

**FEDIOL comments to the European Commission public consultation on Biofuels issues in the new legislation on the promotion of renewable Energy**

**Brussels, 15 June 2007**

**PART 1. HOW SHOULD A BIOFUELS SUSTAINABILITY SYSTEM BE DESIGNED**

**QUESTION 1.1. DO YOU THINK THE “POSSIBLE WAY FORWARD” DESCRIBED ABOVE IS FEASIBLE?**

FEDIOL agrees that ensuring the environmental sustainability of the biofuels' feed stocks as well as proving the benefits that the different biofuels bring in terms of their greenhouse gas savings is crucial for the sustainable growth and development of the biofuels industry in Europe.

However, we need to caution against a system where definition of criteria and the implementation of control mechanisms are left to the different Member States.

We are already very concerned about the disconnection between the different initiatives that are taking place at national level, namely in the Netherlands, UK and Germany, which are currently developing different schemes, with different scopes, mechanisms and criteria.

We are afraid that as these and other initiatives evolve to eventually become transposed into national laws, we could end up with not one but 27 different markets for biofuels in Europe, each with a different set of criteria and/or verification systems that biofuel, fuel producers and feedstock suppliers would need to comply with.

This has the potential to impair not only the growth of the biofuels industry in Europe, but could also create great disruptions in all markets FEDIOL serves, including the food, feed and other industrial markets.

This is why we believe that, if a sustainability system for biofuels is to be set, the principles and the criteria, their further definition and the implementation of control mechanisms for biofuels needs to be established and ensured, at a minimum, at European level and in a step-wise approach.

**Question 1.2. What do you think the administrative burden of an approach like the “possible way forward” would be? Please quantify your answer**

The administrative burden resulting from 27 potential different sets of criteria and non harmonized systems of verification/supply chain control could be quite substantial and has the potential to greatly disrupt the current trade flows both of biofuels and their feedstocks within the EU internal market.

The oil seed crushing and oil refining industries supply oils and fats for food and feed, biodiesel and other industrial uses.

To satisfy its demand, the EU industry depends on imports of its oil seeds and crude oils. The global trade flows of soybeans, rapeseeds and palm oil can be found in Annex I, II and III respectively. Oil seeds and oil fruits are grown globally. They are commonly viewed as low value bulk commodity. Often, their final use is not known until the processed products reach their final destination.

Given the above, and in order to allow sufficient quantities of oilseeds and oils to

continue to come into Europe, any set of sustainability criteria and verification mechanisms would need to:

- Be set at an EU-level
- Allow for tradable sustainability certificates to coexist with regular products flows in order for the sustainability system to have the least impact on logistical costs.

Such a system would be able to ensure the sustainability of the oil, according to given criteria, without creating disruptions in the market flows, which could severely impact the competitiveness of the European industry.

**Question 1.3. Please give your general comments on the “possible way forward”, please say how, giving details of the procedures that would be used.**

Sustainable agriculture is a global issue and therefore one that should be tackled at global level. Fediol, together with other members of industry, government and the NGO community, is actively involved and participates both in the Round Table Sustainable Palm (RSPO) and the more recently constituted Round Table for Responsible Soy (RTRS), to develop, agree and promote implementation, at origin, of sustainability criteria for responsible sourcing of agricultural feedstocks for all applications.

In the long run, appropriate land use planning in the producing countries is the best way to ensure sustainable agricultural production.

In the mean time, as the EU wants to come forward with a sustainability system for biofuels, such a system would need to respect the following general principles:

- Single set of criteria and a single system of verification across the EU
- Simple to apply and economically viable
- Progressive application
- Transparent
- Applicable to all feed stocks, both domestically produced as well as imported
- Allow trade flows/non-discriminatory
- Certifiable, measurable, enforceable and verifiable in the biofuels supply chain
- Compatible with efforts undertaken under other initiatives at international level, such as RSPO and other round tables

#### **Sustainability Criteria**

FEDIOL can support the criteria as currently listed in Box 1 of the questionnaire, i.e.

