



EUROPEAN COMMISSION
Impact Assessment Board

Brussels,
D(2011)

Opinion

Title **Impact Assessment for indirect land-use change related to biofuels**

(draft version of 4 April 2011)

(A) Context

The Renewable Energy Directive and the Fuel Quality Directive do not address the greenhouse gas emissions associated with any indirect land-use change triggered by increased biofuel production but request the Commission to review the issue by 31 December 2010 and subsequently make any proposal that may be deemed appropriate. The Commission published a report on indirect land-use change on the 22 December 2010. That report set out preliminary conclusions and committed the Commission to prepare an Impact Assessment on the four options identified in the report as a basis for a legislative proposal to amend the Directives, if appropriate.

(B) Overall assessment

The report needs to be strengthened significantly in several important respects. Firstly, the problem definition section should provide a much broader perspective on the key policy issues at stake, as well as the scale of the problem. The relationship between existing and proposed EU measures and global green house gas emissions as well as the international trade implications should be clearly explained. Secondly, the intervention logic should be strengthened by better explaining, and defining, the general and specific objectives. The complexity of the report should be reduced by limiting the number of sub-options analysed to the most credible ones. The rationale for the selection of sub-options involving various emission thresholds should be better explained. Thirdly the assessment of impacts should be strengthened significantly, in particular in relation to the impacts on relevant industries, biodiversity, security of supply and on Member States and third countries. The report should provide much greater clarity on the combination of options which would seem feasible and provide a full assessment of their impacts. Finally the report should give more information on stakeholders' different views.

Given the nature of these recommendations, the Board asks DG ENER and DG CLIMA to submit a revised version of the report, on which it will issue a new opinion.

(C) Main recommendations for improvements

(1) Improve the description of the problem. Before describing the technical aspects, the report should include a much broader analysis of the problem and the policy context, clearly identifying the key economic, environmental and social policy issues that are at stake. The context should be better described by presenting a clearer picture of the scale of the problem in terms of the potential for ILUC to modify GHG emissions brought about by biofuels. This can be achieved by using some of the material from Annex 7 in the introductory sections of the report as well as improving relevant graphical presentations. The report should be clearer on the linkages with the mandatory 2020 targets set in the Renewable Energy Directive for a 20% overall share of renewable energy in the EU and a 10% share for renewable energy in the transport sector as well as the Fuel Quality Directive mandatory 2020 target for a 6% reduction in the greenhouse gas intensity of fuels used in road transport. In order to understand the possible implications of the options on the industry the report should benefit from a comprehensive overview of the EU biofuel market structure if possible at Member State level. The international context should be clearly presented including by identifying the effect of EU action on emission levels in third countries. The linkage with trade policies and WTO obligations should be clarified. The possible implications of changes in the way land use, land use change and forestry (LULUCF) will be treated post-2012 should be examined.

(2) Better present the intervention logic and improve the design of options. The report should better explain the rationale for the selection of the limited number of objectives and should limit the types of the objectives to general, specific and operational. The complexity of the report should be reduced by limiting the number of sub-options so that the assessment can focus on the key differences between the main options. A clearer explanation of the content of the individual options is needed. In particular the report should better explain the rationale underlying the proposed levels for the thresholds under option B the timing factors for all options and how the options will work in practice including whether international cooperation is required. On that basis the report should design alternative combinations of options and present them up-front.

(3) Improve the assessment of impacts to provide a sufficient evidence base for policy decisions. This should include a much more in-depth analysis of the impacts on relevant industries (e.g. biofuel producers, automotive industry), financial investment stability, biodiversity, soil and water issues, security of supply, social issues such as impact on third countries, food prices, income effects and consumer prices as well as the impact on different Member States. Major uncertainties and gaps in quantitative evidence on these issues should be clearly flagged. Furthermore a more in-depth assessment of administrative costs for each option should be included. The report should provide much greater clarity on the combination of options which would seem feasible and provide a full assessment of the impacts of any such combination(s). A more comprehensive assessment of Option A (the status quo) should be included. The choice of the model used to assess the scale of the problem and the impacts of options should be better justified and its limitations and baseline outcomes made more explicit.

(D) Procedure and presentation

The report should provide greater transparency of the extent of stakeholder consultation and should better reflect the different views of all stakeholders on all major points throughout the main text. The report should be written in non-technical language to significantly improve its accessibility for decision makers. It would also benefit from explaining upfront some concepts which may not be obvious for non-experts and adding a glossary. The summary table on page 49 should include greater detail on the full range of impacts thus facilitating easier comparison between the options. The Executive Summary should conform to the IA Guidelines.

(E) IAB scrutiny process

Reference number	Reference number
External expertise used	External expertise used
Date of IAB meeting	Date of IAB meeting