



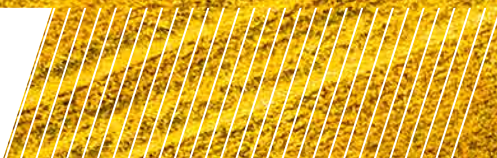
PHASING-OUT BIOFUELS: WHAT'S REALLY AT STAKE?

SPECIAL REPORT | 2 - 6 OCTOBER 2017
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Biofuel debate a political hot potato as EU renewable energy law nears home straight

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By Samuel White



Rapeseed is one of the EU's major homegrown biodiesel crops.
[Susanne Nilsson/Flickr]

Talks over how to decarbonise the EU's transport fleet are heating up. As policymakers prepare the bloc's renewable energy targets for 2030, part of the debate has crystallised around the role of biofuels. And farmers are getting increasingly vocal.

Vehicles in Europe currently run on a mix of fossil fuels, biofuels and electricity. Under the 2009 Renewable Energy Directive (RED I), the EU

committed to generating 20% of its energy mix from renewable sources, while capping the share of biofuels used in the transport sector at 7%.

The aim of the policy was to decarbonise the transport sector, but it has always been controversial. As the directive comes up for renewal, the debate over its achievements is still raging.

While biofuels burn more cleanly than fossil fuels, producing less carbon dioxide and other pollutants,

critics argue this is just one side of a bigger issue. On the other side, they say, are hidden carbon emissions from indirect land-use change (ILUC), as biofuels displace food production and farmers are forced to reclaim land from carbon-rich ecosystems such as forests and peatlands, as well as negative societal impacts such as increased food prices.

To address these criticisms, the EU

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executive proposed in November 2016 a revised Renewable Energy Directive (RED II), to cover the period 2021 to 2030. The proposal calls for a further increase in the share of renewable energy in the EU's mix to at least 27% by 2030. At the same time, it aims to cut the use of crop-based biofuels to 3.8% of transport fuel and shift the market towards so-called advanced biofuels, created from waste and residues, rather than food crops.

The directive is currently under negotiation in the European Parliament, where more than 1,300 amendments have been submitted. The Parliament's Committee on Industry, Research and Energy (ITRE), is leading the assembly's work on the draft legislation, and will vote on the new biofuels proposals in November ahead of a final plenary vote expected in January 2018.

FOCUS ON THE BEST ALTERNATIVES

"The current EU biofuels policy has not driven the best alternatives, mainly because of a focus on quantity rather than quality," Laura Buffet, clean fuels manager at the NGO Transport and Environment (T&E) told EURACTIV.com.

Biodiesel accounts for around 80% of the EU biofuels market. Around one-third of this is made from palm oil, with the remainder made from crops such as rapeseed and soy.

According to T&E, the climate impact of EU biodiesel is on average 80% worse than fossil diesel, when emissions from indirect land-use change (ILUC) are taken into account. But neither RED I nor RED II adequately address ILUC in their sustainability criteria, the NGO says.

"The science is clear," said Buffet, who called for crop-based biofuels to be completely phased out by 2030 and replaced by advanced biofuels and

renewable electricity. "Most of the EU biofuels market is made of food-based biofuels which have negative indirect land-use change impacts."

But EU farmers disagree. They say the net impact of biofuels has been positive for the climate. "The development of first-generation biofuels resulted in some 35Mt of gross avoided CO₂ emissions in 2013," said a recent report by Copa-Cogeca, the association of European farmers and agri-cooperatives.

The report, entitled 'Phasing out first generation biofuels: what is at stake?' also stated that thanks to biofuels, the EU saved €30bn per year on fossil fuel imports.

ETHANOL AS A TRANSITION FUEL?

The ILUC impact of crop-based bioethanol, which accounts for the other 20% of the EU's biofuel use, is much lower, and its supporters say it could serve as a longer-term transition fuel for European transport.

"Road transport in Europe will need liquid fuels for a long time," Emmanuel Desplechin, secretary general of ePURE, the European renewable ethanol association, told EURACTIV.

"From a lifecycle standpoint, a hybrid vehicle running on an E20 ethanol blend (20% ethanol, 80% petrol) is one of the best solutions we have today," he added.

According to 2016 figures from ePURE, ethanol used in transport fuel produces 66% lower GHG emissions than petrol, even when land-use change is accounted for.

This claim is supported by the European Commission's own data: two recent studies have underlined the climate and environmental benefits that higher blends of ethanol in petrol transport fuel could bring, including significant reductions in emissions of pollutants such as hydrocarbons, nitrogen oxides and carbon monoxide.

Yet according to T&E's calculations, a given area used to produce biofuels for transport could fuel 100 times more electric vehicles if it was covered in solar panels.

