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– Speech –

The contribution of Bioenergy in combating climate change

Ladies and Gentlemen, dear Guests from the USA, Brazil, China, and Thailand, and members of the European Bioenergy Community

This two days event comes at a crucial time for Europe's energy policy. Climate change, energy security and competitiveness are the key challenges facing the European Union. And this policy area is likely to be a key deliverable of this European Commission and the current European legislature.

I am very pleased that I have been given the opportunity to address you at this European Commission Bioenergy Contractors event since you are, after all, the main actors trying to improve and optimise existing Bioenergy technologies, developing new processes and bio-products and providing the technology basis upon which Bioenergy can contribute to the targets of the European Union on

energy, climate change and competitiveness. My intervention will therefore serve to explain you how we see the role of the bioenergy in our energy and climate policy and what exactly the European Union is doing to promote your sector.

The overall aim of the **energy and climate policy** which we are currently turning into European legislation is to slow down the global warming. We have established ambitious targets of 20% GHG reduction by 2020 in respect of 2005 levels, and of 20% share of renewable energy sources by 2020, as well as a 10% minimum share of renewable energy in transport. The targets for renewable energy are key elements of the Commission's proposal put forward on 23 January this year. Bioenergy will play a prominent role in reaching these targets especially when considering that it already contributes about 65% of all primary renewable energy use of the EU. We must also keep in mind that all models and projections indicate that Bioenergy will have the lion's share of the renewables by 2020.

It is therefore understandable that bioenergy, and in particular biofuels, have recently turned into a major subject of international media debate. I will come back to this later. Let me now tell you what role we see for bioenergy with regards to our ambitious energy targets.

The role of bioenergy in meeting 2020 targets

Biomass will play a key role in reaching our 2020 targets. Our projections tell us that 2/3 of all renewable energy will come from bio-energy in 2020.

Today, around 75 percent of biomass comes from the forest, but according to different projections, forestry will contribute much less in the forthcoming years,

as biomass from agriculture and waste will become more prominent. Nevertheless, a lot still needs to be done in all three sectors to fulfil the EU's biomass potential.

Availability of biomass will be a key issue for the coming years. The European Environmental Agency has estimated that significant amounts of biomass can be made available to support ambitious renewable energy targets. But there are environment constraints. Certain biodiverse lands should not be converted to harvest the biomass for energy purposes.

With this in mind, the EU is currently developing binding sustainability criteria for biofuels, which will be part of the new European legislation to promote renewable energy in view of the 2020 targets. These criteria have been proposed by the Commission as an integral part of its renewable energy proposal. We need policies to ensure a predictable, long-term policy framework to encourage development of long-term sustainable biomass supply for both energy use and other uses, without damage to our eco-system.

National Biomass Action Plans will also be important to ensure a long-term strategy for forests and wood. Member States are encouraged to work together on developing their biomass strategies. This year the Commission will issue a progress report on the biomass use in Europe.

We have also included in the new proposal for a renewable energy Directive a requirement for Member States to establish national action plans which should serve them as roadmap to meet their respective national renewable energy target. These action plans shall contain sectoral targets for electricity, heating and cooling and renewable energy use in transport. Although no specific bio-energy targets will be required in the new legislation, the importance of biomass in the renewable energy mix points to the need of strategic thinking. Therefore we expect that as part of their national actions plans, Member States will need to set out adequate measures to develop biomass resources.

Bioenergy

The bioenergy sector is a complex sector addressing a multitude of sources and delivering products for electricity, heating and transport markets. Although I am certain that you are aware of it let me point out that Bioenergy is the only Renewable Energy Source that can address all three markets mentioned. Research and Demonstration in the domain of "*second generation biofuels*" together with "*biorefineries*" and "*aquatic biomass*" are currently some of the cutting edge areas of energy technology that can provide realistic answers to our Energy policy. And on technology the European Commission has the Framework Programme as its main tool and you as the main actors to deliver the technologies and bio-products needed by the European Citizen.

