

# **Unilever's response to the European Commission's Public Consultation exercise (April-May 2007) on**

## **"Biofuel issues in the new legislation on the promotion of renewable energy"**

### **1. How should a biofuel sustainability system be designed?**

#### **Question 1.1 - Do you think the "possible way forward" described above is feasible?**

We believe that a consistent approach to sustainable development requires a careful evaluation of each renewable energy option, so as to ensure that unintended consequences do not undermine the sustainability of the policy as a whole. This evaluation is urgent for biofuels, as the unintended environmental (deforestation and biodiversity loss) and socio-economic (food security) consequences are potentially very serious and are already emerging.

The following criteria should be included in a bio-energy sustainability scheme:

- For the entire life cycle of the biofuel material, both energy balance and GHG balance must meet a minimum value, which will have to be implemented by the country of consumption (e.g. at least 50% energy use reduction as well as 50% Greenhouse Gas emission reduction compared to fossil fuels).
- It should avoid a reduction in carbon stocks through land use change. Areas with a high carbon stock (forests, peat lands, wetlands, grasslands) should not qualify as sustainable for bio-energy production if they are converted into arable land. A cut-off date of 2003 should be the minimum accepted for land conversion.
- It should avoid deforestation and biodiversity loss from land use change. The production of bio-energy feedstocks should not take place at the expense of high conservation value natural habitats.
- The production of biofuel feedstocks should not be a threat to food security. Feedstocks that generate competition between fuel and food uses to the extent that food security is threatened at the local, regional or global level should be excluded.
- We share the view that the system should not set a quantity based limit of biofuels, but a minimum % of CO<sub>2</sub> reduction by biofuels. This would promote the use of better performing biofuels.
- The effects on water availability and overall emissions to water and air should be taken into account. Sustainable agriculture production requirements have to be implemented by the producers of biofuel feedstocks.

Overall we believe that any sustainability criteria must be robust in terms of monitoring, reporting and verification (MRV) in order to be credible in terms of traceability, minimal environmental impact and achieving results in CO<sub>2</sub> efficiency terms.

#### **Question 1.2 – What do you think the administrative burden of an approach like the "possible way forward" would be?**

Considering the impact of the policy measures, it may be expected that the sustainability system will trigger an administrative burden for both public authorities and private companies. Companies that benefit from the policy measures should be required to provide

evidence that the feedstock has a life-cycle performance that meets the sustainability criteria. Governments must be required to undertake impact assessments (at macro level), as well as audits (at micro level) before accepting the feedstocks under their energy support programmes. MRV requirements will have to be established, which will also add to the administrative and regulatory burden. Unilever believes that these added costs will have to be quantified and addressed under a Regulatory Impact Assessment for the proposed Directive on Renewable Energy.

**Question 1.3 – Please give your general comments on the “possible way forward”, and on how it could be implemented. Does it give an adequate level of assurance that biofuels will be sustainably produced?**

See reply on Question 1.1.

The demand for biofuels represents an additional demand on the market. This could lead to the replacement of crops in favour of energy crops and the expansion of the global area for e.g. oil palm and sugar cane. This will increase the pressure on fragile habitats in e.g. the Amazon and Borneo (Kalimantan, Sabah and Sarawak). These effects, which are added to the normal supply-demand mechanism in commodity markets, cannot be mitigated through sustainability standards for crop production.

The availability of raw materials is essential for our business and has led the company to undertake several significant sustainability initiatives in partnership with other stakeholders. Unilever, for example, chairs the Roundtable for Sustainable Palm Oil (RSPO).

Unilever will continue to emphasise that those responsible for creating the demand for biofuels share the responsibility for the displacement effects this creates with those trying to meet the demand. Production standards for supply (to a market) cannot solve a problem that was created by demand (in another market). Certifying existing plantations to divert the product stream to alternative uses (i.e. for fuel) creates “selective sustainability”. The consequences of creating new plantations, to meet the unmet demand left behind by the diversion of the certified product stream, is as much the responsibility of those who created the new demand, as of those who created the new plantations.

We believe governments worldwide have the responsibility to subject their bio-energy policies to a full impact assessment. These assessments should cover environmental, social and economic impacts, starting in the regions of production to end use. Policies that aim to reduce GHG emissions should contain full life cycle assessments for individual applications. This should include previous land use with regard to the carbon balance.

We believe that the use of biomass for energy purposes should not be stimulated by government programmes without the application of transparent sustainability criteria, at the peril of generating unintended consequences that could actually undermine the original goal of a more sustainable energy policy.

**Question 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?**

In a calculation of Greenhouse Gas savings, the net loss of C-stock due to production conversion should be taken into account (so this should also be part of criterion 1). The conversion of land with a high carbon stock (forests, peat lands, wetlands and grassland) to

arable land should be avoided. This could be achieved by excluding biomass feedstock from energy support programmes for which this conversion is done.

**Question 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?**

and

**Question 1.6 - How could the term “exceptional biodiversity” (in criterion 3) be defined in a way that is scientifically based, transparent and non-discriminatory?**

In our opinion it is essential that land with a high conservation value is not used for feedstock production for energy support programmes. Unilever would defer the issue of definitions of “exceptional biodiversity” to the relevant experts in the European Environmental Agency, UNEP and key stakeholders such as WWF International and Birdlife. Given its complexity we believe that matter would require a stakeholders consultation like the RSPO to define the areas concerned in the production region.

