

Copa-Cogeca's position on the EU's biofuels policy



Copa-Cogeca is committed to developing the bioeconomy, which provides a new “green growth”¹ opportunity for European farmers, foresters, fishermen and their cooperatives. It also enables the production of bioenergy and bio-based materials to go hand in hand with the production of food for a growing global population. To achieve this, advanced biofuels need to be developed and subsequently deployed at the same time as continuing to develop sustainable conventional biofuels beyond 2020.

Copa-Cogeca rejects the European Commission’s proposed Directive of the European Parliament and of the Council amending Directive 98/70/EC relating to the quality of petrol and diesel fuels and amending Directive 2009/28/EC on the promotion of the use of energy from renewable sources (COM(2012)595 final) in its current form. We would ask the European Parliament and the Council of the EU to amend the European Commission’s proposal with effective, constructive measures to promote the gradual development of advanced biofuels whilst continuing to develop conventional biofuels.

In particular, Copa-Cogeca requests that the Commission:

- Pursue a targeted and consistent biofuels policy, including support for biofuels produced from arable crops and continuing beyond 2020;
- Remove the 5% cap on the contribution of conventional biofuels;
- Remove multiple counting;
- Remove ILUC effects and ILUC factors from both directives;
- Ensure that sustainability criteria are respected for all types of biofuels/bioliquids produced from wastes and residue;
- Remove the review clause;
- Protect existing production facilities through an unlimited grandfather clause on direct and indirect emissions;
- Define a separate, mandatory objective higher than 10% for advanced biofuels;
- Recalculate CO₂ emissions reference values for fossil fuels.



Copa-Cogeca considers that the EU should encourage the introduction of effective environmental legislation in third countries in order to prevent the phenomenon of land use change.

For this reason, Copa-Cogeca encourages the protection of carbon-rich soils and biodiversity in third countries through bilateral agreements, financial support and legal advice. This approach would be far more effective than ILUC factors and capping the use of conventional biofuels, both of which would have a detrimental effect on European production and would not necessarily mitigate the phenomenon of land use change in third countries. The EP Resolution of 15th March 2012 on a Roadmap for moving to a competitive low carbon economy in 2050 (P7_TA(2012)0086) also suggests this approach in Point 44.

¹ Green growth: intelligent win-win solutions which contribute to competitive and efficient production (particularly production capacity, efficient resource management, productivity growth) and which also have a positive impact on the environment (see PAC(11)1233).

Part I: **Benefits of biofuels for EU farmers and cooperatives**

◆ **EU plant protein deficit²**

Key Facts

- The EU imports 70% of the plant protein it needs, mainly meal and soya meal for animal feed from South America.
- The value of these imports, around 35 million tonnes soya meal equivalent, went from 9 to 12 billion Euros between 2008 and 2012.
- The emergence of new clients for suppliers in South America, particularly China, which have less strict requirements than the EU in terms of production conditions and a rather opaque supply strategy, could destabilise the EU's supply markets in the long term.
- Cereals are particularly well-adapted to the EU's soil and climate conditions and are also a major local source of plant protein thanks to their productivity and protein content.
- For every litre of bioethanol produced in the EU, between 1 and 1.2 kg of by-products for animal feed are produced, and 60% of a grain of rapeseed is turned into meal and 40% into oil.
- The production of biofuels from arable crops grown in the EU makes it possible to mitigate land use change for soya production in third countries. Protein-rich by-products of conventional biofuel production in the EU already substitute 4 to 5 million hectares of soya. They could replace 12.2 million hectares of soya in 2020 if biofuels were 100% produced from arable crops grown in the EU, which equates to 11% of global soya surface area, estimated to be 110.6 million hectares in 2025.

Rebalancing the EU's plant protein deficit through biofuels

EU reliance on imported protein has continued to drive up the price of animal feed. Furthermore, there is a risk of disruption to supply, also because of inconsistent authorisation of genetically modified organisms (GMOs). As a result, the risk of certain livestock production activities being relocated outside the EU could increase further in the future. The sustainable production of biofuels from EU arable crops plays an important role in narrowing this deficit to the benefit of both livestock and arable producers, as well as the EU's trade balance and food security for its citizens.

Even though soya production does not directly cause deforestation, it has been observed that Brazilian beefmeat production is being shifted to forested areas in order to make way for soya production.

Consequently, EU biofuel production would not only help to reduce the area needed for crops destined mainly for animal feed production but also to compensate for the phenomenon of indirect land-use change caused by our imports of soya. Furthermore, the Commission's report³ reveals that beefmeat production in Brazil incurs twice as many GHG emissions as EU beefmeat production.



² EP report on the EU protein deficit: what solution for a long-standing problem? A7-0026/2011.

³ Final report JRC/IPSC/IPTS evaluation of the livestock sector's contribution to EU greenhouse gas emissions, November 2010.



