

Speech by Commissioner Phil Hogan at Bio-Economy Investment Summit

9 November 2015, Brussels

- Check Against Delivery –

- Thank you Carlos for your kind words.
- Ladies and gentlemen, we talk about many different types of "economy" in our work at the European Commission: The circular economy. The bio-economy. The social economy.
- There's no doubt about it: we do have plenty of catchphrases! But the intention behind each and every one is the same: we are working hard to make these different "economies" strengthen the only economy that counts – the real economy.
- The economy where our citizens are better off.

- The economy where we leave a sustainable future for their children.
- The economy where innovation and new ideas improve quality of life for young and old.
- Today, we will see how the bio-economy will help to shape the economy of the future. Delivering a meaningful EU Bio-economy Strategy will be absolutely essential if we are to meet the economic and societal targets President Juncker has set for our mandate.
- Commissioner Moedas deserves great credit for his drive and initiative in this respect. To use an agricultural phrase: he is taking the bull by the horns.
- He has correctly identified the need to put the bioeconomy at the heart of the EU investment agenda. The objective of today's summit, therefore, is to identify ways to mobilize private and public investment for the bioeconomy.
- As Commissioner for Agriculture and Rural Development, I am of course particularly pleased that farmers, forests and rural areas can make a real difference.

- The Summit will focus on the potential offered by new bio-based products, as well as putting a clear focus on the need for sustainable agriculture, forestry and marine sectors, and ensuring food security. We will also address the potential development of several bio-based value-chains.
- Let me briefly remind you of the importance of the agri-food and forestry sectors to the European economy and to our society today:
- **Farming involves 25 million people** in the EU, while **managing 46% of EU territory** and contributing to the whole economy due to linkages with other sectors. The EU agriculture and food sectors together produce **a value added of €420 billion a year**. **Agriculture is the EU's biggest employer.**
- **Furthermore, European forests and other wooded land** now cover 178 million ha which means **41 % of the EU's land area**, almost the same surface as agriculture.
- Forest-based industries provide nearly **3.5 million jobs** in the EU and produce **a total added value of €135 billion a year**.

- Agriculture goes beyond providing food and feed. Future declines in the supply of fossil raw materials, and the impact their extraction and use have on the environment and global climate, underline the necessity of replacing non-renewable with renewable resources.
- This has led to an increase in demand for agricultural raw materials for the non-food sector.
- These new markets provide job and income opportunities for agricultural holdings, including smallholders, forest owners and related sectors.
- Indeed, beyond food and other traditional uses of biomass, for example pulp and paper, agriculture and forestry also contribute to produce **new bio-based products**.
- **This could mean** biochemicals such as biolubricants or biosolvents;
- It could mean **ecosystem services** such as soil carbon sequestration.
- **It could mean** biomaterials such as bioplastics or biopolymers;

- **It could mean bioenergy** such as biogas and biofuels. **Indeed, biofuels are in some ways a case of going "back to the future".**
- Farming used to be circular, with horses or oxen being fed on crops grown by the farmer. Biofuels, while not an option to replace fossil fuels in all uses, could at least make the agricultural sector more circular - it is estimated that 10% of arable land would suffice for this purpose. There are already tractors that can operate with both diesel or biofuel, emphasising the innovative nature of the agricultural machinery sector.
- There will be many further opportunities for farmers and forest owners to open up new revenue streams in these areas.
- **Two concrete examples of business cases in agriculture and forestry will be presented this morning** showcasing that new biomass value chains can be initiated successfully either by agri-cooperatives (Euralis in France) or industries (Metsä Group in Finland).
- **So we can see that progress is being made. But many challenges remain.**

- The SCAR recommendations from October proposed five principles to guide the development of a sustainable bioeconomy: 1) food first, 2) sustainable yields, 3) resource-efficient production and use, 4) circularity and 5) diversity of production systems in the primary sector.
- An on-going FP7 project called "S2Biom" shows that sustainable non-food biomass production can double by 2030 and that a large part of this additional biomass will come from agricultural residues.
- This could mean crop residues, prunings, or forest-based industry and waste products such as manure.
- These new value chains will be a pillar of the circular economy.
- **It is also clear that a successful bioeconomy will require a sufficient supply of biomass.**
- **The forestry sector is particularly well placed to provide biomass.** To maximise this potential, afforestation and forest management should be properly addressed in the Energy and Climate Change union, ensuring sufficient and sustainable biomass supply.

- In order to attract investment in new non-food value chains, we need to support research & innovation, maximise human and social capital, and provide a stable and coherent policy framework.
- Another key challenge is to build trust and create fair cooperation between the different actors of a value chain, particularly farmers, forest holders and industry. Farmers should not be the weakest link in the chain.
- As with the broader rural economy, the bottom line of the bioeconomy is this: income for the farmer has to remain the priority. The reality is that without a producer, you do not have a product.
- **So how will EU funding support and drive these changes?**
- We support the development of the bioeconomy in three main ways:
- Through research and innovation funding;
- Through the European Agricultural Fund for Rural Development and networking activities;

- And through the EU Forestry Strategy.
- From the research perspective, agriculture and forestry must become increasingly knowledge intensive in the coming years so that farmers produce more, using less.
- The solutions we develop must keep our soils healthy, our water clean, and our environment rich in species which keep pests away. But above all we must keep our farmers active and ensure they receive a fair income for their work.
- We have to be strategic in the way we design our research and innovation activities. This is why we recently launched a process to elaborate a long-term strategy for European agriculture research and innovation. **This process will culminate with a large conference in Brussels on 26-28 January: you are all most welcome to participate.**
- Our strategy supports the bioeconomy in the following ways:
- Research activities will focus on integrated and diverse production systems and agronomic practices, including the use of ecological intensification approaches. This will increase the overall productivity of land for food and non-food applications.

