

FDf RESPONSE TO DG TREN'S PUBLIC CONSULTATION ON BIOFUELS 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?

The UK Food and Drink Federation (FDF) agrees that sustainability criteria should apply with regards to the developing biofuels market where it is being encouraged with public money. Sustainability covers environmental, social and economic factors. Environmental standards are generally seen as important, however social and economic impacts from government intervention should also be taken into account. Incentives which divert agricultural raw materials from the food chain into fuel run the risk of adverse impacts on consumer prices. It is also important that contributory solutions to climate change are themselves sustainable in every sense in order to avoid creating new problems for the future.

FDF considers that the possible way forward is feasible. We would agree that it is essential for biofuels which fail to meet sustainability criteria to not count towards any national biofuel targets and biofuel obligations. This would discourage diversion of agricultural raw materials from food supply to biofuels that do not deliver an acceptable level of greenhouse gas (GHG) savings. Similarly a link should also ensure that biofuels, which are environmentally and socially destructive, are not encouraged.

A biofuel sustainability system must be developed according to the following principles:

- It should be a simple, easily measurable, enforceable and verifiable system;
- One set of criteria and one control system should be implemented at EU level, preventing the possibility of national discrepancies among Member States;
- Sustainability is a complex and multi-factorial issue, however trying to embrace all sustainability criteria immediately could complicate or even prevent its rapid implementation once the biofuels scheme comes into force. There could be benefits in looking for a system that allows for a gradual enforcement and control of criteria over a determined period.
- Such system will require international guidelines for sustainability and it should build where possible on existing, even voluntary, sustainability schemes or platforms. Even if the EU could develop global standards in all production areas, it would still be difficult for the European Commission to impose its standards on its trading partners; and
- The scheme should not hinder trade flows or create any discrimination for domestic or imported production.

The development of biofuels raises concerns as regards food security, which may justify the inclusion of a separate criterion parallel to the land conversion criterion. Regular monitoring of food availability at appropriate prices may be necessary but maybe insufficient to prevent tensions on agricultural markets or problems with food supply. This may require intervention at EU level and at some point, it will have to be addressed globally. The development of the EU biofuels market, without robust economic analyses to show whether land use will be able to sustain the increased demands being placed upon it, could considerably affect the competitiveness of the EU food and drink industry.

Question 1.2:

What do you think the administrative burden of an approach like the "possible way forward" would be? (If possible, please quantify your answer.)

It is difficult to say what the administrative burden of the possible way forward might be. FDF supports the European Commission's work to ensure that common standards are developed but do not want to see standards that are very complex, burdensome and Member State specific being developed as this will fragment the market and have even greater distortive impacts on prices. Schemes should be practical at the farmer level, particularly for third country farmers. Where such farmers and local processors have already got together to work on standards this should be encouraged and supported, and regarded as an element in a longer term scheme. FDF has already expressed its support for the Roundtable of Sustainable Palm Oil.

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? If you think the problem should be tackled in a different way, please say how, giving details of the procedures that would be used.

We would agree that Member States should be responsible for ensuring sustainability criteria are met. However, it is important to avoid market distortions by ensuring that one set of criteria and control system is implemented at EU level. EU legislation must set out procedural requirements on reporting, verification and monitoring alongside a definition on the types of evidence necessary to prove implementation of standards.

The sustainability criteria should avoid creating any discrimination against domestic or imported biofuels production. It is important, for FDF members, to allow trade flows to continue without impediments. Imported feedstock for biofuel use will have to comply with the EU's biofuels sustainability criteria. This will represent a serious challenge for the European Commission to persuade important trade blocs who export feedstock to the EU, for example Mercosur and ASEAN, or key neighbouring countries such as Russia and Ukraine to see the benefits of strengthened standards in this environmental area. Existing global initiatives and Roundtables may provide appropriate starting points to reach ambitious sustainability levels.

Questions related to individual criteria in box 1

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 materials for biofuels?

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 land be defined?

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?

FDF supports the possible way forward described in two boxes on “Environmental sustainability criteria for biofuels” and “Types of evidence to show that environmental sustainability criteria are respected”. However, the questions raised above are outside of FDF’s remit and it is difficult to say how each criterion should be defined.

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.

Land use change should be monitored as a key sustainability criterion: any feedstocks produced on, for example, valuable forest or peat land after a certain date should simply not be eligible for incentives or count towards biofuel targets.