◆ Volatility of agricultural markets

Key facts

- Agricultural market volatility has increased significantly in the last few years due to, amongst other things, successive agriculture policy reforms since the Uruguay round which have left EU agricultural markets more open to global fluctuation, as is also the case for other non-agricultural commodities; extreme weather events (flooding, drought and storms as a result of climate change); trade bans and financial speculation.
- This market volatility is expected to continue in the future whilst it is commonly acknowledged that global food production will need to double by 2050 and input costs are rising.

Greater stability in agricultural markets through biofuels

There is no question of choosing between food production and conventional biofuel production, rather we must make the most of the resources at our disposal to produce food and renewable energy as well as other products – often from the same crops. Conventional biofuels are not automatically synonymous with market conflicts. On the contrary, conventional biofuels make it easier to manage agricultural commodity markets, which can help to stabilise agricultural commodity markets and prices as well as providing greater security for consumers and farmers.

Stable agricultural markets lead to increased investments and increased productivity, which is beneficial for food as well as biofuels.

◆ Using existing EU production capacity to the full

Key facts

- 1.5 to 2 million hectares of arable land in the EU4 has not been cultivated since the end of compulsory set aside in 2009.
- The total surface area of rapeseed crops in rotations has gone from 2 to 6.7 million hectares since the turn of the century. The 8 million tonnes of rapeseed oil that is used for biodiesel does not create any excess tension on the global oil and fat market. It can be compared to rising yearly production, which has been increasing by 5 to 7 million tonnes per year for at least 10 years now. Production in 2010 was 175 million tonnes, compared to 110 million tonnes in 2000. It is forecast that it will reach 240 million tonnes in 2020.
- Only 10 million tonnes of cereals out of 335 million tonnes of supply in the EU are used for bioethanol production. Those 10 million tonnes would otherwise inflate stock levels because they would have no outlet. The EU produces sufficient cereals surpluses, which are exported.
- Only surplus out-of-quota sugar is turned into bioethanol. In this sector in particular, markets are distinct, thanks to quotas for food sugar: non-food sugar does not compete with food sugar.
- The increase in cereals yields in central Europe will free up arable land across the EU and create the opportunity to move crops between the Member States. Biofuels will therefore make it possible to effectively manage greater agricultural production, without affecting agricultural income or profitability.
- The amount of land used for conventional biofuel production equates to around 2% of the EU's agricultural land⁵ yet the ecological focus area measure could see around 8 million hectares of arable land taken out of production.
- It is possible to encourage green growth with new technologies (plant genome, precision farming, water and soil management, etc.).

Increasing agricultural production by making full use of production capacity and green growth

The production of biofuels from arable crops in the EU has opened up new agricultural commodity markets to European farmers. Biofuel production has encouraged investments in farms and in agricultural research, which in turn has allowed yields to be increased through improved techniques and new crop varieties. This is beneficial for the production of food, feed and biofuels.

- ◇ Rapeseed is a good example of how the agriculture sector has profited from better understanding of crop rotation: new markets have led to investments in this crop because there is more demand and more money in the supply chain thanks to biodiesel. Using oilseed rape in a cereals rotation offers numerous agricultural benefits: it is an effective break crop which allows better yields for the first cereal crops, it allows the control of resistant weeds using alternative control methods as well as early sowing and harvesting, with good labour distribution and reduced capital investment.
- ◇ Using maize as a monoculture can sometimes be the most well adapted crop system for a particular type of land and does not lead to soil degradation. Cereals are also forgotten havens of biodiversity, be it for wheat or maize. Maize in particular is somewhat of a refuge for several species of summer insects and mammals, by providing green, humid and fresh vegetation in full development, and offering food as well as shelter on hot days. In the winter, any corn ears or grains left on the field serve as food for migrating birds, such as cranes. Straw cereals provide food and breeding sites for small wildlife on the plains.

⁴ Source: DG AGRI.