"Renewable electricity is the best available option to decarbonise transport fuels at the moment," Buffet said.

But Desplechin questioned this logic, saying, "Electric vehicles will continue to grow, but even under the most optimistic forecasts they will only make up a fraction of the EU car market by 2030. So why not make the best of the vehicle fleet we have now and will continue to have for the coming decades?"

EU FLIP-FLOPPING BAD FOR BUSINESS

After ten years of encouraging investment in biofuels, the Commission's change of heart "has triggered further uncertainty for investors", Copa-Cogeca said.

"This is a crucial issue for farmers," said Desplechin, who supports this view. "The production of crop-based biofuels in Europe generates at least €6.6 billion in direct revenue for farmers per year."

"It's a mystery why the Commission would want to abandon them, when even its own scientific evidence points, for example, to the benefits of higher ethanol blends in petrol," he added.

The Commission's decision to reduce the cap on biofuels in transport to 3.8% by 2030 is all the more surprising since two reports commissioned by the EU executive concluded that crop-based biofuels do help drive greenhouse gas emissions down.

One report commissioned by the European Commission found that blends of up to 20% ethanol in petrol could deliver significant reductions in GHG emissions as well as other

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pollutants such as hydrocarbons, nitrogen oxides and carbon monoxide, even when taking into account ILUC. Another study by Ecofys, IIASA and E4tech had similar findings.

"The policy to cap food-based biofuels for transport was assumed without supporting analysis and does not differentiate between the actual greenhouse gas (GHG) performance of biofuels," including indirect land use change impacts, the EC commissioned report noted.

For Desplechin, too, the drive to reduce biofuel use is not based on solid facts. "The Commission should be engaged in evidence-based policymaking, not policy-based evidence-making," he told EURACTIV.

ANIMAL FEED

Yet another side to the debate revolves around animal feed and Europe's dependence on imports. Livestock farmers are heavily dependent on imported proteins, which mainly come from South America, but biofuel production

generates large amounts of high-protein by-products that can reduce this dependence.

According to Copa-Cogeca, for every litre of biodiesel produced in the EU, the by-products are used to make 1.3kg of protein-rich animal feed. Each litre of bioethanol generates 1.2kg of animal feed.

This has led to a 10% drop in imports of animal feed proteins since 2010. Given that South American farmers tend to get far lower yields per acre than European farmers, advocates even suggest that home-grown EU biofuels mitigate the ILUC impact of animal feed.

MERCOSUR AND ETHANOL IMPORTS

Beside Europe's changing regulatory structure, farmers and ethanol producers are concerned by the potential for unfair competition from South America once the EU closes its trade deal with the continent's Mercosur trading bloc.

Agricultural powerhouse Brazil, a prominent member of Mercosur, is pushing for the EU to accept large

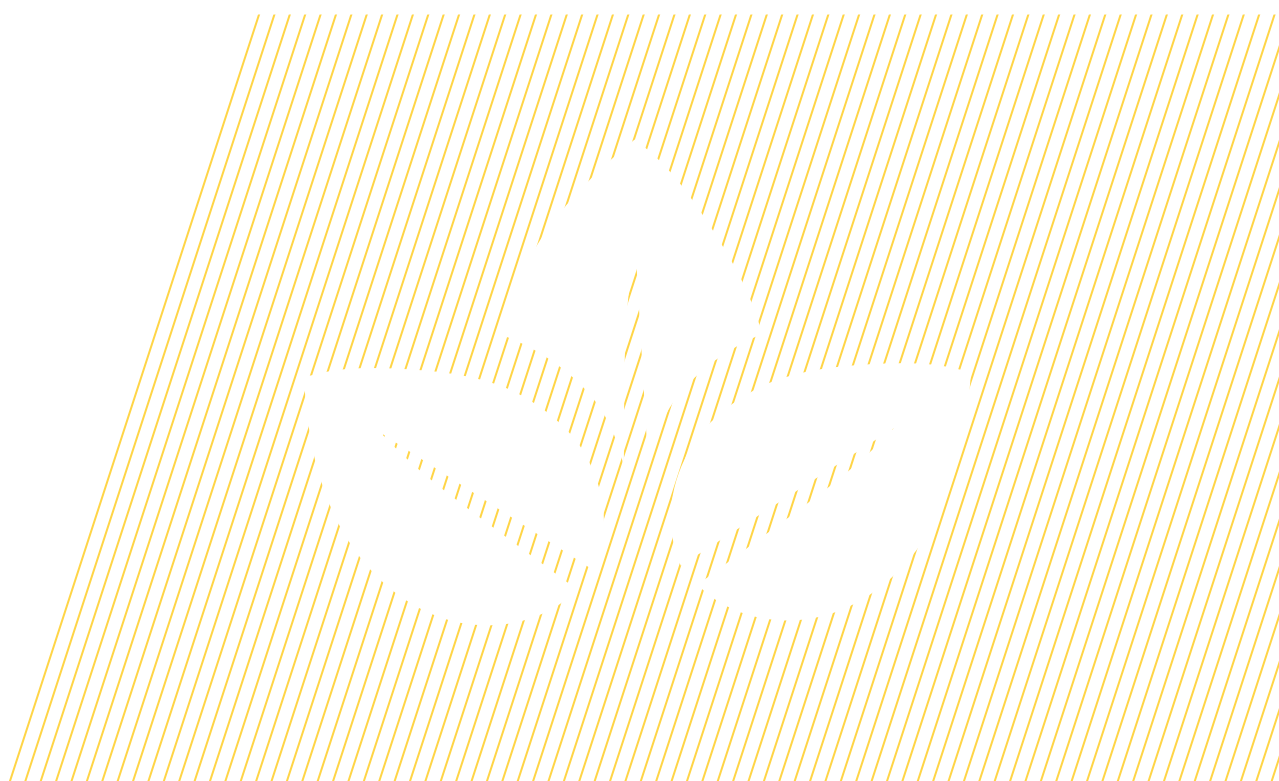
quotas of ethanol imports. But for Martin Merrild, the outgoing president of the association of European farmers' unions COPA, any such deal would expose EU farmers to unacceptable and unfair competition.

