

EUROPIA Position

Brussels, January 2013

Biofuels and ILUC

Following the Commission proposal to amend the Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD), published on 17 October 2012, EUROPIA would like to continue contributing to the public debate on the role of biofuels in the future of transport.

While fossil fuels, according to IEA's widely agreed forecast, shall continue playing the main role in providing energy to ever more efficient internal combustion engines for the next decades, biofuels, other alternative fuels and electric energy will become part of the energy mix in transport.

The Commission proposal is commendably aimed at supporting the development of advanced non-food & feed- competing biofuels. However, it falls short of setting a consistent regulatory framework and, most importantly, leaves many uncertainties on the future legislation.

The role of biofuels

Biofuels currently are, and will remain in the short to medium period, the only practical and effective means to meet the targets set by the RED (10% energy from renewables in transport by 2020) and by the FQD (6% reduction in greenhouse gas intensity of transport fuels in 2020 vs. the 2010 benchmark).

However, the **real value of biofuels** for the economy as well as for the environment needs to be carefully assessed, in the light of the following criteria:

- Cost – effectiveness.
- Sustainability, including the possible competition with food and feed.
- Level of greenhouse gas emissions, based on a scientific assessment of life-cycle emissions.
- Acceptability to vehicle manufacturers.
- Acceptability to consumers, in view of their perceived quality and performances, and of their affordability.

All these criteria are subject to change as science develops, requiring therefore a regular update of the assessment.

EUROPIA believes that **economically and environmentally sustainable biofuels** may play a significant role in the future of transport.

Regulatory certainty, clarity and homogeneity

The European oil industry, as the obligated party in both the RED and the FQD, is committed to adopt all measures to comply with the very challenging targets. This requires ingenuity and capability to innovate, while at the same time investing very significant resources.

However, investments require a clear and predictable regulatory framework: unfortunately the track record of the EU policy in the biofuels sector, including the Commission proposal of 17 October 2012, fails to provide certainty. As an example, the unclear duration of the proposed measures to promote unconventional biofuels (will they be amended/abolished in an upcoming review ?) represent a strong disincentive to invest.

Moreover, the complexity of the legislation in RED and FQD is already so high that Member States and obligated parties are struggling in devising how to comply with them. The recent Commission proposal does not help in this respect. Simplicity and ease of implementation are key elements in view of achieving transparency and compliance.

Finally, we should not forget that while the transport-related industry has strived to achieve uniform fuel standards across Europe, this has not occurred yet. It is therefore vital that a uniform application of the rules (most importantly fuel specifications) takes place among Member States.

The importance of ILUC and the achievability of the targets

Indirect Land Use Change (ILUC) is an issue that needs to be addressed to provide assurance on the true greenhouse gas performance of biofuels.

The Commission proposal to impose a 5% cap on the contribution of conventional biofuels to the achievement of the RED target provides a good way to address ILUC, as it limits their expansion and hence land impacts.

It is not clear, however, why the cap should apply to RED and not to FQD: we believe that the provisions in the RED and the FQD - including any policy response for ILUC - should be consistent and aligned.

Moreover, the impact of any ILUC solutions on the achievability of the RED and FQD targets may be very significant, and this calls for a thorough analysis. If targets are deemed unachievable they should be reviewed: **it is not acceptable that the obligated parties are forced to be penalized for not meeting unrealistic targets.**

Advanced biofuels

EUROPIA supports the development of cost effective advanced biofuels, i.e. those biofuels that are non-food & feed competing, sustainable and beneficial in terms of lifecycle greenhouse gas emission.

Multiple counting rules to support the development of advanced biofuels may be used as long as needed to stimulate innovation and investments, as foreseen in the Commission proposal, but they need to be accompanied by very clear rules to prevent abuses and undesired consequences. In particular, a detailed list of raw materials eligible as feedstock for double and quadruple counting should be specified,

based on scientific criteria Also in this case, any benefits should be applied in both the RED and FQD, and common rules for multiple counting should be adopted across Europe.

Delegation of power to the Commission

The Commission proposal to amend the RED and the FQD foresees the delegation of power (in the form of “delegated acts” according to Article 290 of the Lisbon Treaty) for an “undetermined period of time” to the Commission itself in respect of decisions of utmost importance. This measure would strongly limit the possibility of Member States and European Parliament to intervene in the definition of the methodology to assess biofuels sustainability and ILUC impact, the methodology for the calculation and reporting of GHG of fossil fuels, and other key issues.

This delegation of powers is excessive and unjustified, and should be rebalanced to ensure a proper role to Member States and European Parliament.

Conclusions

The EU oil industry is strongly committed to continue providing effectively the EU economy with affordable energy to fuel transport, and to comply with the EU regulations.

With respect to biofuels, which are the only practical means to reach the 2020 RED and FQD targets, EUROPIA requires the following:

- **Clear, cost effective, aligned legislation & rules across Europe, and a predictable regulatory framework.**
- **Consistency of measures in RED and FQD.**
- **Legislative targets to be checked for achievability.**
- **Clear and transparent criteria and abuse-proof implementation measures for “advanced” biofuels.**
- **Rebalance of the excessive powers delegated to the Commission in respect of decision of utmost importance.**

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EUROPIA represents the European Petroleum industry, the downstream sector of Europe's oil industry.

EUROPIA is an organisation whose 42 members account for more almost 100% of EU petroleum refining capacity and over 75% of EU motor fuel retail sales.

EUROPIA as a leading Industry Representative aims at contributing pro-actively and constructively to the development of policies to safeguard the secure and sustainable manufacturing, supply and use of petroleum products by providing competent and expert advice to the EU Institutions, Member State Governments and the wider community.

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