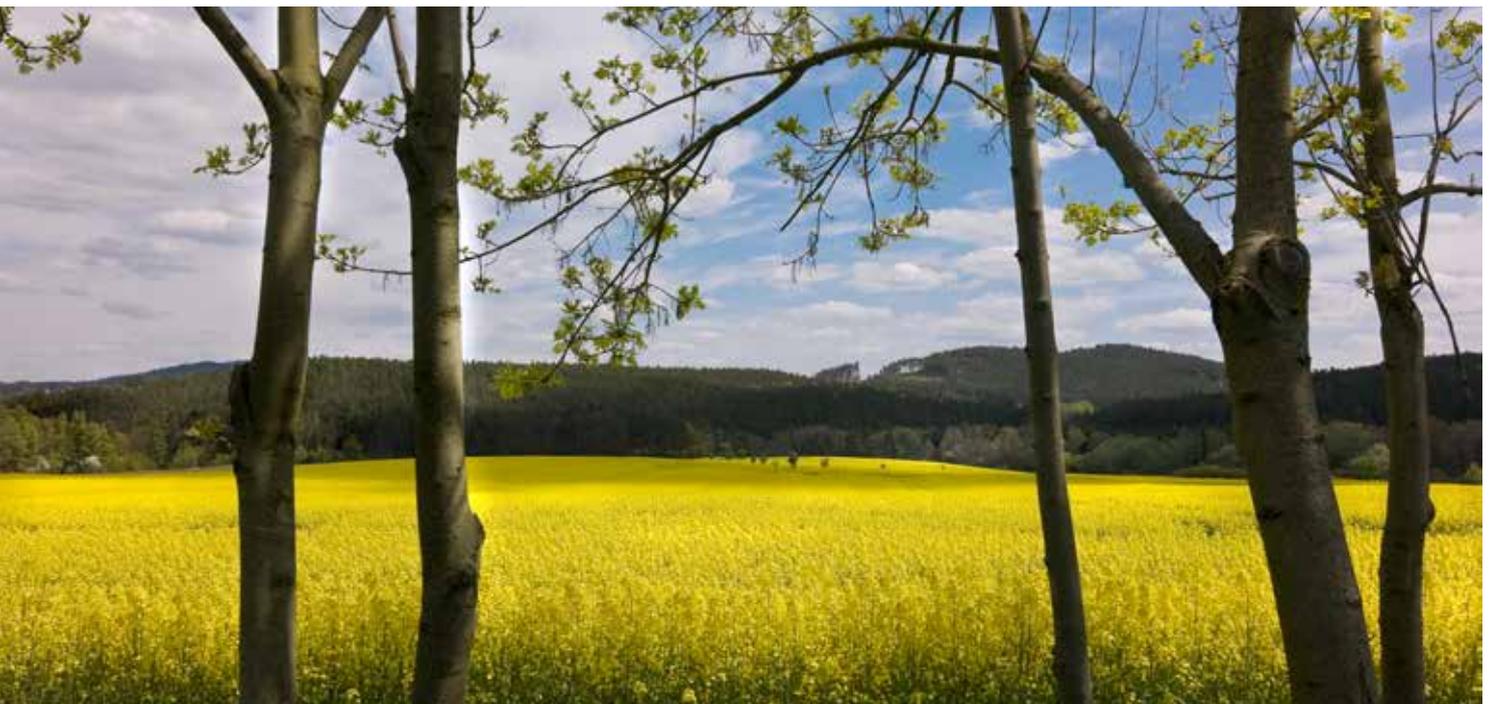
⁵ See EC Memo ref MEMO/12/787.



- ◇ As for sugar beet, surface area fell from 2.2 million hectares to 1.6 million hectares after the entire sugar sector was restructured between 2006 and 2009. However, it is estimated that a maximum of 150,000 hectares of out-of-quota sugar beet surface area is currently used for energy purposes (bioethanol, biogas), without being in competition with food production. Growing sugar beet is a perfect example of environmental sustainability.⁶ Because the roots turn, the sugar beet improves soil structure and reduces soil compaction and erosion. Generally, fertilisers and pesticides are applied in small doses. In the larger producer countries, the use of fertilisers and certain pesticides has significantly fallen over the past 20 years, whilst the yield of the crop has steadily increased. The energy yield of sugar beet is very favourable: sugar beet produces 15 to 16 times more energy than what is needed to grow the crop.

Conventional biofuels from oilseed, cereals and sugar beet would drive the development of these crops, generating an additional supply of crop residue available for the production of advanced biofuels.

However, in strengthening the markets for conventional biofuels, the European Commission proposal (COM(2012) 595 final) compromises balancing the EU's plant protein deficit, the stability of commodity and financial markets, food security, investments in research and productivity and sustainability at farm level. It also weakens the confidence of entrepreneurs to invest in the future of renewable energies made from agricultural biomass, which could cause rural development to stagnate.



⁶ See http://www.cibe-europe.eu/Press/Brochure%20CIBE-CEFS%20Final_05.05.2010.pdf

Part II: Specific remarks on the Proposal for a Directive of the European Parliament and of the Council amending Directive 98/70/EC relating to the quality of petrol and diesel fuels and amending Directive 2009/28/EC on the promotion of the use of energy from renewable sources (COM(2012) 595 final)

♦ Capping the proportion of biofuels produced from food crops at the current level

The EC is proposing to introduce a 5% cap on conventional biofuels which can be counted in the 10% of renewable energy sources to be used in the transport sector in 2020 at the current level (i.e. 5%), although in the meantime Member States will be able to follow whichever course they consider appropriate. The EC claims that it is aiming to promote the development of advanced biofuels to avoid competition between food and conventional biofuels on the one hand and, on the other, to limit the contribution of conventional biofuels, which are associated with the risk of CO₂ emissions resulting from the increase in the amount of land used to produce conventional biofuels instead of food (Indirect Land Use Change).

