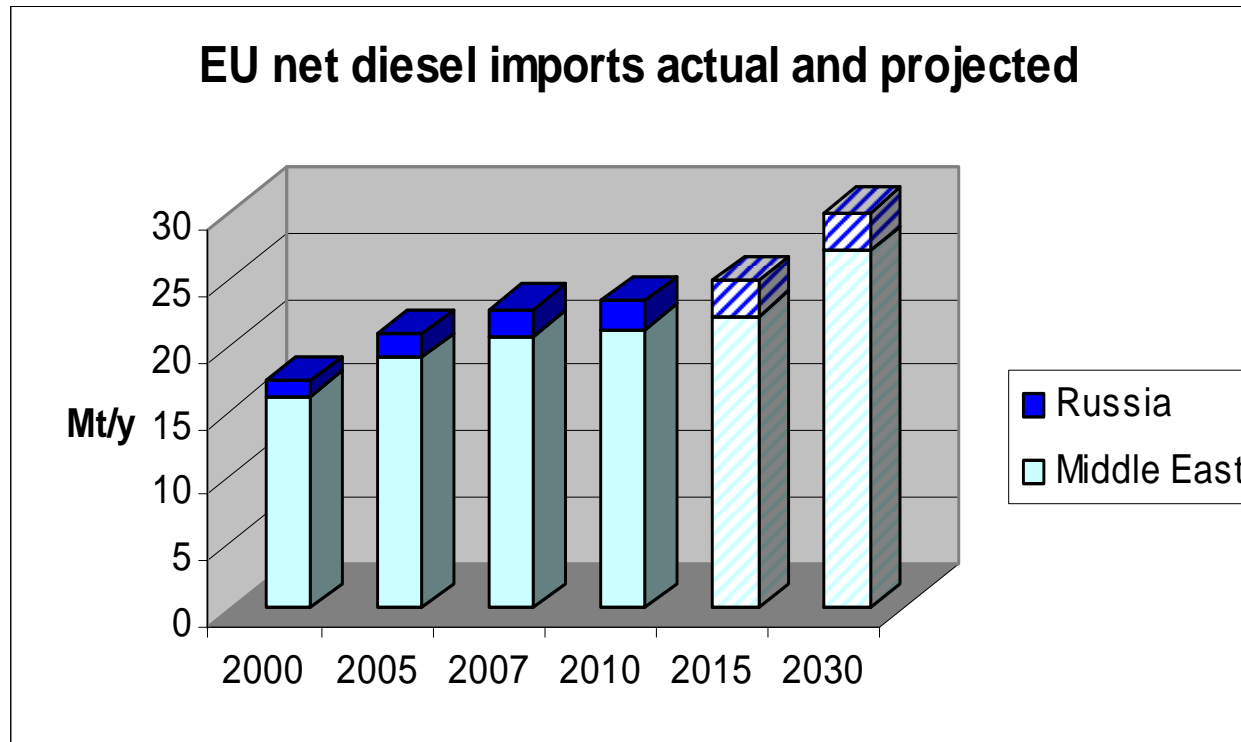




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### Imports of diesel from Russia and Middle East countries