## **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.**

and

**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.**

According to the World Bank and the UN Food and Agriculture Organisation (FAO), world population growth and increased economic development will require a substantial increase in food production in the coming years. As in the past, this increase in demand can largely be met by increased productivity. However, the additional use of food grade feedstock as biomass for energy on a large scale will compete heavily for land presently used for growing food. This could destabilise the world food supply and increase local food shortages and prices.

The monitoring of the land used for bio-energy feedstocks requires a traceability system. At the moment different traceability systems are already in place in the EU (GMO, food safety, organic, FSC). Governments who are responsible for the implementation of bio-energy programmes should also be responsible for the monitoring of land use/land use changes. In this context the food availability of the local population in the production regions needs to be secured. A crop specific and region specific assessment may be required in order to include/exclude specific regions under energy support programmes. We believe the land use effects should be linked to individual consignments of bio-energy, using an adequate traceability system.

Unilever believes that first generation biofuels are neither environmentally efficient nor cost-effective ways to reduce GHG emissions. Many studies have shown that several first generation biofuels have a poor performance (which could even be negative) with regard to reducing GHG emissions and dependency on fossil fuels. In fact, a negative CO<sub>2</sub> balance occurs if forests or grasslands are replaced by crops which emit larger amounts of captured CO<sub>2</sub> in their production. Crops like rapeseed, the main feedstock for biodiesel, are very input intensive crops. The use of these crops for biodiesel production therefore offers only a very limited impact on GHG emission reductions.

### **3. How should the use of second generation biofuels be encouraged?**

#### **Question 3.1 – How should second generation biofuels be defined?**

**How should second generation biofuels be defined? Should the definition be based on:**

**a) the type of raw materials from which biofuels are made (for example, "biofuel from cellulosic material")?**

**b) the type of technology used to produce the biofuel (for example, "biofuels produced using a production technique that is capable of handling cellulosic material")?**

**c) other criteria (please give details)?**

and

**Question 3.2 – 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.**

and

**Question 3.3 – Should second generation biofuels only be able to benefit from these advantages if they also achieve a defined level of Greenhouse Gas savings?**

Biofuels produced by transformation of cellulosic material could be a useful definition. The best way to promote second generation biofuels is to phase out the support for poor performing first generation biofuels.

Again, we emphasise that biomass is a limited valuable resource with multiple uses including food, feed and fuel. Where biomass is used to generate energy, it should be used in applications with the highest GHG emissions savings. With current technologies this includes heat and power generation, which provide a much better performance relative to first generation biofuels.

We believe that the development of high performance bio-energy technologies, including second generation biofuels, with an efficient carbon and energy balance is essential. The mainstream market introduction of second generation biofuels would provide a strong incentive for the application of renewable energy technologies while minimising the negative repercussions on food markets and food security. Unilever believes there is a strong case for government and business investment into new technologies and further research on the sustainable use of biomass.

Support for second generation biofuels could be organised through:

- R&D facilitation
- Tax exemption during an introduction period and
- The phasing out of the support for first generation biofuels

Second generation biofuels should achieve a defined level of GHG savings of at least 50% compared to fossil fuels.

#### **4. What further action is needed to make it possible to achieve a 10% biofuel share?**

**Question 4.1 – Should the legislation include measures to ensure that diesel containing 10% biodiesel (by volume) can be placed on the market, and is in fact placed on the market?**

and

**Question 4.2 – Should the legislation include measures to encourage the use of ethanol and biodiesel in high blends? If so, what?**

and

**Question 4.3 – Should the legislation include measures to encourage the use of biomethane, methanol and DME in transport? If so, what?**

We take the view that Member States should be allowed the flexibility to promote the best performing options for the use of renewable energy. We would propose to work with a CO<sub>2</sub> reduction target for biofuels instead of a 10% volume target. We would include the use of gaseous fuels in the Fuel Quality Directive and the Renewable Energy Directive. We have seen evidence that these fuels have the potential to be classified as good performing biofuels.

We believe that the feedstock availability for biodiesel and for bio-ethanol differ in a significant way. We have noted that the EU Commission came to the same conclusion in their impact assessment<sup>1</sup> (dated 10 January 2007). Considering the limited availability of biodiesel feedstock, we would argue to limit the use of first generation biodiesel to a maximum 9.7 million tonnes (as indicated in the Renewability Road Map Impact Assessment page 26). Therefore, we are opposed to including a measure in the legislation that would ensure that diesel containing 10% biodiesel is placed on the market.

**Question 4.5 - Should the legislation ask the Commission to review, by a given date, whether it is possible to be confident that the 10% target can be achieved through:**

- a) rules that allow 10% blending by volume of ethanol in ordinary petrol, plus**
- b) rules that allow 10% blending by volume of biodiesel in ordinary diesel, plus**
- c) the four options listed under 'other options for solving the problem';**

**If so, what should the date be?**

**If the review were to conclude that the target is unlikely to be met, what action should the Commission take?**

and

**Question 4.6 - More generally, what role should taxation play in the promotion of biofuels (considering different situations such as low blends, high blends and second generation biofuels)?**

The EU Council has concluded that the targets set for 2020 are subject to second generation biofuels being commercially available. Therefore we require a review of the commercial availability of second generation biofuels by 2010. A review of the targets for 2020 by 2015 would also be necessary, in order to assess the availability of second generation biodiesel and bio-ethanol for the period 2015-2020.

June 2007

---

<sup>1</sup> Commission Staff Working Paper SEC(2006) 1719: Renewable Energy Road Map  
Renewable energies in the 21st century: building a more sustainable future – Impact Assessment