"Free trade is very important for farmers," Merrild said. "But we cannot accept double standards. There will never be fair competition between the EU and Latin America as they do not produce under the same conditions or meet the same standards."

At a time when policymakers are planning to squeeze future demand for biofuels, "EU producers cannot be left unprotected", he added.

The view was echoed by ePURE's Desplechin, who warned that if it agrees to open its markets to Brazilian ethanol, "the EU will contradict its energy and climate policies, kill incentives to invest in new technology, and make life even tougher for Europe's already struggling farmers".

"It makes little sense for the EU to want to shrink down the market for ethanol and then give what's left of that market to Brazilian ethanol producers," he added.



INTERVIEW

Green MEP: Sustainability criteria will distinguish 'good' and 'bad' biofuels

By Sarantis Michalopoulos



Bas Eickhout [European Parliament]

Sustainability criteria are needed to make a clear distinction between “bad” biofuels like palm oil and “good” ones like some ethanol, MEP Bas Eickhout told EURACTIV in an interview.

Bas Eickhout is a Dutch MEP of the Group of the Greens/European Free Alliance in the European Parliament. He is the rapporteur for the Parliament's ENVI committee's draft report on the

Renewable Energy Directive (RED II).

He spoke to EURACTIV's Sarantis Michalopoulos.

What is your overall approach towards the European Commission's Renewable Energy Directive II proposal?

We are shedding the policies for 2030. We have to look in the long term what transport will look like. I

still think the Commission's current proposal feels like they are fighting last decade's fight, continuing this idea of putting a cap on biofuels and introducing some targets for advanced biofuels, whereas the developments in real life are going much faster.

The developments in the electrification of transport are going so fast that the current proposal is not taking into consideration too much of those developments. So what I'm trying to say is yes, biofuels will play a role – biofuels in general – but I think they will play much more of a role in long-range transport – shipping, aviation. I'm not even sure anymore how big the role of biofuels will be in heavy-duty vehicles – trucks because even there, electrification is gaining grounds. For passenger cars, I really have my doubts whether biofuel will have any role.

If you put a policy in place until 2030, you have to make sure that you get the right framework. I'm trying to put sustainability criteria to say

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what are good biofuels and what are not. And then you can overcome this policy debate about what are good biofuels, what are bad biofuels – I think the world is much more complex than that.

And in your target setting, you have to really make sure that electrification can compete in an honest way. And I think that in the Commission's proposal, that was not the case. They were hardly stimulating the electrification and that should be enhanced, given the vision you have on what energy should look like in 2030.

You recently said that there must be a differentiation among first-generation biofuels. Do you insist on that?

Yes, I insist. The different political groups are divided in the Parliament. We had more than 1,000 amendments and they go in all different directions, there are real differences of opinion. My proposal is to overcome those differences and to say to people at the most conservative end of the parliament – why are we capping food-

based crops? Because they can be good if you combine them with products for feed etc.

I say ok, there are good examples of first-generation biofuels, but there are also bad examples of first-generation biofuels.

The Parliament said in a big majority we wanted to get rid of palm oil in the biofuels.

You can't say in a piece of legislation that the one or the other should be excluded. But of course you can create criteria for exclusion, and there come the indirect land use change criteria.

