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FEDIOL Position on the Commission Proposal to address Indirect Land-Use Change (iLUC) in RED and FQD

On 17 October 2012, the European Commission issued a proposal to address the indirect land use change (iLUC) impact of biofuels. This proposal aims at amending the Renewable Energy Directive and the Fuel Quality Directive.

The Commission proposal entails fundamental changes to EU policy on renewable energy only three years after its inception and while most member states are still in the process of implementing the EU directive. If adopted, the proposal, which is now undergoing reading in Parliament and Council, would have a serious impact on the whole renewables' sector in Europe and on the achievability of 2020 objectives. The proposed changes disregard the 1.5 billion Euros invested in crushing and refining capacities, which have been made in good faith to supply the biodiesel industry. Abrupt changes are unlikely to create a favourable regulatory environment convincing investors to develop new projects on advanced biofuels in Europe.

ILUC factors

FEDIOL opposes the use of iLUC factors as a policy instrument, both for accounting and for reporting purposes, whether this is in the Renewable Energy Directive (RED) or in the Fuel Quality Directive (FQD). iLUC modelling is subject to strongly varying outcomes depending on the assumptions and data used. The science is far from mature and highly questioned. The IFPRI Report, used as the basis of Commission Proposal, has been built on false assumptions and has not even been peer reviewed. The lack of scientific robustness does not support the use of iLUC factors in legislation. The negative message conveyed about the supposedly weak GHG emissions performance of biofuels, in particular biodiesel, compared to fossil fuels, would not be justified either.

Moreover, it is not fair and consistent to penalize biofuels for iLUC effects, as this is not accounted for when other drivers (expansion for food, feed, urbanisation, ecological objectives) induce land use change, apart from the arbitrary allocations of it.

FEDIOL is convinced that, even if science evolves and the modelling gains in robustness, iLUC factors are inappropriate in limiting land-use change. Land use change is driven by many other factors than biofuels, as mentioned above. Hence for FEDIOL it would appear as more appropriate, instead of penalising conventional feedstock, to consider mitigating iLUC, such as through enhanced agricultural practices, yield increases, efficient use of products and co-products, bringing abandoned farmland into operation and use of idle and degraded land.

Capping

FEDIOL cannot accept the incorporation of conventional biofuels based on food crops to be capped at 5%. In several EU Member States, the share of biofuels is already now exceeding this level and setting a cap would ultimately imply a downscaling of current biofuels related capacities, notably in the oilseed crushing industry. The capacities in the EU were built in the expectation of reaching the 10% target by 2020. Halving the conventional biofuels target from 10% to 5% is a drastic and unjustified reduction which

will lead to lost investments and jobs. FEDIOL considers that a reasonable compromise would be 7-8% which would allow for securing existing investments and jobs in the EU.

Advanced biofuels

FEDIOL does not consider that multiple counting provides conditions for the up-take of advanced biofuels and is strongly opposed to quadruple counting. Multiple counting is not an appropriate market incentive to reduce greenhouse gas (GHG) emissions, but merely an accountancy trick, and bears high risks of creating market distortion and fraud.

FEDIOL is supportive of incentives to develop advanced biofuels by setting specific targets for ligno-cellulosic material, waste and residues. Conventional biofuels pave the way and offer a basis, in logistic and structural terms, for advanced biofuels to develop and to gain in sizeable scale. Advanced biofuels should contribute to achieving the objectives of the biofuels policy and to offer perspectives for the longer-term. Their development is imperative for the future of renewable fuel and for the decarbonisation of the transport sector.

The future of food crop-based biofuels

FEDIOL believes that conventional food crop-based biofuels will have a role to play beyond 2020, until advanced biofuels are available in a sufficient scale and commercially viable.

Today, only 4% of the EU arable land is used to produce rapeseed for biofuels, which also produces protein-rich feed materials (for food production) in a complementary manner. The increased vegetable oil demand from the biofuels has at the same time led to a doubling of protein meals produced and increased the protein self-sufficiency of the EU by 10 percentage points. This helped alleviate Europe's structural protein deficiency and dependency on imports of protein crops and meals from third countries.

Biofuels policies encourage farmers to produce more raw materials for food, feed and non-food markets. The production volume of oilseeds is therefore higher with the biofuels policies in place and ensures that food, fuel and other markets are fully supplied. Looking much beyond 2020, in an event of increased demand and possible supply shortage, a carefully designed biofuels policy with a flexible mandate – for example a quota that in a particular year can be met within that year or the following year – could provide an adequate response to the food security concerns. The incentives for higher world agricultural production would be maintained and the feedstock intended for biofuels could then serve as a buffer for the demand of the food sector.

Should biodiesel production disappear, the industry would not only lose a market of 7,7 million tonnes of oils used in biofuels of which 6.1 million tonnes are rapeseed oil, but also revenues from 3.6 million tonnes of EU produced soybean meal and 9.3 million tonnes of rapeseed meal will need to be substituted with imported soybean meals. Closures in the crushing industry would lead to losing over 6,000 employments across the EU.

It is also found that the major causes affecting food prices are higher farm input cost as a result of high oil prices, fluctuations in exchange rates, increased food demand, government interventions such as export bans, energy and transport cost, adverse and extreme weather conditions. The role of biofuels in influencing commodity prices is limited.

FEDIOL members are oilseed crushers and vegetable oil refiners who produce vegetable oils and protein meals for food, feed, energy and non-energy technical uses. As an integral part of food, feed and biofuel chains, FEDIOL members provide about 20.000 jobs in Europe, often in rural areas, and contribute with 24 bln euro turnover to value creation and wealth.
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