Promotion of bio-energy is a win-win situation. It provides opportunities for diversifying economic activity in rural areas and it promotes job-creation. The Renewable Energy Industry currently employs more than 350.000 people in an increasing number of EU countries. The successful deployment of renewables has led to income growth for many formerly poor regions in Europe.

The growth of the use of wood for bio-energy is therefore both a challenge and an opportunity for the forest industry. The industry is already a large consumer of bio-energy and it could harness their experience to benefit from a new market, such as for 2nd generation biofuels and developing bio-refineries to use renewable raw materials to produce energy together with a wide range of everyday bio-commodities for the industry. This would be also a more efficient way of producing energy from wood. The development and market deployment of energy crops will also provide multiple solutions to the further development

of the EU agriculture sector ensuring a stable income for the farming community.

European energy research and innovation integration through Strategic Energy Technology Plan

Technology, and on this point please let me point out that all of you present in this room have an important role to play, is a vital piece of the far-reaching policy jigsaw adopted by the European Commission. With this in mind, and in addition to the Framework Programme the Commission adopted last year a European Strategic Energy Technology Plan aiming to accelerate the technological development and market introduction of low carbon technologies, including renewables and energy efficiency.

The current energy research system in Europe is characterised by limited resources and its fragmentation. Under the driving force of the Council , the Commission adopted the European Strategic Energy Technology Plan (SET-Plan) in November 2007 aiming at overcoming these aspects and developing and implementing a European energy technology policy.

It proposes four lines of action to maximise the benefits of Community intervention in energy research and innovation, with the final aim to contributing to achieving our energy and climate change goals:

- Establishing a new governance with Member States by creating a Steering Group composed by the energy and research national responsible authorities. The group will be responsible for coordinating EC and MS policies and programmes, promoting joint activities and identifying resources to ensure implementation The Commission together with member states, research and industry community is

developing an 'strategic energy technologies information system' (SETIS) to support the work of this group.

- Effective implementation of actions in favour of different technologies through:
 - European Industrial Initiatives – Initially: Wind, Solar (photovoltaics and concentrated solar power), Grid, CCS, Bio-energy and Nuclear with a focus on IV generation reactor
 - European Energy Research Alliance – formed of national research centers which aims at shifting the emphasis of cooperation on projects to joint programming
 - An action on planning the transition toward the energy systems and network of the future
- Increasing resources – the Commission is preparing a Communication on Financing Low Carbon Technologies to define financial needs and sources available
- A new and ambitious strategy on International Cooperation
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Ladies and gentlemen,

Let me now turn to biofuels.

You will certainly be aware of the big interest surrounding biofuels. I would be very proud if the only reason for this interest would be the recent policy proposals in renewable energy area that the European Commission has made. I am afraid this is not really the case.

World food prices have suddenly been rising. In fact, cereal prices have halved in real terms since 1975, but right now they are climbing, and people are worried. They are looking for explanations. And as European Agriculture Commissioner Marianne Fisher Boel has said recently, such a search for explanations can quickly become a hunt for a scapegoat. Biofuels have unfortunately become that scapegoat.

Commission analyses indicate that current EU biofuel production has little impact on current global food prices, as biofuels use less than 1 per cent of EU cereal production. The agreed target of 10% renewables in transport fuel by 2020, and the long lead-time involved makes it unlikely that this can have had an impact on prices already today.

Let me now turn to the essence of European policy on biofuels. They form an important part of our energy and climate policy. They are important and they are necessary.

The first reason for their importance is environmental.

Our transport sector is a heavy polluter. It's responsible for more than 1/5 of greenhouse gas emissions that contribute to climate change in the European Union. And emissions are climbing faster in this sector than in any other. Using more biofuels can help bring this destructive growth under.

The second reason – often forgotten– relates to fuel security.

European transport is almost 100 percent oil dependant. And we are producing almost none of it within Europe. This is not a comfortable position to be in.

Therefore we need to diversify our sources of fuel, especially when oil prices reached recently more than \$ 140 a barrel and when they are starting to have negative impacts on our economy.

