

FEDIOL position on the Directive on the promotion of the use of energy from renewable sources (Renewable Energy Directive)

General Framework

FEDIOL welcomes the Commission proposal for a Renewable Energy Directive and supports the Commission's approach to fostering the development of biofuels in Europe. As the European federation representing the vegetable oil and protein meal industry, FEDIOL has an interest in the efficient functioning of the food, feed and biodiesel markets.

The strategy for the development of biofuels put in place by the European Union has a three-fold rationale. It intends to help tackle **climate change** by significantly reducing the amount of carbon emissions in the EU and improving Europe's relative **energy independence**. It also represents an opportunity for **rural development** as it enables EU farmers to cope with the consequences of the 2003 CAP reform.

Biofuels are an effective alternative to fossil fuels in the transport sector, which produces more than 20% of the total EU greenhouse gas (GHG) emissions. Giving the industry a stable legal framework to pursue its investments and supply the European market is necessary if the EU is to meet its commitment in terms of GHG reduction and improve its energy security.

FEDIOL is confident that a properly implemented policy will help achieve those objectives while ensuring the proper evolution of commodity prices, the availability of raw materials, and feedstock sustainability.

Commodity prices

The current commodity price increases are caused by a number of factors including, rising demand for food in Asia (especially China) due to population growth and income growth, rising crude oil prices and fertilizer costs, weather conditions, and speculation by investment funds on commodity exchanges. The development of biofuels in Europe is only one of the many elements explaining commodity price volatility.

Over the long term, reasonable commodity prices will act as an incentive to improve agriculture in developing countries and benefit the farming sector, which comprises two-thirds of the population in those countries. As an example, more remunerative prices have been a key element of the tremendous development of agricultural production in Russia and Ukraine in recent years.

Raw materials' availability to reach EU targets

Regarding the issue of the competition for land between food and non-food agricultural production, FEDIOL has conducted projections on supply and demand of vegetable oils in the EU for the year 2020. The projections suggest that, barring major changes in market conditions, there will continue to be enough global supply to meet the EU demand in terms of feedstock for food and biodiesel.

The development of the biofuel industry in Europe will have a positive impact in terms of direct and indirect employment by maintaining innovative industrial activity in Europe,

encouraging rural development and fostering European expertise. According to a Joint Research Centre estimate, 250 000 jobs would be created as a result of the development of biofuels in Europe. Such job creation would have a multiplier effect, benefiting not only the biofuels sector but also equipment providers, the transportation sector, the research sector, port activity and farmers.

FEDIOL calls for maintaining the 10% mandatory target for renewable energies in transport proposed by the European Commission. This mandatory target is essential for meeting the triple objective of tackling climate change, improving energy independence, and promoting rural development.

The European Parliament's proposal to split the 10% target between first-generation biofuels and other renewables is illogical and counterproductive. Near-term development of second-generation biofuels based on waste and lignocellulosic materials is extremely uncertain, as is the development and degree of consumer acceptance of electricity-powered vehicles. Confining first-generation biofuels to the target voted by the ITRE committee limits the EU's ability to meet the 10% figure.

However, FEDIOL deems it necessary for the implementation of the target to be flexible. This would allow to take into account unforeseen disruption or tightness in the supply of raw materials so that the market can direct short crops to the agricultural outlets where they are most needed.

The mandatory 2020 target should be maintained without double-counting any particular energy source. Technological developments are increasingly putting into question the artificial divide between first and second-generation biofuels. The directive should therefore be neutral as regards available technologies and not unfairly advantage electricity. Rather, it is the role of the sustainability criteria to ensure that this target is met in a sustainable way.

The directive should establish clear rules to govern this important sector. Investment decisions by the biofuels industry are jeopardized by regulatory uncertainty. The impossibility for the industry to make medium-term investment plans sends a very negative signal to the farming sector calling into question one of the key objectives of the European legislation on biofuels, i.e. rural development.

Biofuels sustainability

According to the Commission proposal, in order to count towards established targets or continue being eligible for financial support, biofuels production must be sustainable. FEDIOL recognizes that ensuring the sustainability of biofuels' feedstocks, as well as proving the benefits that biofuels bring in terms of their GHG savings, is crucial for the growth and development of the biofuel industry in Europe. We believe that legal measures should result in a system that is EU-harmonised and workable for the supply chain, so as to ensure that the markets - present and emerging - for oils and fats continue to be served in an uninterrupted way.

- GHG Cut-off value

FEDIOL recognizes that it is necessary for biofuels to have a better GHG balance than fossil fuels in order to be included in the volume targets. The industry is committed to reducing the carbon footprint of first-generation biofuels by working towards limiting the GHG emissions linked to the processing of raw materials.

However the sustainability criteria put in place by the directive need to allow for an adequate balance between EU and imported feedstock. **Increasing the cut-off value above 35% of GHG emissions savings for eligible biofuels would have dire**

consequences for the European industry and undermine the very purpose of the directive. Indeed, changing the threshold defined by the Commission would first affect European feedstocks, in particular, rapeseed. The effect of such a change would be that most of the feedstock for biodiesel would be imported from South America and Asia.

A cut-off value of 35% ensures that a variety of feedstocks (domestic and imported) can be used towards the production of biofuels and contributes to solving the problem of feedstock availability for the food, fuel and feed markets. Otherwise, **the EU risks becoming dependent on imported biofuel feedstocks. Reduced use of fossil fuels will only increase the EU's energy security if that reduction is achieved by renewables produced in the EU. The EU legislation should take into account the situation of the EU industry while promoting distortion-free trade.**

In order to guarantee the availability of a variety of feedstocks for biofuels, typical and default values for soybean-oil based biodiesel should be integrated in Annex VII of the directive.

- Verification system for sustainability criteria

In terms of the **verification system for sustainability criteria**, it is essential to implement a system that is **EU-harmonised and workable for the supply chain**, so as to ensure that the markets for oils will continue to be served in an undisrupted way. The system needs to be reliable, transparent and enforceable. The detailed position of FEDIOL on the sustainability aspects of the directive is included in the attached specific technical paper.