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COPA/COGECA answers to the DG TREN public consultation exercise on the review of EU biofuels directive

Question 1.1: Is the objective of promoting biofuels still valid?

Yes. The use of biofuels in transport is an essential means of reducing CO^2 emissions from passenger cars and ensuring that the CO_2 emission limits of 140g/km and 120 g/km are respected by 2008 and 2012 respectively[1]. The biofuels produced from raw materials originating from the EU contribute to the security of energy supply, the diversification of energy sources and offer economic opportunities for rural areas.

Question 2.1: With existing policies and measures, will biofuels achieve a market share of 5.75% in the EU by the end of 2010?

Although the market share of biofuels has already significantly increased, the 5.75 % market share of biofuels in the EU by the end of 2010 will not be possible to achieve. This depends on EU and Member States policies.

Without the removal of the constraints on the use of bioethanol (revision of the directive 93/12/EEC, revision of the standards EN228 and EN14214), it will be difficult to achieve the targets.

Question 2.2: What are the main factors favouring the development of biofuels in the EU? What are the main obstacles?

Factors favouring the development of biofuels

+the increase in the world demand for and price of energy

+the insecure supply of fossil fuels

+the increasing dependency on fossil oil and natural gas especially in the transport sector (no alternative) accompanied by increasing geopolitical uncertainties in the oil and natural gas producing countries.

+climate change mitigation

+the continuing growth of CO_2 emissions from transport

+the growing dependency of transport on one energy source

+ the high European potentialities in agricultural and forestry resources

Main obstacles

- what kind of cost: economic, social or environmental? Compared to what? We think that this question about cost is a sensitive one: we should not use the "cost" argument as an obstacle; it could have a negative impact on the development of biofuels.

[1] Commission recommendation N°1999/125/EC of 5 February 1999 OJ L40

- an emergent industry.

- the position of the petroleum industry.

- the legal restrictions set out in directive 98/70/EC concerning fuel quality. The possibilities for directly incorporating bioethanol into petrol, which nevertheless offer very significant energy and environmental advantages, are restricted by the limits of 5% bioethanol and 2.7% oxygen as well as by constraints regarding vapour pressure.

- the lack of support in certain Member States (exemption/reduction of excise duties).

Question 3.1: Looking towards 2010, is the present European system of indicative targets and support for biofuels appropriate or does it need to be changed?

The system is appropriate but it can be improved through appropriate voluntary measures concerning the regulatory restrictions, the international trade, the various approach of fuel standardisation, the EU energy crops support.

COPA and COGECA believe that the approach of mandatory incorporation is a promising one only if imports take place under specific provisions and if the detaxation of pure or directly or indirectly blended biofuels is not called into question. The duty-free importing of raw materials used for producing biofuels and of biofuels goes against the objective of establishing a European Union biofuels production on the basis of local raw materials.

Regulatory restrictions

The directive 98/70/EC allows bioethanol to be incorporated into petrol in the form of ETBE, composed of 47% bioethanol and 53% petroleum products. The possibilities for directly incorporating bioethanol into petrol, which nevertheless offer the most energy and environmental advantages, are restricted by the limits of 5% bioethanol and 2.7% oxygen as well as by constraints regarding vapour pressure.

a) For bioethanol, it is necessary to:

- adopt suitable measures to ensure that the petrol companies dominating markets in Member States make fuels suitable for the incorporation of biofuels available to independent distribution firms.
- double bioethanol and oxygen content limits from 5% to 10% (in energy equivalent) and from 2.7% to 5.4% respectively;
- increase the vapour pressure limit in a suitable manner, at least during the introductory phase of bioethanol-petrol blending, or obtain a pressure vapour limit specific to petrol containing bioethanol;
- revise standard EN228 as a result.
- oblige European refineries to supply distributors, upon request, with “ethanolable” petrol with a volatility adapted to the European biofuels promotion objectives to encourage bioethanol-petrol blends.
- assay of ethanol as a substitute for methanol in biodiesel – an European standard based on EN 14214 should be developed in the case of positive results.