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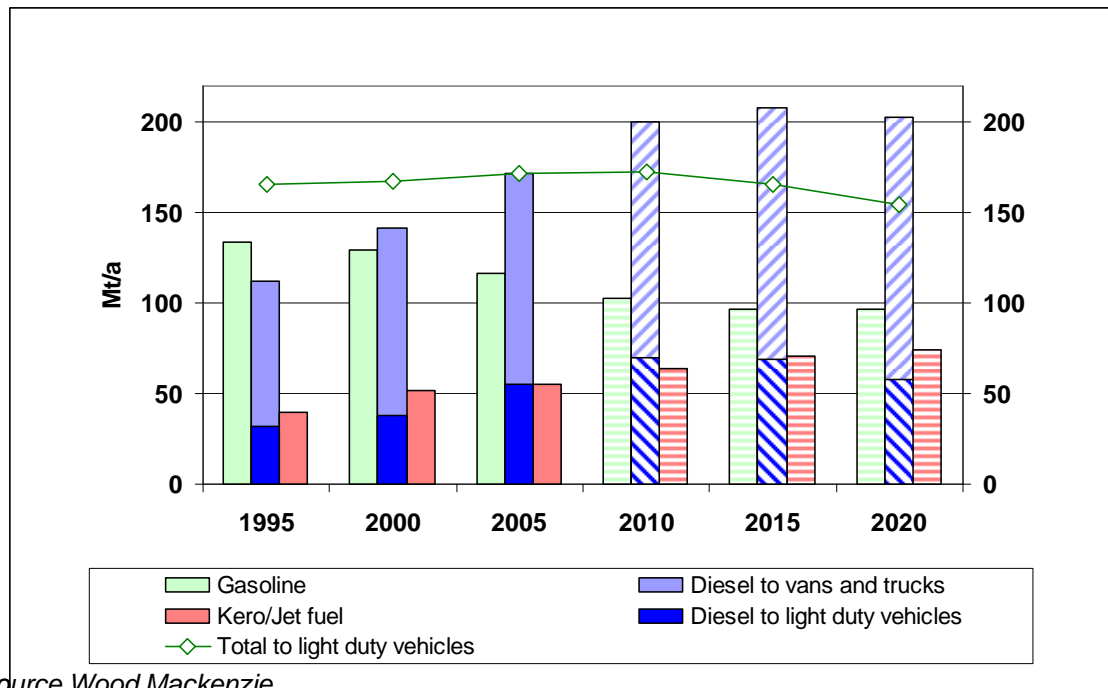
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### The strong progression of diesel and Kerosene demand in the EU (and the regression of gasoline demand)



- Road fuel demand is steadily shifting from gasoline to diesel

- Heavy duty diesel demand is expected to grow while light duty peaks

- Kerosene/jet fuel demand is expected to grow



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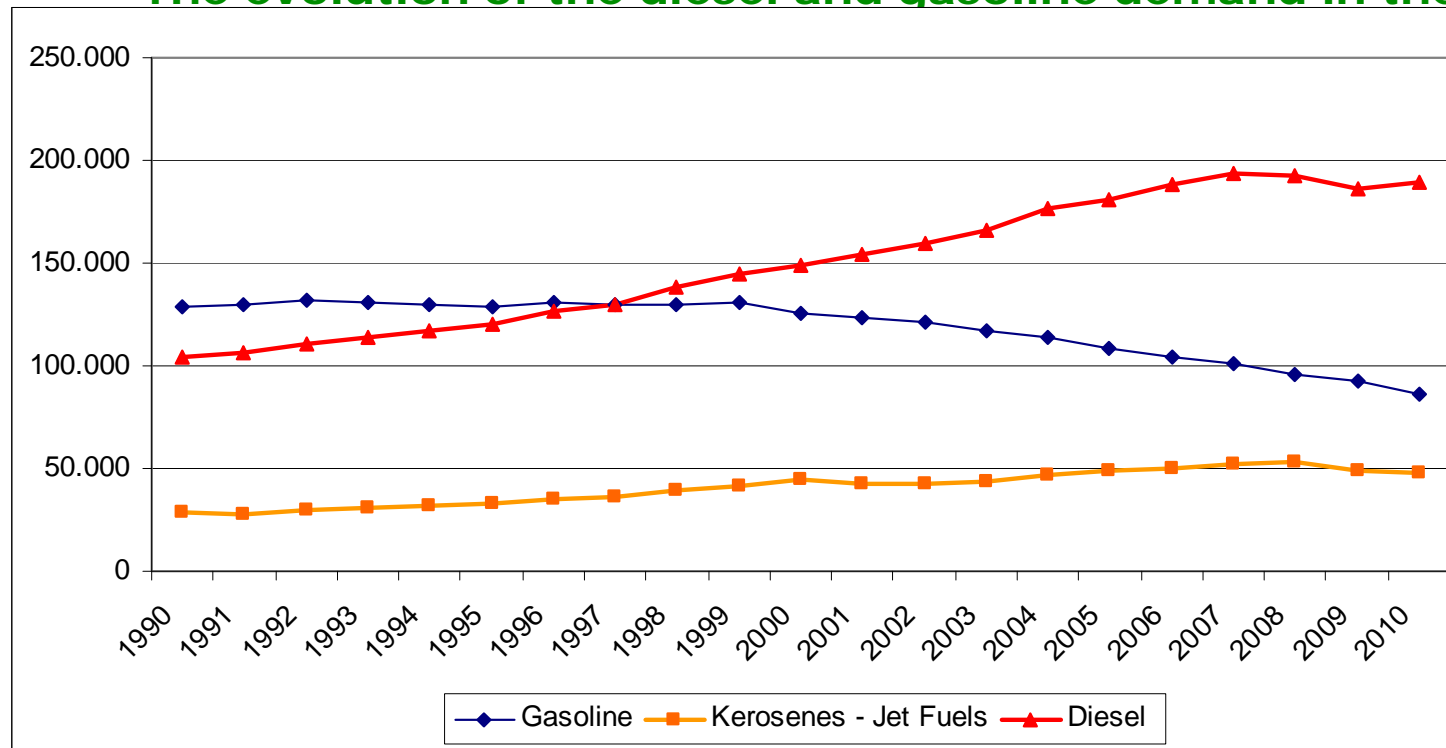
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### The evolution of the diesel and gasoline demand in the EU