- Criterion 1: achieving a minimum level of greenhouse gas savings

- Criterion 2: avoiding major reduction in carbon stock through land use change
- Criterion 3: avoiding major biodiversity loss from land use change

Criterion 1: Achieving a minimum level of GHG savings:

We agree with the EU providing a default average value for biofuels from the different feed stocks as long as methodologies for calculation have been agreed by all parties.

Those default values should only consider agricultural and biofuels production processes. Adding land use change would immensely complicate the issue.

We support the view of having a reference study and default values set at European level.

Criterion 2 and 3: Avoiding major reduction in carbon stocks through land use change and avoiding major biodiversity loss from land use change:

The definitions of high carbon stock land and exceptional biodiversity value should be in line with the concepts being developed under the round tables, taking into account well established definitions at international level (eg UN) but also taking into account local specificities. An EU developed concept could be simpler but not different or more complicated

### **Verification mechanism**

- Criteria 2 and 3 should be ensured by means of an independent certification system.
- There should be an overarching organisation set up at European level to oversee and control the certification system.
- This structure should allow for:
  - the certification of biofuels feed stocks according to an accredited international scheme, benchmarked against the European criteria or, in absence,
  - the direct certification of the feed stocks against the European biofuels criteria
  - group certification for smallholders or progressive certification patterns
  - GHG saving should be left outside of the scope of a certification system on criteria 2 and 3

Annex IV introduces a potential model for an EU certification system.

### **Supply chain options**

Annex V gives an overview of the different ways sustainable goods can be managed through the supply chain ("chain of custody").

Market forces will decide which ones will be used. However, FEDIOL believes that a system of tradable certificates (book & claim) should be considered as the main way forward for managing the supply of sustainable oils.

As explained above under 1.2, a **system of tradable certificates** should be the preferred one because of the following reasons.

- It allows for certificates and oil to be traded separately, thereby avoiding the investments and costs related to segregation or identity preservation.
- It allows the users of the goods to support the objectives of sustainability initiatives in an active, though progressive way.
- Since revenue is attached to the certificates, it would be an encouragement for producers to convert to sustainable production
- It would allow for sustainable oil to come in the market minimising disruptions in the market flows

#### **Scope of the EU legislative proposal with regards to these criteria**

FEDIOL believes that the scope of the Commission proposal should be limited to:

- Set and define the sustainability criteria/principles that should be covered in order for biofuels to receive the incentives/count towards the targets.
- Propose that sustainability criteria shall be ensured by means of an independent certification mechanism.
- Request commitment to work on the practicalities for the implementation of a future certification mechanism: structure, organisation and infrastructure, on the basis of a tradable certificates system.

#### **1.4. Carbon stock differences between land uses would be taken into account under criterion 2. Should they also be taken into account under criterion 1? If so, what method should be used to determine how the land in question would have been used if it had not been used to produce raw material for biofuels?**

No, the use of high value carbon stock land should only be taken into consideration under criterion 2. See above argumentation under 1.3.

#### **1.5. As described in the “possible way forward”, criterion 3 focuses on land uses associated with exceptional biodiversity. Should the criterion be extended to apply to land that is adjacent to land uses associated with exceptional biodiversity? If so, why? How could this land be defined?**

Limits and boundaries of what is considered as land with exceptional biodiversity value should be clearly defined at the time when the concepts are being developed, according and taking into account well-established international concepts as well as local interpretations of those.

Governments and other stakeholders should be involved in the process of identifying protected areas.

**1.6. Could the term "exceptional biodiversity" (in criterion 3) be defined in a way that is scientifically based, transparent and non-discriminatory?**

This needs expert definition and needs to have science attached to it. The definitions of high carbon stock land and exceptional biodiversity need to be in line with the concepts being developed under well recognized international initiatives.