b) For biodiesel, COPA and COGECA:

- request that the incorporation of biodiesel into diesel be increased from 5% to 10% by 2010 by revising standard EN 590 on diesel;
- as a general rule, only biofuels which comply with biofuels standards and additional national requirements can be used as pure fuels or as a component of a blend, and as such be encouraged through fiscal measures. Used in agriculture, it must be totally exempted of excise duties.

c) Finally, for all biofuels, COPA and COGECA ask for minimum biofuels levels in petrol and diesel to be authorised.

Domestic trade

A common market for biodiesel has to be established to ensure flexible trade between the EU Member States.

International trade

The European Commission proposes a balanced approach for the trade in biofuels with third countries. COPA and COGECA ask that this approach be truly balanced between energy dependence in fossil fuels and the production of European fuels/biofuels, and that it makes provision for a sufficient adaptation period to allow the burgeoning European industry to reach the level of competition needed to face up to competition from long-developed industrial sectors in Third Countries.

By proposing to maintain conditions for the market access of bioethanol which are no less favourable than those laid down in the current trade agreements and revise standard EN 14214 to facilitate the use of a wider range of vegetable oils in the production of biodiesel, COPA and COGECA do not believe that the European Commission will reduce its energy dependence or stimulate the creation of jobs expected from the use of biomass in the EU's rural areas.

To reduce the EU's energy dependence and generate new jobs in rural areas, COPA and COGECA propose:

a) the establishment of new tariff headings specific to biofuels, which must make compliance with standard EN 14214 a pre-requisite for biodiesel to be used as a fuel;

b) the establishment of import quotas for biofuels corresponding to 7% of Community production from the previous year;

c) appropriate Community management of biofuels imports, notably in the framework of the import licence scheme;

d) the maintenance of specificities which meet the technical requirements of the automobile industry in the biodiesel standard EN 14214;

e) the specific use of non-denatured ethanol for carburisation purposes;

f) the implementation of an equivalence system with third countries in connection with ecological and socio-economic standards (see point 17).

Ecological assessment

Given the differing results in the impact studies and the ecological assessments on biofuels as a result of different methodology, COPA and COGECA request that the European Commission take appropriate measures to reach consensus on the value of biofuels and fossil fuels based on the EU's strategic objectives to reduce dependence on fossil energy and greenhouse gas emissions.

Community biomass supply

COPA and COGECA support the European Commission's proposals aimed at developing EU biofuels production and distribution. Nevertheless, they make the following requests:

a) the use of intervention stocks of cereals for non-food purposes must not interfere with the contracts signed between producers and processors for the use of agricultural raw materials for non-food purposes;

b) appropriate incentives to produce energy crops must be put in place in all EU Member States, and especially in the new Member States

c) the support scheme for energy crops must be simplified with regard to administrative burden;

d) there must be increased aid for energy crops to stimulate the development of these crops in the EU, given that they contribute to reducing the EU's energy dependence and CO_2 emissions in the transport sector, and to net job creation in rural areas;

e) the Maximum Guaranteed Area in the aid system for energy crops, i.e. 1.5 million ha, must substantially be increased given the need to develop these crops and the sugar beet area to be taken into account within the scope of the CMO sugar reform;

f) in the framework of the Doha negotiations, the European Commission must seek to definitively free itself from constraints on the production of oilseeds for non-food purposes (Blair-House agreement).

Question 3.2: What are your views on the advantages and disadvantages of the options described in section 3.2 of this paper?

Option A :

-The provision of article 16 § 6 of directive 2003/96/EC on the taxation of energy products and electricity no longer applies.

-The market share of biofuels could be taken by Third Countries to the detriment of the EU raw materials.

Option B and option C:

+The provision of article 16 §6 of directive 2003/96/EC on the taxation of energy products and electricity is still valid.