Source: Eurostat



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### 2. EBB views on Indirect Land Use Change

*The uncertainties of econometrical modelling estimates*

	ILUC emission factor MINIMUM values (max/min various studies)	ILUC emission factor Only MAXIMUM values (various studies)	IFPRI Min-Max values
Rapeseed	-33/+88	52/800	29/81
Soybean	0/92	62/293	38/74
Palm Oil	-55/-45	34/214	47/61



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### 2. EBB views on Indirect Land Use Change

- **IFPRI study presents alarming loopholes, endangering the validity of policy making**
  - *Distorted assumption on land use : an additional 400 to 500 million ha of land not considered in the model*
  - *Positive effect of co-products are largely underestimated*
  - *Effects of current legislation cannot be assessed yet*



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### Commission proposal on ILUC

- **Complete reshape of EU biofuels policy based on ILUC unverified assumptions**
  - RED would be radically reshaped before complete transposition and implementation
  - RED revision clause is 2014 not 2012
  - Commission policy are inconsistent for biofuels (also for advanced biofuels)
- **A certitude: biodiesel ILUC factors in FQD will cause the death of EU biodiesel industry**
- **2020 “clinical death” for food/feed biofuels will suffocate anyhow the EU biofuels sector**
- **Food and feed biofuels eradication seems a perfect first step for “witch-hunt” irrational “middle age” political visions**
- **5% limitation will encourage return to oil in countries already above 7% like Sweden (already 9,8%), Slovakia, France, Germany etc.**
- **Advanced biofuels can only cover at the very best max 1% of the target by 2020 and are simply used as a mirror to hide a 5% real reduction in favour of oil and wind energy**



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**AS SOON AS Commission proposal approved how to fill the “remaining” 5% once cleaned from food crop “pollution”?**

**- USED COOKING OIL DERIVED BIODIESEL (UCOME)**

- 700.000 MT → 8% of total EU biodiesel production in 2011

**- ANIMAL TALLOW DERIVED BIODIESEL (TME)**

500.000 MT → 5,6% of total EU biodiesel production in 2011

**- LIGNO-CELLULOSIC ETHANOL**

10-25.000 tonnes → 0,1- 0,2 % of total EU ethanol installed production capacity in 2011

