International aspects of the EU biofuels policy

The Renewable Energy Directive 2009/28/EC (RED), adopted in 2009, sets ambitious targets for all Member States, such that the EU will reach a 20% share of energy from renewable sources by 2020 and a 10% share of renewable energy specifically in the transport sector. This policy drives the EU market for biofuels and their feedstocks from the demand side: Since development of alternative renewable energy technologies are still in their infancy, the 10% target concerns mainly biofuels such as biodiesel and ethanol based on food crops.

The EU currently accounts for more than half of world biodiesel production and consumption but its weight is expected to decrease slowly. In the case of bioethanol the EU share is about only 7% of the world market but continues to increase. In 2009, the EU imported soy biodiesel mainly from Argentina and US, and to a significantly lesser extent palm oil diesel from South East Asia. Bioethanol was imported from Brazil. Only two thirds of the biofuels consumed in the EU are currently produced domestically, with the share of imports expected to grow towards 2020. In addition, whereas EU bioethanol production is almost entirely based on domestic feedstocks, EU biodiesel production relies on substantial imports of oilseeds and vegetable oils.

Preliminary figures for 2010 indicate an EU biofuels use of 13.9 million tons in 2010, comprising 10.7 million tons biodiesel, 2.9 million tons ethanol, the remainder being pure plant oil and biogas fuel. Growth rates for ethanol have been very high in the recent past and despite the uncertainty about the future EU biofuel mix, bioethanol is likely to continue to expand faster, coming from a much lower base than biodiesel. Overall, the 10% target is likely to translate into a doubling of the current biofuel use by 2020 creating additional trade opportunities for EU trade partners.

According to the RED, the Commission should follow a balanced approach between domestic production and imports of biofuels, taking into account the development of multilateral and bilateral trade negotiations as well as environmental, social, cost, energy security and other considerations.

Trade preferences for ethanol granted by the EU are an important element in on-going trade negotiations, as import duties account for a substantial share in total value of the imported products. The prominent role ethanol plays in trade negotiations is consistent with its projected growing importance both in world and EU markets. Several countries benefit already from free access to the EU market following trade negotiations or under GSP+ or EBA treatment.

The EU requires biofuels to be sustainable – this includes preventing conversion of land with high value for the protection of nature and biodiversity as well as with high carbon stocks for the production of biofuel feedstocks. Biofuels are also required to save a set minimum amount of greenhouse gas emissions compared with fossil fuels.

Apart from trade aspects there is another important international dimension to EU biofuels policy: Since agricultural prices increased again in 2010-2011, the debate on competition between fuel and food is continuing. The Commission has to continue to monitor the impact on food prices and on food security and to report thereon. In its reporting, the Commission will take into account the Global Bioenergy Partnership (GBEP) work on sustainability indicators. The issue of biofuels and its impact on food security is high on the agenda in G20 and other international fora – FAO in particular. In the framework of the G20 "Action Plan on
Food Price Volatility and Agriculture" which was agreed upon by the Agriculture Ministers on 23 June 2011 there was a call “to further analyse all factors that influence the relationship between biofuels production and (i) food availability, (ii) response of agriculture to price increase and volatility, (iii) sustainability of agriculture production, and further analyse potential policy responses.”