FDF notes that the European Council Energy Action Plan adopted at the March 2007 Summit states that the 10% binding minimum target for biofuels “must be introduced in a cost-efficient way” and will be “subject to production being sustainable, second generation biofuels becoming commercially available and the Fuel Quality Directive being amended accordingly to allow for adequate levels of blending”. There is a danger that the EU target of 10%, without these stated caveats, could place pressure on land use.

FDF supports the role that renewable energy from agricultural sources can play in tackling climate change and fuel security. However, ready accessibility to agricultural raw materials is essential for EU food and drink manufacturers to meet consumer demands for food. As such, it is essential to ensure that EU policies formulated to encourage biofuels are managed in a way which avoids distorting the availability of agricultural raw materials for food and animal feed. Existing renewable energy policies have already had a significant knock on effect on the availability and costs of some agricultural commodities which carry implications for consumer prices. There is potential for this to widen and deepen if development of the renewable energy market is not informed by robust economic analyses, in line with better regulation principles, to show whether land use will be able to sustain the increased demands being placed upon it. This should be a precursor to future support for biofuels and flexibilities controls should apply to ensure that food has priority over fuel where food shortages arise.

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.

It is not possible to link indirect land use effects to individual consignments of biofuels, on the grounds that many different forces may impact on land use. Generally it is not known up front whether a feedstock is going to be used for food or fuel. In addition, it will often not be possible to say whether the production of a particular feedstock for biofuels caused other production to move to other land. In a mass balance system, it is difficult to know where exactly a feedstock comes from and hence what the effects on land use are on that particular site. It would be better for Governments to monitor at a macro level.

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

Question 3.1:

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)?

FDF believes that second generation biofuels should be defined by: raw materials that are not used for food and feed supplies; and using advanced technologies that are not available at present which have proven environmental benefits for example, GHG savings and preserving high value land. Second generation technology will allow biofuels to be produced from any plant material and would resolve the conflict between food and fuel production.

Second generation fuels are not currently available on a commercial scale and it is not yet possible to say when this will occur. FDF would encourage Member States to invest more in research and development for second generation biofuels given its potential benefits to deliver greater greenhouse gas (GHG) savings of about 90% without creating conflict with the food sector.

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.

We would support the possible way forward described in the consultation document, for example second generation biofuels rewarded with extra credits towards national obligations and the EU 2020 target. It is however important that incentives drive market based solutions and are transitional in nature, linked to GHG savings in addition to appropriate environmental and social standards.

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?

As stated above, Member States should be able to reward biofuels that achieve a higher level of GHG savings with certain advantages.

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?

FDF supports the legislation including measures to ensure that diesel containing 10% biodiesel is placed on the market, provided necessary impact assessments are completed on the agriculture, food and feed industry and we see this as necessary to inform the pace of future development.

Question 4.2:

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

Question 4.3:

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

Economic analyses and feasibility studies should be undertaken of land use, which is a critical factor, and the increase demands being placed on it before further measures to encourage the use of ethanol and biodiesel in high blends are implemented, to avoid unforeseen or adverse implications for food and feed supply and consumer prices.

FDF supports measures to be included in the legislation to encourage the use of biomethane, methanol and dimethyl ether in transport due to the reduced pressure it would place upon agricultural raw materials. Given the high level of the 2020 biofuel target, it is important to achieve a good mix of biofuels that will attain high levels of GHG savings and other environmental and social standards.

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?

FDF agrees that the legislation should request the Commission to review whether it is possible to achieve the 10% target with rules that allow 10% blending by volume of both ethanol and biodiesel into petrol and diesel respectively. The review could be set for 2015 as this would give the Commission time to assess whether the target could be met by 2020 and to examine whether “production being sustainable, second generation biofuels becoming commercially available and the Fuel Quality Directive being amended accordingly to allow for adequate levels of blending”. It is difficult to judge what action the Commission should take if a review was to conclude that the target is unlikely to be met, in the absence of economic analyses and feasibility studies on what is possible in the future taking account of demand being placed upon agricultural raw material supplies and land use.

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 European Commission should use research and development rather than taxation to promote second generation biofuels given its potential benefits to deliver greater greenhouse gas (GHG) savings of about 90% without creating conflict with the food sector.