The further definition of standards, in this case EU standard for biofuels- and their concepts should be developed as part of, and in line with, a multistakeholder exercise set up on basis of the Round Table approaches.

***PART 2. HOW SHOULD OVERALL EFFECTS ON LAND USE BE MONITORED?***

**Question 2.1. Please give your comments on the "possible way forward" described above. If you think the problem should be tackled in a different way, please say how.**

The first fact is that for most of the feed stocks you don't know if farmer is producing for the biofuel market or any other markets. Many different forces may impact on land use. Monitoring land use should be for local governments to do, via prior definition of the land that needs to be conserved and land that can be exploited and putting in place resources to allow this to happen.

**Question 2.2. Do you think it is possible to link indirect land use effects to individual consignments of biofuel? If so, please say how.**

No, for most of the feed stocks one does not know what the final use will be. On top of that, in commodity bulk trading, normally, the identity of the original producer is no more retrievable.

***PART 3. HOW SHOULD THE USE OF SECOND GENERATION BIOFUELS BE ENCOURAGED?***

The development of second-generation biofuels will require important efforts. FEDIOL considers that the Commission should provide strong support to research and development, including to pilot projects, with the aim of identifying the most sustainable feedstock sources and best technologies. Building on these results, support given to biofuels should be geared towards the best performing biofuels and those that respond best to sustainability criteria (on environmental, social and economic grounds). It will, however, be necessary to carry out an impact assessment on second-generation biofuels.

Once the various alternatives are identified and properly evaluated, differentiated incentives could be considered.

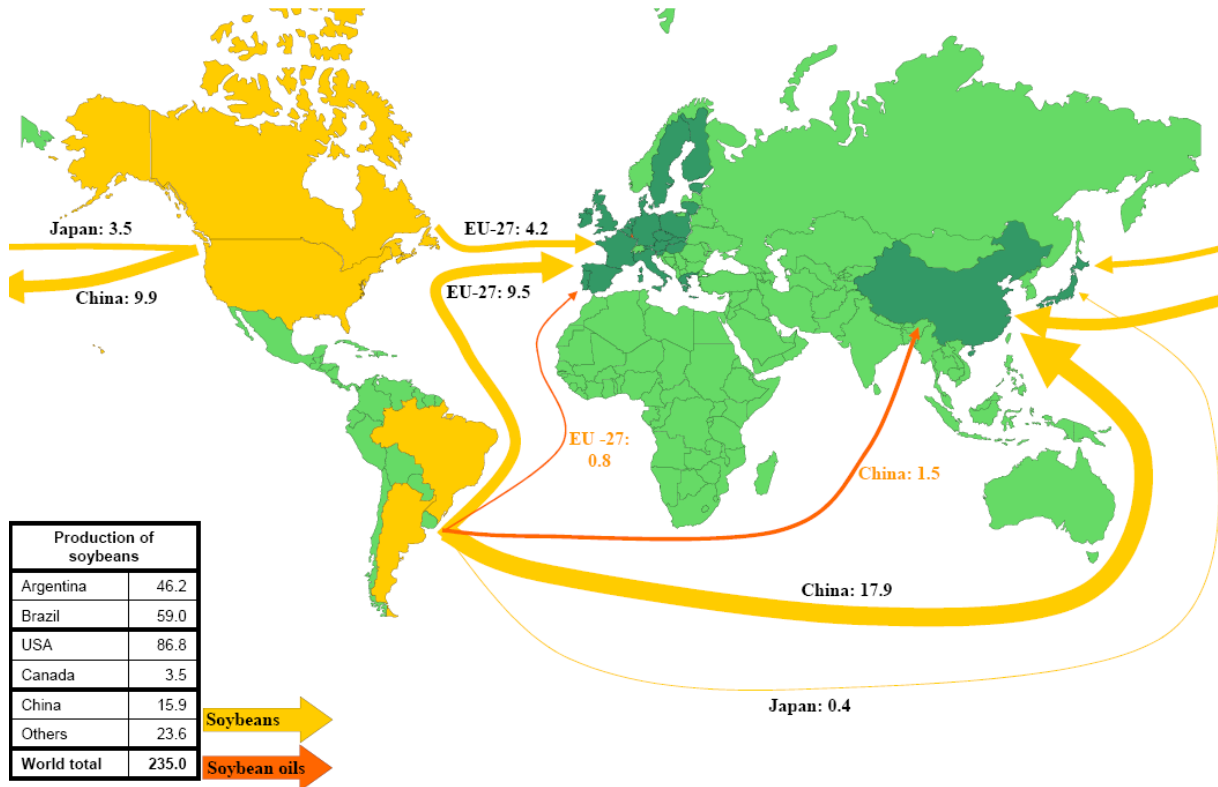
***PART 4. WHAT FURTHER ACTION IS NEEDED TO MAKE IT POSSIBLE TO ACHIEVE A 10% BIOFUEL SHARE?***