So, for these reasons, biofuels can be extremely useful to us. But to get the best out of them, the European Union Member States need to work together with clear objectives in mind. Only this way can we get industry to adapt to a world with biofuels, give confidence to investors, build a well-functioning internal market, bring down production costs and make progress with second-generation renewable energy.

This is why we have agreed on a binding target: that by 2020, every European Union Member State must draw 10 per cent of its transport fuel supply from biofuels.

The 10% target for renewable energy will allow us to start getting benefits from sustainably produced first-generation biofuels. And we can use them as a bridge to take us to the second generation, because potential investors in second-generation fuels need us to build this bridge to create a stable market that can cut down the investment risks. Also, production facilities for some advanced fuels could be built as extensions to first-generation plants.

That is why we need this binding target for renewables in transport to:

- consolidate the internal market;
- to allow for the more advanced biofuels products to take off;
- to reverse the trend of rapidly growing greenhouse gas emissions from transport and thus wiping out the emission savings in other sectors;
- and to improve our fuel supply.

There have been discussions about the environmental value of first-generation fuels.

Therefore the Commission has proposed strong safeguards: biofuels will count towards a Member State's target only if they make a greenhouse gas saving of at least 35 per cent compared to fossil fuels. Also, no biofuel shall count towards targets if produced from feedstocks coming from environmentally sensitive areas such as land with a high biodiversity value and land with high carbon stocks.

These criteria will apply both to domestic production and to imports.

In fact, many so called first-generation fuels already score well above 35 per cent. The typical greenhouse gas saving for biodiesel made from European-grown rapeseed is 44 per cent. Some typical European Union first-generation fuels with very efficient conversion processes make savings closer to 60 per cent.

Of course, a key challenge will be to ensure that imports actually meet our criteria in practice. We are currently working on various approaches to doing this in line with our international obligations.

Land use question is one of the most frequently raised issues. But we should not exaggerate the land required to produce biofuels.

The Commission's simulation suggests that in 2020, 80 per cent of our biofuel target could be met by European raw material grown on about 15 per cent of European Union arable land. The "real" land use figure will however be lower than 15 per cent. This is because the by-products obtained from biofuel production can be used to produce animal feed and thus reduce the area needed for growing plants for animal feed production.

The Commission does not claim that the proposed sustainability scheme for biofuels will be the panacea for all environmental problems in the world, but a

major step towards ensuring that the biofuels we consume will not result in deforestation or have other adverse environmental impacts.

Some issues, such as social criteria, were not included in the scheme. This is because we were not sure that a scheme including social criteria could be designed in such a way that we can avoid risks of being challenged by our trade partners under the WTO rules. Nevertheless our scheme will include regular monitoring and reporting on a wide range of economic, social and environmental impacts, including positive and negative impacts on food security. The European Union can make an important contribution to shaping the future development of biofuels by promoting international agreement on sustainability criteria which would be deliverable and enforceable, outside the EU. On this issue, as well as others, we are working closely with our partners from the USA.

These shall be our guiding principles when taking part in the International Biofuels Forum consisting by Brazil, the USA, China, India, South Africa and the EU and I am very pleased to see in the agenda that there will be a presentation on the International Biofuels Forum.

You might be interested to know if the Commission plans to propose extending the sustainability scheme to biomass in general. We are considering this inside the Commission and a stakeholder meeting was recently held. We have committed to report on possible requirements by the end of 2010. The Commission will in particular study possible criteria on sustainable forest management, while ensuring that existing schemes are adequately taken into account, and encouraging more efficient uses of biomass in the heating and electricity sectors.

Ladies, gentlemen,

It is time to conclude my intervention. Let me just once again underline, already today bioenergy takes up a prominent part in European renewable energy sector and the future success of our climate and energy targets depends on this rapidly developing sector. If we want to reap the benefits of greener and more energy secure Europe tomorrow, we have to act already today. All of us – the policy makers and planners, industry and consumers, citizens – everyone can contribute to build a better energy future for Europe. Let's do it!

Thank you.