What we do know in those cases is that there is a lot of competition for land, having a negative impact on the carbon balance. If you put in those criteria, palm oil would fall off.

Whereas we know there are some ethanol examples that could comply with these sustainability criteria.

So, what I'm trying to do to overcome this debate in the Parliament is to say – ok, let's put good criteria in place and then we can be more relaxed than the cap discussion.

The Commission is saying – we use the cap to lower the negative effects of indirect land use change. I think that is a very blunt tool to do that, I prefer

to look at the criteria in ILUC. If we do no biofuels at all, there will be no ILUC, but maybe that's too blunt.

China and India are ambitious adopters of electric cars. The EU looks like it doesn't want to follow this trend. Is there a risk of Europe lagging behind?

I think the risk is definitely there. You can conclude that the European car industry and first of all the German car industry, they were betting on the wrong horse. They thought that to do climate policies, we put everything on diesel. They even put so much effort on diesel that they even cheated for it. It went into a dead-end street. And of course, the car industry now is saying "don't put too much pressure on us because we have to change our vision on the future of transport" – but the rest of the world is not waiting. And indeed like you said, China and India are putting mandates for electrification on the table. If we as policymakers are not making progress, we will only import cars and we will lose our export potential that is there. So I think really, the European car industry has been

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asleep too long, certainly the German industry. They are waking up.

What is the impact of the German election on the case considering that the Greens will not be part of the coalition?

In any new coalition, how to proceed with the future of the car industry will be one of the topics in German negotiations. I think everyone looks at the long-term and sees that the German car industry needs to accelerate its development and I think that Brussels should stipulate that, in order to really make sure that the European car industry is there in the long term as well.

There are reservations regarding the Commission's impact assessment process. It was criticised for being flawed – what's your comment on that?

It is clear that it was a political compromise that was proposed- that's how you read the proposal. And let's be honest. Of course, they make political proposals, they are political

in the end. I think it's now up to the legislators to evaluate whether they struck the right political compromise. And I think they didn't. I think they were on one end too blunt with their tools, and on the other hand, they were a bit blind for the developments in the electrification of the car industry. I will try to correct both: make a criteria-based distinction among biofuels, allowing that a competition between electric cars and cars on biofuels- let the market decide.

Hydrogen could also be there-there are more options, let's stimulate and let the market decide what should be there. But it's important to remember that the Commission will come up with some specific car legislation in November. There is the question whether a mandate for electric cars will be on the table. I think there is some leverage for the Commission to correct itself through this legislation.

Are you convinced about the sustainability of this approach?

We have to make sure we don't make the same mistake in a way – a lot of the markets think, OK let's be part of the advanced biofuels because

that's what is going to be stimulated. For me, good criteria are crucial. If you don't have good criteria in place, you will end up having a lot of things that will be called advanced but they are not sustainable at all. And the entire sector will suffer from it and have a bad image.

What the Commission is promoting, one of the examples is molasses, the chemistry, and the food industry uses that. If you start using that as a fuel, we are going to have to use other alternatives – and one of them is palm oil.

Are we coming back to the fuel versus food debate?

Maybe indirectly, you do an advanced biofuel that you count as advanced and sustainable, but then the chemical industry has to go to other food-based fuels again in order to do that type of processing. You have to know what you promote.

The key is good sustainability criteria, then you decide which ones to promote and stimulate.



MEP: 'Sustainable' biofuels and e-mobility both needed in post-2020 EU transport

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By Sarantis Michalopoulos



Seán Kelly: "The reputation of biofuels has been tarnished as a result of the unsustainability and detrimental environmental impact of using certain raw materials - palm oil." [European Parliament]

If the EU intends to meet its climate obligations under the Paris Agreement, then it should favour both "sustainable" biofuels and electric cars in post-2020 transport, MEP Seán Kelly told EURACTIV in an interview.

Kelly, an Irish MEP from the European People's Party (EPP),

also warned that the catastrophic environmental impact of palm oil had ruined the reputation of all biofuels and called on the European Commission to stop tarring all first-generation biofuels with the same brush.

As part of the Renewable Energy Directive review (RED II), the Commission proposed a gradual

phase-out of food-based biofuels, which should be replaced by "more advanced biofuels" that do not compete with food crops.

For 2030, the EU executive proposed reducing the contribution of conventional biofuels in transport from a maximum of 7% in 2021 to 3.8%

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in 2030. It also set an obligation to raise the share of other “low emissions fuels” such as renewable electricity and advanced biofuels in transport to 6.8%.

Kelly, who is the shadow rapporteur for the centre-right EPP group on the RED II proposal in the European Parliament, said he was in favour of a renewable energy transport target for the post-2020 period.