Fediol has no comments on this.

Annex 1

## Major trade flows of soybeans and soybean oil

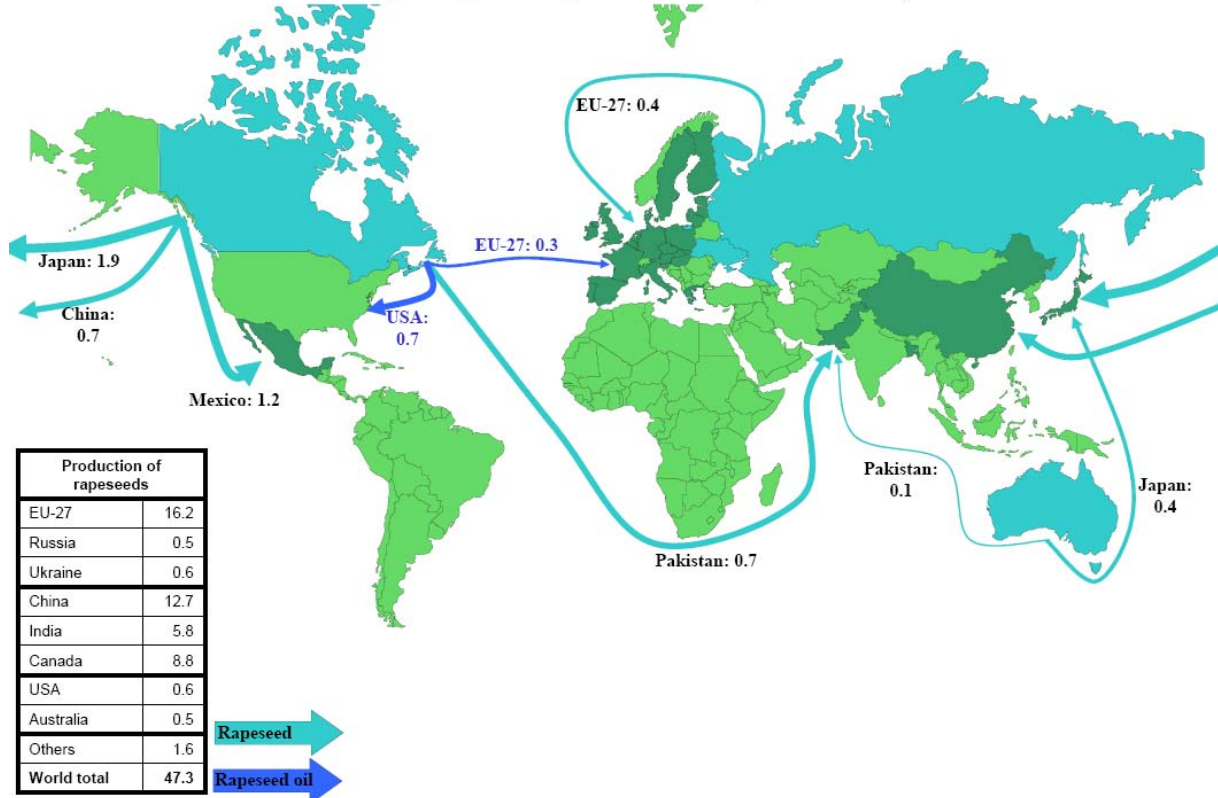
(2006 export and production figures in mln metric tons, source Oil World)