- Other opportunities can be generated by growing biomass crops on less-productive or abandoned lands and by the uses of residues, co-products and waste on farms and elsewhere on the value chain.
- Logistical improvement will foster the emergence of new biomass supply chains for non-food applications.
- Another priority is to enhance the human and social capital in rural areas, thereby stimulating a green and socially inclusive economic growth.
- But in order to achieve these and other targets, our agricultural innovation system needs to be strengthened. There is massive potential and a pressing need to do more.
- The EU supports agriculture research and innovation via two main channels: our rural development policy and our research and innovation programme Horizon 2020.
- The Rural Development Programmes for 2014-2020 support innovation through an **interactive innovation model**, using networking and new instruments.

- **The European innovation partnership on agricultural productivity and sustainability 'EIP-AGRI' is a major policy and networking initiative designed to speed up innovation on the ground.**
- The winning strategy of EIP-AGRI is to bring partners from research, agricultural practice, the advisory sector, NGOs and industry together in '**operational groups**' to work on common innovative projects.
- I am pleased to report that this **EIP-AGRI tool has been adopted by a majority of Members States** in their programming.
- Under the EIP, we expect to support almost **3 000 innovation projects** where mixed groups of farmers, advisors, researchers and industries will work together on testing new ideas and concrete solutions for traditional markets but also for new market opportunities related to the bioeconomy.
- In addition, the EIP-AGRI network organised a European **workshop on "building new biomass supply chains for the bio-based economy"** in Sardinia in May 2015. This workshop put together different actors from 23 EU Member States.

- The overall objective of the event was to help set up and foster co-operation mechanisms between agriculture, forestry and industry. The aim was to ensure a steady and reliable supply of renewable raw materials for the industry, while guaranteeing a fair income for the farmer and forest holders.
- Concrete solutions and tools have been identified to build trust and cooperation mechanisms between primary and industrial sectors, and also to improve logistics.
- I am delighted to learn that the European farmers and agri-cooperative association Copa-cogeca will host a follow-up workshop on 16 November, which shows the interest of the primary sector in the bioeconomy.
- But we have to be absolutely crystal clear: Greater ambition calls for greater investment. This is why the EU decided to nearly double its budget allocation **to reach €3.6 billion** for agricultural research under our flagship Horizon 2020 programme.

- The Horizon 2020 Work Programme for 2016-2017 that we published in October is a promising and ambitious step forward, with **over € 586 million invested in research of interest to agriculture, forestry, food and non-food products.**
- In this work programme, we will invest an unprecedented **€ 431 million** in the area of "**sustainable food security**" to support resilient and resource-efficient value chains, environment and climate-smart farming systems, as well as a competitive food industry.
- We will also invest **€ 128 million in the "Rural renaissance" programme**, to enhance growth and job creation in rural areas thanks to innovative governance models, new ways of doing business (notably with new bio-based products), and strengthened innovation and education systems.
- The EU rural development policy is one of the EU's strongest investment instruments, with around 100 billion in the 2014-2020 period. It's a comprehensive toolbox of measures, **and the bioeconomy objectives fit into three of the six Rural Development priorities:**

- Priority 2: Farm viability, competitiveness, innovative farm technologies, sustainable forest management;
- Priority 5: Resource efficiency and shift towards a low carbon and climate resilient economy;
- And Priority 6: Economic development in rural areas.
- Support under rural development is possible for investments related to the production of non-food raw materials for the bioeconomy, as well as demonstration actions and aid for setting up innovative production chains.
- With matching funding from Member States, we plan to invest around 3 billion in energy efficiency and another 3 billion in **renewable energy production (including bioenergy)**, targeting actions that will help us reach the objectives of the EU Energy Union.
- There are ample options for supporting measures related to **sustainable forest management**, including greater mobilisation of forest resources in the EU, to **investments in forestry technologies, processing and marketing**, and to support for the **organization of producer groups and co-operation**.

- Based on current figures we have, forestry measures will receive **7.2 billion Euro in** total public funding for the period 2014-2020.
- These are some of the expected results of the EU rural development policy. But we need more investments to make this a reality, and smart **Financial instruments will be a key tool.**
- The Commission has worked closely with the European Investment Bank to develop schemes that reflect the present and future needs of our farmers, foresters and related rural businesses. We have already developed **a guarantee scheme for farmers**, which is now being implemented but this is just the beginning.
- In addition, the Rural Networks will contribute by raising awareness, bridging gaps, help forecast how the changes will impact on different actors and help them to seize the opportunities in the bioeconomy.

- In that context, the European Rural Development Network (ENRD) is setting up a **working group on the Green Economy**. Its goal is to help rural areas transition to a green economy, which will complement the development of the bioeconomy.
- Finally, the new EU Forest Strategy will put **forests and the forest sector at the heart of the journey towards a successful bioeconomy**.
- I would also like to draw your attention to the possibilities available under President Juncker's European Fund for Strategic Investment, which has a significant total budget of 315 Billion Euro.
- This has enormous potential for boosting investment in the bio-economy, precision farming and forestry.
- Two agricultural projects under EFSI are already underway. This includes some € 275 million in support of a bio product mill in Finland and a €200 million guarantee fund for agricultural SMEs in Germany.

- **But Commissioner Moedas and I believe there is potential for much more.** We want to see multiple projects in the EFSI pipeline in the coming years.
- Ladies and gentlemen, I hope I have given you a flavour of what we are doing to develop the bioeconomy of the future. Working together in forums such as this one today, we can pave the path to a more sustainable, more efficient, and more prosperous future.
- Thank you.