“There is a need to reduce harmful emissions across all sectors, and in the EU we have a lot of work to do in this regard,” he noted, adding that in order to meet the obligations under the Paris Agreement, the EU needs to “incentivise solutions that are both clean and sustainable – such as sustainable biofuels and e-mobility”.

PALM OIL AND BIOFUEL INFAMY

The MEP made it clear that first generation biofuels should be differentiated considering that their environmental impacts are very different and pointed out that incentives for biofuels like palm oil should be stopped.

“The reputation of biofuels has been tarnished as a result of the unsustainability and detrimental environmental impact of using certain raw materials – palm oil being the well-documented example,” the Irish MEP emphasised.

On the contrary, according to Kelly, European biofuels that are produced “sustainably” should be promoted.

“European biofuels, such as those with high greenhouse gas savings and which generate high-protein animal feed – at a time when this is badly needed – are not the same, and this needs to be recognised,” he said.

The different environmental impact of first generation biofuels is also recognised by Green MEP Bas Eickhout, who is the rapporteur for the

European Parliament’s environment committee on the file.

In an interview with EURACTIV yesterday (3 October), Eickhout suggested the introduction of “sustainability criteria” in order to make a clear distinction between “bad” biofuels like palm oil and “good” ones like some ethanol.

Commenting on Eickhout’s proposal, industry group Ethanol Europe said his vision could be realised by including a target for renewable energy use in transport to support “good biofuels”.

“Without a target, the potential in climate saving ethanol will not be tapped. It is essential that the EU continues its target beyond 2020, and sets [a target of] 15% to be met by 2030. Then sufficient incentives would be in place to make sure oil is replaced by ‘good’ ethanol,” the industry told EURACTIV.

ADVANCED BIOFUELS AND INVESTORS

In its proposal, the Commission focuses more on the direction of advanced or second-generation biofuels, claiming that they have a crucial role to play in decarbonising the transport sector.

But as environmental NGO Transport and Environment recently pointed out, this calls for a “clear and robust” sustainability framework that will provide certainty for investors.

Kelly agrees that advanced biofuels will be there after 2020 but has doubts about “regulatory uncertainty”, which has been at the center of the biofuels debate in recent years.

“If we want advanced biofuels to be developed and to contribute, we must give that certainty to investors, through the RED II, that we will have a supportive biofuels policy going forward,” the EPP lawmaker said.

Asked why an investor would put money into advanced biofuels considering the Commission’s U-turn

on first generation biofuels, he replied: “Quite frankly, they wouldn’t.”

“This is why it is so important that RED II sends the right signal to industry and to investors, and I hope I can help ensure that that is the case in my work on the file in the coming months.”

FARMERS ARE THE ‘VICTIMS’

EU farmers have repeatedly expressed their reservations regarding the Commission’s proposal.

For many of them, biofuels are an emerging market, which has grown outside the Common Agricultural Policy framework and so helped them decrease their dependence on subsidies.

“Farmers are one of the groups that are hit most by the phase-out and, given many will have invested on the basis of the previous policy, to me that isn’t fair,” Kelly said, insisting that sustainable European biofuels that are grown by farmers, and bring added value by increasing the supply of high-protein animal feed, must continue to be supported post-2020.

The EU executive has admitted that it has not assessed the impact of its 2030 biofuels proposal over rural employment. But it expects neither losses nor gains.