**- BIOMETHANE**

0,1, - 0,3 Mtoe

**- ALGAE**

Many projects, few hundreds kg capacities



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### ➤ Promoting Biofuels and ILUC mitigation policy

- Promote better agricultural practices in Europe
- Do not create a comparative advantage for palm oil based biodiesel (as paradoxically current proposal does)
- Promote use of rapeseed straws (3-4 tonnes of straw per every tonne of rapessed available are abandoned on the fields)
- Reshape the proposal on positive measure without bringing a whole industrial sector to death



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**Irresponsible U-turn on biofuels policy kills sustainable growth and jobs**

The EU biofuel industry, the sectors part of the value chain as well as the agricultural Community are shocked by the leaked draft proposal on how to address ILUC. The draft indicates that the Commission is preparing for a complete U-turn on its biofuels policies, including a 5% cap on biofuels from food and feed crop, ILUC factors under the FQD and a mathematical accountancy trick to achieve the 10% target on paper only. No more than 3 years after the EU's commitment to reducing GHG emissions, enhancing energy independence and to create sustainable growth and jobs the Commission effectively wipes out a nascent industry that arose as a response to the European climate and energy policy. The same industry that made considerable efforts to comply with the most stringent global sustainability criteria imposed upon it as a result of the biofuel policy.

The Commission's draft proposal is a masterpiece of irresponsible policy making. Until today the majority of the member states did not yet properly implement the Renewable Energy Directive and the Fuel Quality Directive and the Commission itself so far failed to provide clarity with respect to the definition and interpretation of some crucial elements of the Directives (highly biodiverse grasslands, Article 7a, validation of sustainability schemes by the European Commission). Without any proper assessment of the impact of the current policy the Commission prepares to sacrifice a thriving and functioning industry on the basis of inconclusive science and disproportionate environmental precaution.

The European Biofuels industry has made investments that amount to 14 billion Euro and is estimated to provide direct jobs to 100.000 European citizens. ILUC factors included in the FQD would cause the immediate death of the overall EU biodiesel and biofuels sector (including the whole production chain – from agriculture to first transformation) and result in many thousands of layoffs at a period of economic downturn. In the ethanol sector alone investment decisions close to one billion euro have been made recently and constructions are currently ongoing. Any change in policy must safeguard these investments done in good faith and therefore the proposed grandfather clause is insufficient. The European biofuels industry shows that even in times of crisis sustainable growth is possible. The draft proposal destroys any prospect of cost-efficiently greening the transport sector now and in the future.

Yet, the current draft proposal based on ungrounded and unverified econometrical modeling on ILUC would largely destroy current investments and question the economic viability of a European based industry. We deeply regret that economic modeling does not have a thorough knowledge of the industry. Assumptions present alarming loopholes, deeply impacting results and potential long-term decisions. Of particular worry, the IPPRI study presents a large number of shortcomings with respect to land use and availability as well as use and volume of co-products (animal feed).

This is why, the draft proposal fails to provide effective solutions to the problem of land use management in 3<sup>rd</sup> countries and is nothing more than window dressing: The idea to cap conventional biofuels at 5% means in some member states a dramatic downscaling of existing levels of biofuels utilization whilst the confirmation of double counting incentive for wastes and residues without considering the imperative need for EU-wide harmonization of definitions is a further example of failing to consider the experience gained with the current RED system so far. The proposal fails to acknowledge that the biofuel industry is providing substantial volumes of highly nutritional animal feed as a co-product of biofuel production. The introduction of ILUC factors under the FQD excludes certain biofuels from the market and puts the GHG reduction target into question. The quadruple counting for non-land using biofuels is nothing more than an accountancy trick and will neither help these new technologies to come to the market nor will it reduce GHG emissions from transport.



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