+The Member States have enough flexibility to adapt the target to their specific conditions i.e. the availability of raw materials intended for biofuels production.

Option D

+It provides enough flexibility to fuel suppliers to reach the national target

+New tool for the promotion of biofuels available in all EU 25 Member States

-The market share of biofuels could be taken by Third Countries to the detriment of the EU raw materials.

Option E

-Doubt about feasibility

-The market share of biofuels could be taken by Third Countries to the detriment of the EU raw materials.

Option F

-Distorsion of competition

-Risk of internal trade barriers

-The market share of biofuels could be taken by Third Countries to the detriment of the EU raw materials.

Option G

+The provision of article 16 §6 of directive 3003/96/EC on the taxation of energy products and electricity is still valid.

+No distortion of competition

-No flexibility for fuel suppliers

-The market share of biofuels could be taken by Third Countries to the detriment of the EU raw materials.

Option H

-Doubt about the efficiency of this tool

Option I

+Improve transparency vis-à-vis consumers

Option J

+Improve consumer knowledge

Question 3.3: How should the options you favour be put in place?

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Question 3.4: Should other options than those in section 3.2 be considered?

Yes, see answer to question 3.1. COPA and COGECA propose a mix of measures combining the exemption/reduction of excise duties and a fuel obligations and penalties for distributors. The approach of mandatory incorporation is a promising one only if imports take place under specific provisions. The duty-free importing of raw materials used for producing biofuels and of biofuels goes against the objective of establishing a European Union biofuels production on the basis of local raw materials. Appropriate incentives to produce energy crops must be put in place in all EU Member States, and especially in the new Member States.

In addition, the use of bioethanol fuels must be encouraged by the various efforts to harmonise standards and by the revision of Directive 2000/71/EC on the quality of fuel. The use of biodiesel in diesel oil must also be encouraged by the revision of the CEN standard for diesel oil.

Question 3.5: If your preferred option(s) would have implications for granting tax reductions/exemptions for biofuels, for example if these fiscal measures had to be prohibited, would that change your answer?

Yes

Question 3.6: Should Member States be able to provide tax reductions/exemptions and lay down biofuel obligations at the same time-or should it be "one or the other"?

Member States should be able to provide tax reductions/exemptions and lay down biofuels obligations at the same time.

Question 4.1: Should there be a system-for example, a system of certificates- to ensure that biofuels have been made from raw materials whose cultivation meets minimum environmental standards?

Energy crops are included in the Common Agricultural Policy and their cultivation ought to respect cross-compliance under annex III and Annex IV of regulation 1782/2003/EC. Standards for food and non food crops are the same. So there is clearly no need for a system of certificates because in the CAP, cross-compliance is the basis for receiving payments.

However, COPA and COGECA demand equivalent requirements for products from third countries. Equivalent requirements in third countries must be approved by Community authorities like in other sectors. The European logo for organically farmed products is a case in point.

Question 4.2: Should a wider system of certificates be introduced, indicating the greenhouse gas and or security of supply impact of each time of biofuels.

Definitively not. It could increase the cost of biofuels, which are already more expensive than fossil fuels. The CO_2 balance of biofuels is positive[2]. If produced in the EU with EU raw materials, biofuels contribute to the security of supply, the diversification of energy sources and job creation in rural areas.

Question 4.3: should there be a scheme to reward second-generation biofuels (made with processes that can accept a wider range of biomass) within biofuel support system?

For the time being, second-generation biofuels are not yet available at the industrial stage. More research into second–generation biofuels is a priority of the 7 R&TD.

Question 5.1: Should the EU continue acting in favour of biofuels after 2010?

Yes. The Heads of State have already recommended a market share of 8% by 2015 and the Technology Platform on Biofuels is promoting research to achieve a market share of 25% by 2030.

Question 5.2: If the EU is to continue acting in favour of biofuels after 2010, should this action include or exclude the definition of a quantified target for biofuels?