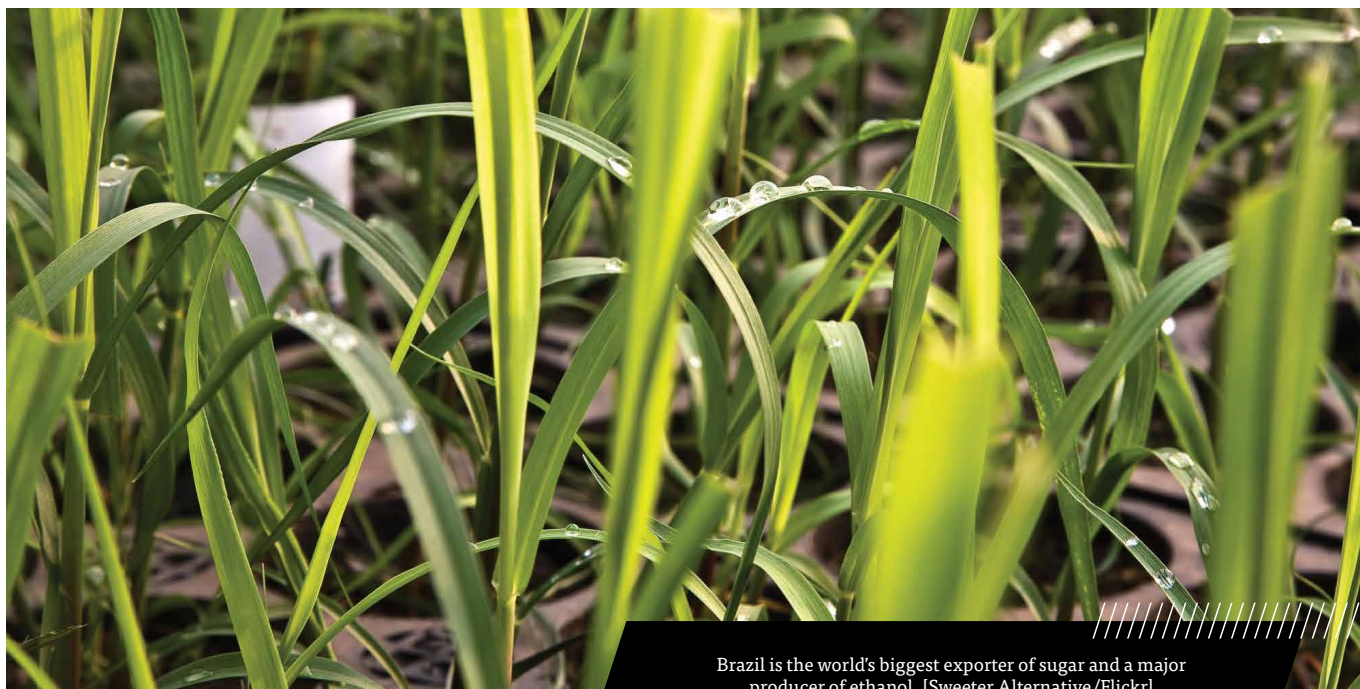
Bernd Kuepker, an official at the Commission’s energy department (DG Energy), said, “We looked at different factors and generally what has been considered is that the highest share of jobs is in the agricultural sector and we don’t expect it to stop.”

“Job losses related to first-generation biofuels will be compensated by new ones in second generation biofuels. [...] So, it’s certainly not a policy whose main objective is to create jobs, but the proposal will not decrease employment rates either,” he concluded.

Biofuels emerge as burning issue in EU-Mercosur talks

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By Samuel White



Brazil is the world's biggest exporter of sugar and a major producer of ethanol. [Sweeter Alternative/Flickr]

Biofuels have emerged as a make-or-break issue in the EU's negotiations with South American trading bloc Mercosur, and EU farmers fear they will be left to fend off stronger competition in a shrinking market.

EU trade negotiators hope to put an end to almost two decades of stop-start talks with the Mercosur bloc by the end of the year. If successful, the Mercosur trade deal will be the EU's second most important in economic terms, after its deal with Japan, agreed in principle earlier this year.

Central to the Mercosur trading bloc is agricultural powerhouse Brazil.

In 2015, it was the world's third-biggest exporter of agricultural produce (\$80bn), behind the EU itself (\$585bn) and the United States (\$163bn). It is the world's biggest producer of sugar and a major exporter of bioethanol made from sugar cane.

But talks heated up in September when Brazil said it would only back the deal if the EU accepted more generous import quotas for several commodities, including bioethanol.

Bioethanol is mixed with petrol and used in transport fuel but has other applications in the chemicals industry, including bio-plastics manufacturing, a growth market Brazil is keen to access.

"IT MAKES LITTLE SENSE"

As part of its draft recast of the Renewable Energy Directive for 2021-2030 (RED II), the European Commission proposed reducing the cap on the share of first-generation (crop-based) biofuels in EU transport fuel from 7% in 2020 to 3.8% in 2030.

EU biofuels producers are already worried that this new cap will kill incentives to invest in new technologies and deprive farmers of a valuable revenue stream. And greater market access for Mercosur countries, they fear, will be a final nail in the

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coffin for the EU bioeconomy.

In its latest offer to Mercosur, currently being debated at the 2-6 October round of negotiations, the EU offered a quota of 600,000 tonnes of ethanol, including 200,000 for use in transport fuel.

This offer provoked outcry on both sides of the Atlantic: Brazil's sugar cane industry (the country's main producers of ethanol) said it was "extremely disappointed" with the low proposal, while EU farmers said they feared it would "jeopardise growth and jobs in rural areas" and vowed to step up their opposition.

"It makes little sense for the EU to want to shrink down the market for ethanol – even though it could help achieve decarbonisation and air quality goals – and then give what's left of that market to Brazilian ethanol producers," Emmanuel Desplechin, secretary general of ePURE, the European renewable ethanol association, told EURACTIV.com.