Annex 2

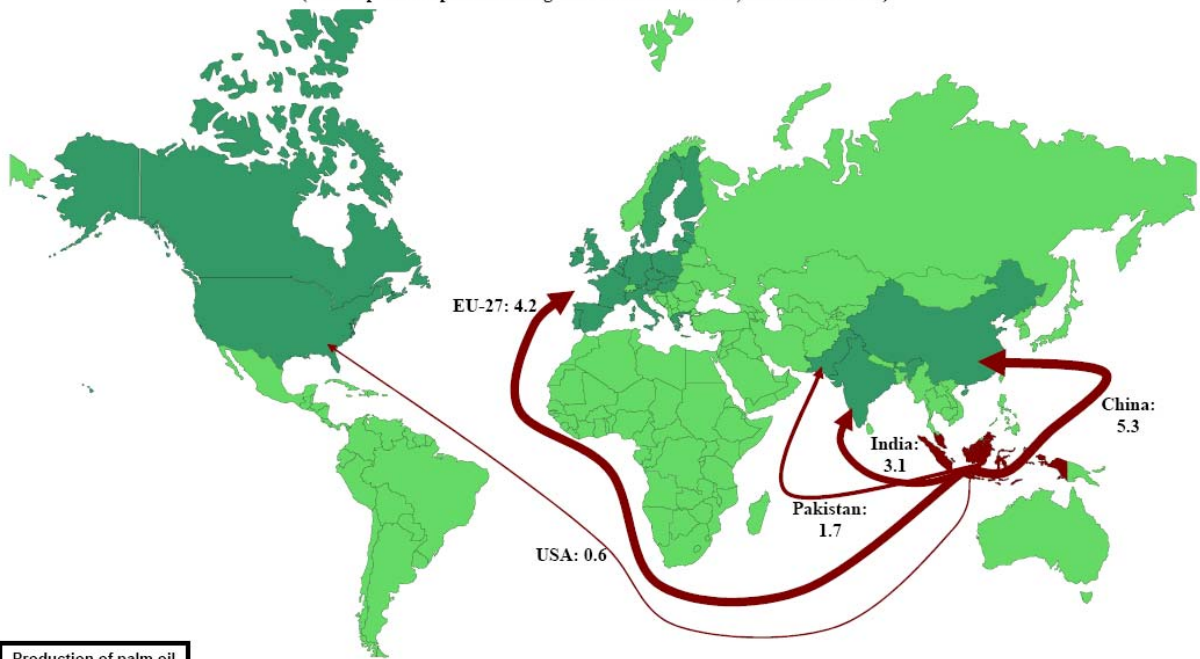
## Major trade flows of rapeseed and rapeseed oil

(2006 export and production figures in mln metric tons, source Oil World)