In accordance with the decision of the Heads of State (Spring Council 2006), such action should include the definition of a quantitative target: 8% by 2015.

Question 5.3: Should EU action include the following measures:

Support for research, development and dissemination of good practice: yes

Continued Community financial support for the supply of biofuels and their feedstocks: yes

[2] Pricewaterhousecoopers : Evaluation des externalités et des effets induits économiques, sociaux et environnementaux des biocarburants en France ; Bilan énergétique des biocarburants et impact sur l'effet de serre : étude ADEME/DIREM (2002)

Continued scope for Member States to support biofuels trough tax reductions/exemptions: yes

The labelling of all fuel to show the proportion of biofuels it contains: yes

A campaign to inform consumers of the benefits of biofuels: yes

Any other options? No

Question 5.4: If the EU is to define a quantified target for biofuels after 2010, what should it be? What year(s) should it relate to 2015-2020-2030?

The Heads of State have already committed themselves to 8% by 2015. (Spring summit 2006)

Question 5.5: If the EU is to define a quantified target for biofuels after 2010, should this be expressed in terms of:

-market share (as in the present directive)? Yes

-greenhouse gas savings from biofuel use? -

-reduced oil consumption from biofuel use? -

Question 5.6: If the EU is to define a quantified target for biofuels after 2010, should this remain a purely political step (accompanied by monitoring) or should it be given concrete form?

a) adding reference values for later years to the biofuels directive as presently drafted? Yes
b) one or more of the options in section 3.2?
c) some other form? Yes

Question 6.1: Do you have any comments on the following issues, listed in the biofuels directive for inclusion in the Commission's progress report:

a) the cost-effectiveness of the measures taken by member states in order to promote the use of biofuels and other renewable fuels?

Yes, this can be taken into account in the future; currently, no precise figure available.

b) The economic aspects and the environmental impact of further increasing the share of biofuels and other renewable fuels?

Yes, this can be taken into account in the future; currently, no precise figure available.

c) The life-cycle perspective of biofuels and other renewable fuels [and] possible measures for the further promotion of those fuels that are climate and environmentally friendly, and that have the potential of becoming competitive and cost-efficient?

Yes, this can be taken into account in the future; currently, no precise figure available.

d) The sustainability of crops used for the production of biofuels, particularly land use, degree of intensity of cultivation, crop rotation and use of pesticides?

Yes, this can be taken into account in the future; currently, no precise figure available.

e) The assessment of the use of biofuels and other renewable fuels with respect to their differentiating effects on climate change and their impact on CO2 emmission reduction?

Yes, beginning in 2015

f) Further more long term options concerning energy efficiency measures in transport?

Yes, this can be taken into account in the future; currently, no precise figure available.

Question 6.2: What are the prospects for second-generation biofuels that can be made from a wider range of biomass? Can they be expected to be cost-competitive with first –generation biofuels and if so by when?

The prospects of second generation biofuels can actually not be assessed because of lack of R&D.

Question 6.3: It is sometimes suggested that the vehicles can travel more kilometres on a given amount of biofuel than on an equal amount (measured by energy content) of conventional fuel. Are any data or explanations available on this point?

Yes, because of enhanced burning conditions in engines due to higher oxygen content. The biodiesel engines are optimised for diesel fuel and not for biodiesel. Further R&D is necessary, also concerning the combination of diesel, GTL (BTL) and biodiesel, see as an example for just published research project (UFOP/Shell): “Environmental Effects of Modern Diesel and their Blends” (www.ufop.de/english_news.php)

Question 6.4: Problems have been reported in interpreting the directive’s requirements on the calculation of the contribution of certain types of biofuel (notably ethers such as ETBE). Could the drafting of this directive be improved on this point? If so, how?

Yes, by fixing harmonised energy content figures for all types of fuel.

Make clear in the list of biofuels in Directive 2003/30 that the energy value to be taken into account for the incorporation percentage is solely that of the fraction of renewable ETBE, that is to say the bioethanol it contains.