More than 99% of the feedstock currently used to make first-generation (crop-based) bioethanol in the EU is grown in EU countries, according to ePURE. This generates €2.1bn of revenue for farmers and produces enough high-protein animal feed as a by-product for four million cows.

PUSHING FOR A HIGHER TRANSPORT BIOFUELS CAP

But the Brazilian sugar industry says the fears of the EU biofuels industry have been overplayed. In 2016 it exported just 27 million litres of sugar cane ethanol to the bloc, equivalent to 0.35% of EU production.

"For Mercosur, the agricultural sector is as important as the services sector is for Europe," Géraldine Kutas, the head of international affairs at the Brazilian sugar cane

industry association (UNICA), told EURACTIV. "I would like to see the reaction of Europe if Brazil decides to exclude, for instance, the banking and telecommunication sectors from the agreement."

She stressed that like its counterparts in the EU, UNICA was pushing for a higher post-2020 biofuels cap to enlarge the market and keep the EU on track for its climate goals. UNICA says its bioethanol can bring emissions cuts of up to 70% compared to petrol, with very low indirect land-use change (ILUC) impacts, as sugar cane is grown mainly on low-quality agricultural land that would otherwise go unused.

And anyway, she added, 90% of the ethanol produced in Brazil is consumed domestically "and it will continue to be the case, even if we get more access to the EU market".

NOT A LEVEL PLAYING FIELD

Yet EU farmers are concerned that a deal with Mercosur will tilt the playing field in favour of their Brazilian competitors.

"There will never be fair competition between the EU and Latin America as they do not produce under the same conditions or meet the same standards," said Martin Merrild, the outgoing president of the European farmers union Copa. He stressed that EU farmers had to follow reams of environmental legislation and regulations that do not apply to imports and urged the bloc's trade negotiators to "be realistic".

But Kutas argued in a letter to European Commissioners and MEPs in early September that Brazilian producers were placed at a greater disadvantage by EU subsidies to the sugar sector, which are 22 times higher than those received by Brazilian sugar growers. On top of which, she added, Europe's domestic ethanol producers are protected by a prohibitive import

tariff of €0.19 per litre.

Nonetheless, Pekka Pesonen, the secretary general of Copa and Cogeca, the association of EU farmers and agri-cooperatives, said "this is not the time" to offer increased market access to Mercosur. With the uncertainty over the future of the biofuels market post-2020, it "would jeopardise growth and jobs in rural areas", he added.

"BOTH SIDES HAVE TO WIN SOMETHING"

A European Commission spokesperson said in September that the tariff quota offered to Mercosur had been "carefully calibrated" – meaning not fully liberalised – to protect the sensitivities of EU agriculture.

"These are sensitive sectors," Kutas admitted, "but this is a negotiation and everybody has to win something."

The Mercosur trade deal will be hugely important for Europe's economy, Kutas said. "Does the EU really want to miss this opportunity because it refuses to give anything on sugar and ethanol?"

Biofuels phase-out will raise demand for feed imports, industry warns

By Samuel White



By-products from EU biofuels production make 17 million tonnes of high-protein animal feed. [SGR/Shutterstock]

Biofuels in the EU are deeply intertwined with global food and feed markets. As the EU discusses its future biofuels policy, their contribution to the bloc's animal feed supply and impact on food prices have emerged as major battlegrounds between supporters and critics.

In its proposal for the recast of the Renewable Energy Directive for 2021-2030 (RED II), the European Commission called for a reduction of the cap on first-generation biofuels, made from food crops, used in the transport sector from 7% in 2020 to 3.8% in 2030. The proposal is currently being debated in the European Parliament's committees ahead of a final vote in January 2018.

The proposal is currently being

debated in the European Parliament's committees ahead of a final vote in January 2018.

Critics of EU biofuels policy have welcomed the move, saying it will reduce pressure on food prices. Farmers and biofuel producers, on the other hand, argue that biofuels have had very little impact on prices, while providing farmers with an income outside the subsidised CAP framework and boosting Europe's autonomy in animal feed.

One thing is for sure: a biofuels phase-out will have far-reaching consequences for farmers and global agricultural markets.

CUTTING FEED IMPORTS

By-products from biodiesel and

bioethanol crops generate some 17 million tonnes of feed for EU livestock every year.

According to the association of EU farmers and agri-cooperatives Copa-Cogeca, EU support for first-generation biofuels under the 2009 Renewable Energy Directive (RED I) has cut the bloc's dependence on imports of animal feed proteins by 10%.

"First generation biofuels produced from arable crops grown in the EU replace four to five million hectares of soya that would otherwise be imported from third countries, mainly in South America," Copa-Cogeca stated in a recent report. Around 4.4 million

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hectares of arable land in the EU and 3.5 million hectares outside the EU are used to grow the bloc's biofuel feedstock.