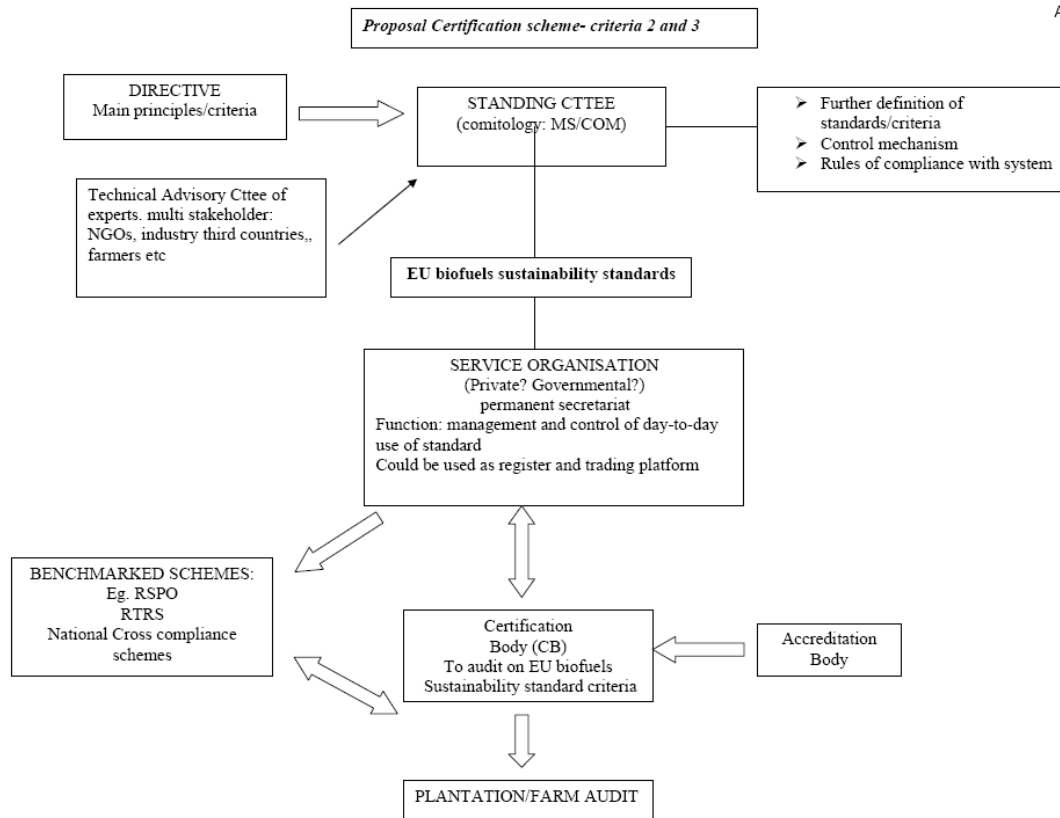


# Major trade flows of palm oil

(2006 export and production figures in mln metric tons, source Oil World)



Production of palm oil	
Indonesia	16.1
Malaysia	15.9
Others	5.2
<b>World total</b>	<b>37.2</b>



## Annex V

### **Supply chain options for managing sustainable goods**

The different ways in which certified goods can be managed through the supply chain ("chain of custody") are listed below.

#### **Segregation**

Segregation means that certified goods are kept separate from others throughout the supply chain, from agricultural production until final delivery to the end user. Full segregation or hard IP means that the certified goods from a specific origin are kept separate throughout the supply chain. A bulk commodity approach or soft IP means that certified goods from various origins may be mixed together, but are still kept separate from the non-certified goods.

#### **Inventory and control approach or mass-balance**

In this approach certified goods and non-certified goods may be mixed, but throughout the various steps in the supply chain, the quantity of sustainable goods reflects a certain minimum level.

#### **Tradable certificates**

Certificates are traded separately from the goods. The certificates still represent a certain volume of sustainable goods and can be bought by the final end user to satisfy his demand for sustainable goods.

FEDIOL thinks that the system of tradable certificates has the following advantages:

- It allows for certificates and oil to be traded separately, thereby avoiding the investments and costs related to segregation or identity preservation.
- It allows the users of the goods to support the objectives of sustainability initiatives in an active, though progressive way.
- Since revenue is attached to the certificates, it would be an encouragement for producers to convert to sustainable production
- It would allow for sustainable oil to come in the market minimizing disruptions in the market flows