



ePURE's position on ILUC 2nd reading – Triologue March 2015

The European renewable ethanol association (ePURE) believes that an agreement on the ILUC file is a prerequisite to creating a long-term, stable and ambitious policy framework that will promote biofuels with better environmental performance and restore much-needed investors' confidence in the European sustainable biofuels market, which has been badly shaken since the Commission's proposal in 2012.

ePURE hereby proposes to the triologue negotiators a comprehensive and balanced solution to the RED-FQD reform that would secure existing investments in sustainable conventional renewable ethanol and is consistent with 'EU Smart regulation', whilst incentivising the commercialization of advanced ethanol by and post-2020.

Any cap (with a minimum being 7%) must solely apply to the RED, exclude energy crops and be combined with a separate target for renewables in petrol to ensure the RED yields GHG savings.

- European renewable ethanol, be it conventional or advanced, is a sustainable biofuel that can be blended into petrol and is key to achieving the EU's renewables and decarbonisation targets. There is broad agreement that its GHG net emissions savings are substantial. Even when ILUC is considered, renewable ethanol is proven to be the most cost-effective means, available at scale, to substantially reduce GHG emissions in EU transport.
- The proposed cap for conventional biofuels would limit the uptake of renewable ethanol, as most of the cap could be met from biodiesel.
- Therefore ePURE calls for any cap (with 7% being a minimum) to be combined with a separate 6.5% renewables in petrol target as proposed by the European Parliament.

Set a separate, binding, ramping-up target for advanced biofuels to encourage investments

- Only a sub-target for innovative advanced biofuels listed in Part A of Annex IX, that require innovation and high capital investment, will foster their deployment in Europe instead of in other regions where investments are taking place due to more favourable and predictable policies. The European Parliament has already recognized twice the need for binding targets for advanced biofuels. Due to its non-binding nature, the Council's proposal to incentivize advanced biofuels through a 0.5% sub-target, containing a number of easy opt-outs, will not encourage investments.
- ePURE calls for a compromise to be reached around an achievable and binding sub-target of 0.5% for these advanced biofuels by 2020, with clear indications that the post-2020 policy framework should introduce a longer term trajectory through a dedicated, meaningful and mandatory target.
- Counting multiple times the contribution of some energy sources to the EU targets, be it for biofuels or renewable electricity, is not an appropriate environmental or market tool to incentivize their uptake. Multiple counting only results in more fossil fuel being used – therefore less GHG savings.

Incentivise best performance through ILUC mitigation to encourage better land use management

- The concept of 'low ILUC risk' biofuels introduced by the Council and now reflected in the European Parliament's Environment Committee recommendation would incentivise market operators to mitigate the risk of ILUC. The definition proposed by the Council should remain, with the concept to be further elaborated by the European Commission with a view to allow these biofuels to contribute to the 10% RED target irrespective of any cap that may be agreed upon.

Provide a stable policy framework

- The legislators should leave open the possibility to add novel feedstocks to the list of Annex IX but not to remove them, as this would undermine investors' need for certainty.
- Delegated acts should only be kept where the scope is limited, as per the Council's position. The ordinary legislative procedure is the only way to ensure proper consideration is given on crucial elements of the legislative framework that affect the biofuels industry and market.

In order to build and maintain investor confidence, the EU should remain firm on the existing binding 10% renewables in transport target, and set decarbonisation targets in transport up to 2030 thereby clearly indicating that future growth in the biofuels market should come from the best performing biofuels in terms of GHG performance. Conventional biofuels that result in net positive greenhouse gas savings should be allowed to count towards targets up to and beyond 2020. The RED reform must have a long-term perspective to ensure there is a market for sustainable biofuels, both from conventional and advanced feedstocks, after 2020.



Questions and Answers

Q1: Why do you call for a separate renewable energy in petrol target?