For Marijana Petir, a Croatian MEP (EPP group) and member of the European Parliament's agriculture committee, this should be a powerful argument against phasing out first-generation biofuels. Not only would this leave farmers more dependent on imports, she told EURACTIV.com, but "in contrast to the feed produced by the EU biofuel industry those imports will be based on genetically modified (GMO) material".

What is more, "cutting feed imports to the EU also helps to reduce the ILUC impact [of animal feed] in third countries".

But a recent report by Cerulogy, which compared more than 100 economic modelling studies on the effect of biofuels on food markets, found that while they made a "not negligible contribution" to meeting the demands of the EU livestock industry, they did not fundamentally alter the EU's dependence on imports.

Europe's farmers still import around 70% of the plant protein they need to feed their livestock. The majority of imports come from South America, costing €12bn per year.

And the cut in imports has not necessarily driven down feed prices in Europe. A recent European Commission report also found that biofuel demand had actually increased

prices for oilseed-based animal feeds.

BROAD CONSENSUS ON FOOD PRICE INCREASES

Biofuels producers and supporters argue that the industry has had a very limited impact on EU food and feed prices.

"The increase in food prices is nothing more than a myth," said Petir. "This myth has been comprehensively dismissed: the OECD, the World Bank and the UN FAO all accept that the driver of food prices was a spike in oil prices."

What is more, ePure, the European renewable ethanol association, argues that EU-grown biofuels even have the power to iron out these fluctuations by cutting the bloc's dependence on fossil fuel imports.

"Over 60% of food price increases are caused by crude oil prices, not the production of biofuels. By displacing fossil fuels, biofuels can mitigate the effect of crude oil on food prices," ePure stated in a 2017 factsheet.

But the Cerulogy report found a wide consensus that increasing biofuel demand had indeed resulted in increased food prices.

"Claims by biofuel advocates that this is a 'myth' stand in wilful contradiction of this evidence base, and are often supported by a variety of disingenuous claims and half-truths," the report stated.

And crucially, "returning [protein-rich by-products] to livestock feed markets is not enough to eliminate

any negative impacts on food prices".

Copa-Cogeca estimates that biodiesel has had a 4% price effect on global food oil crops and bioethanol, a less marked effect of 1-2%.

Cerulogy predicts a 0.6% higher global cereal prices and 8% higher global vegetable oil prices if the 7% crop-biofuel is kept, compared to phasing them out. This, the report's authors say, means that a decision to keep the 7% cap on biofuels in transport for 2021-2030 would cost consumers and other users of oils and biofuel feedstocks \$19bn by 2030.

BROADER MARKET DISTURBANCES

But the industry argues that the economic impact of the biofuels phase-out will reach far beyond food and feed prices and could create broader market disturbances.

"Stable agricultural markets lead to increased investments and increased productivity, which is beneficial for food as well as biofuels," the Copa-Cogeca study stated. "Conventional biofuels are not automatically synonymous with market conflicts."

And simply finding new markets for the newly generated surplus is not a viable option, according to the industry.

"There is no alternative outlet in the EU to absorb 6.4 million tonnes of rapeseed oil. Neither is it realistic to consider that this volume will replace

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imported tropical oils,” Nathalie Lecocq, the director-general of Fediol, the organisation representing the EU vegetable oil and protein meal industry, told EURACTIV.

“Exporting such volume to the world market would not be possible either, without a considerable cut on prices,” she added. This view was supported by Copa-Cogeca Secretary-General Pekka Pesonen, who warned that a phase-out of biodiesel in the EU would cost farmers €300 per hectare.

“NO ALTERNATIVE”

What is more, the Fediol secretary-general said that if oilseed producers, who provide the raw materials for biodiesel, were to switch to other crops, such as wheat, it would “drive crop prices down across the board, reducing farmers profitability”.

Cereal prices have already fallen 40% in three years due to record global production. Converting the EU’s rapeseed fields to wheat would

increase EU production by 15% and further undermine prices.

“In short, there are no economically viable alternatives to rapeseed production,” Lecocq said.

For ePure, the European renewable ethanol association, this is an argument in favour of increasing the cap for bioethanol in EU transport. The association says the fuel ethanol industry currently uses only 2% of EU grain production, so does not compete for resources with food or feed markets.

The Copa-Cogeca report supports this view, saying that these cereals would otherwise have been put in storage as supply far outstripped demand.

A European Commission spokesperson defended the EU executive’s decision to cut the cap on biofuels in transport from 7% to 3.8%, saying “their contribution towards reducing GHG emissions is considered to be limited”.

What is more, “this will further reduce the pressure markets for food and feed,” the spokesperson said.



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