- A separate target of min. 6.5% renewables in petrol, as proposed by the European Parliament's Environment Committee in its 2nd reading recommendation, will guarantee that Europe realises the benefits of ethanol. A min. 6.5% renewables in petrol target would save 13 million tonnes per year in GHG emissions, help create 48,000 new jobs and replace 43 million barrels of imported oil, saving Europe's economy €3.5 billion annually.
- The proposed cap on conventional biofuels does not differentiate between biofuels based on their GHG savings. There is no valid reason to limit ethanol's contribution to the 2020 targets because it is a sustainable alternative to petrol that delivers huge environmental benefits with on average GHG savings of 60% compared to fossil fuel. Ethanol's strong GHG saving performance is not contradicted by the emerging science on ILUC.
- Such a target would also safeguard the ethanol market against increasing diesellisation: biodiesel is now 70% of all biofuel sold in Europe and growing. In Europe biodiesel installed production capacity alone could fulfil the cap on conventional biofuels. This risks squeezing ethanol out of the market, jeopardising existing and future investments in conventional and advanced ethanol.

Q2: Would a target of 6.5% renewable energy in petrol be too ambitious and overly complex to implement?

- Not at all, the min. 6.5% target would require 4.9 million tonnes of oil equivalent (Mtoe) of ethanol by 2020, which is well below the volumes stated by Member States in their National Renewable Action Plans where they indicated an expected collective EU ethanol consumption of 7.3 Mtoe by 2020.
- A min. 6.5% renewables in all petrol sold in Europe is the equivalent of the EU-wide roll out of E10, a blend of about 10% ethanol and 90% petrol, a fuel which is already sold in France, Germany, and Finland, and whose introduction is being considered in other Member States. Ensuring the availability of E10 fuel blend in all Member States would enable a more complete internal market for fuels in Europe.
- Furthermore, such a target is in line with current practice: 13 Member States have already adopted targets for renewable energy use in petrol and diesel to help meet the RED's 10% target for renewable energy use in transport.

Q3: Why is a minimum 7% market share for conventional biofuels needed?

- A minimum of 7% for the cap on conventional biofuels is needed to safeguard investments in existing ethanol production capacities that were made as a consequence of the EU adopting the 2020 targets just 5 years ago.
- There must be room for conventional ethanol to expand because ethanol is recognised as a sustainable biofuel and a healthy conventional industry is necessary for the development of advanced ethanol. It is mainly conventional renewable ethanol producers that are and will be making the investments in advanced ethanol.

Q4: Why should some conventional biofuels be entitled to grow beyond the cap?

- Ethanol provides high net GHG savings compared to petrol, even if ILUC was taken into account.
- Should there be a cap then "low-ILUC" biofuels should be allowed to count toward the 10% RED target outside of the cap. This approach will reward those conventional biofuels with better GHG savings, encourage sustainable land use management, limit ILUC risk, and push investments in the right direction.
- ILUC risk can be mitigated for instance by agricultural yield increases, the use of previously abandoned or unused land; the co-production of animal feed and other co-products which substitutes the need to import crops from 3rd countries, such as soybeans; multi-cropping; production innovation; and the use of low value co-products or processing residues as feedstock.

Q5: Why is multiple counting for advanced biofuels not effective and why would a binding target be better?

- Multiple counting, for biofuels or other energy sources and carriers, is an accountancy trick that only allows the targets to be achieved on paper. In reality, it reduces the actual amount of renewable energy used in transport, meaning less GHG savings and more fossil fuel being used.
- When it comes to advanced biofuels, double counting has not spurred deployment of innovative and capital-intensive technologies, such as cellulosic ethanol. To encourage innovation, the EU should set an ambitious, yet achievable, binding target for advanced biofuels. The Council's proposed 0.5% target is realistic but it must be binding to have any effect and be combined with a long-term perspective to ensure companies will invest.

Q6: Why is the long-term perspective of the ILUC proposal so important for ePURE and its members?

- The EU has been considering the ILUC reform since 2010, triggering policy uncertainty and paralysis in most biofuels investments in Europe.
- To restore investor confidence, policy-makers must establish a predictable and stable policy framework at least until 2030. The absence of a post-2020 perspective means that no company will invest now on the basis of laws that expire in 2020, because an investment in a typical ethanol plant requires a long and capital-intensive investment cycle.