Copa-Cogeca would stress that the introduction of a cap on conventional biofuels was not one of the options proposed by the European Commission in its 2010 report⁷ and that stakeholders have not at any point been consulted about this possibility.

Copa-Cogeca maintains that the existing target of 10% renewable energy sources in the transport sector remains realistic, due to productivity gains and increases in agricultural yields, but only if conventional biofuels produced in a way that does not prejudice food production are used. Today's conventional biofuels ensure that food and fuel are complementary. For this reason, the contribution of agricultural commodities to achieving the target should not be capped and certainly should not be ruled out after 2020.

We believe that the food versus fuel debate is far too simplistic. Copa-Cogeca maintains that competition between food and conventional biofuels is a misconception. There are many reasons for hunger around the world, particularly political instability, natural disasters, poor storage techniques, etc. It is therefore wrong to accuse conventional biofuel production of being responsible for this problem. It is also a serious analytical error to define agricultural commodities as foodstuffs.

Although conventional biofuel production in some Member States is already above 5%, the Commission's proposal would call into question the single market for conventional biofuels. It would penalise European production first and foremost by bringing the development of this sector in the affected Member States to an abrupt halt and leading to a slowdown in industrial and agricultural activity and the loss of jobs. The sugar beet sector is a case in point. Let us not forget that after the 2006 reform, the EU reduced its production of quota sugar by almost 6 million tonnes and closed 83 factories. Today, some industrial plants remain profitable partly thanks to significant investments in the production of ethanol for carburation. For this reason, such an EU policy U-turn would run the risk of lowering industrial production in this sector. In the oilseeds sector, rapeseed production could fall by 1/3 due to the lack of outlets for the oil, which would have a negative impact on the sustainability of agricultural production systems, particularly in terms of crop rotation, biodiversity and nitrate retention. In this case, there would also be negative consequences for the crushing industry.

⁷ COM (2010) 811 final.





It is also important to mention that only around 50% of the EU's biofuel production capacity is used, due to cheap imports which are often subsidised by third countries (Malaysia, Indonesia, Argentina, USA, Brazil, etc.). The EC advocates a balanced approach between the EU and third countries. This is why capping conventional biofuels to 5% would also impact on sustainable agricultural activity and industry in third countries, considering that imported conventional biofuels must respect European sustainability criteria.

As well as plant protein and low carbon fuel, biodiesel production provides glycerine to cover the needs of the oleochemical industry. The availability of this additional glycerine has enabled the development of innovative processes for manufacturing renewable chemical intermediates such as epoxies, propylene glycol, methanol, etc. which are used in composite materials, paints, and so on. Introducing a cap on conventional biofuels would limit the availability of this glycerine, wiping out all of the R&D and technological innovations of the last 15 years as well as the jobs associated with them. At the same time, a fall in the supply of glycerine would lead to the reintroduction of fossil fuel substitutes.

Furthermore, bioethanol production creates a biofuel that significantly reduces greenhouse gas emissions as well as supplying plant proteins (gluten or grains depending on the procedure) and CO₂ from a renewable resource that can be used in foodstuffs (carbonated drinks) or for glasshouse crop production.

A cap on conventional biofuels would thus have many far-reaching consequences which we believe have not been considered at all.

◆ Incentives for advanced biofuels

The EC is proposing increasing the proportion of certain advanced biofuels in relation to conventional biofuels used to achieve the target of 10% renewable energy sources in the transport sector by multiplying their energy content by 4. The EC aims to encourage greater market penetration of advanced biofuels.

Copa-Cogeca believes that multiple counting is statistical trickery which effectively creates virtual biofuels. In fact, the EC's proposal would mislead the public about the real contribution of advanced biofuels, which would be $\frac{1}{4}$ of the apparent volume. Multiple counting would undoubtedly lead to an increase in the use of fossil fuels in the EU transport sector and mathematical calculations would also create the illusion that environmental targets were being met. In reality, multiple counting would call into question the aims of Directives 98/70/EC and 2009/28/EC, reduce the availability of renewable energy sources for the transport sector, increase the EU's energy dependence and delay the reduction of greenhouse gas emissions in the transport sector. Multiple counting would in fact threaten the development of advanced biofuels because on the one hand it is not a reliable basis to encourage investments, and on the other there cannot be a return on the amount of investment required to develop this technology commercially with reduced volumes. Furthermore, multiple counting could only work as an incentive for the market if advanced biofuels were more expensive than fossil fuels, but this situation has still not arisen, particularly for ethanol.



Copa-Cogeca holds the view that the incentive of multiple counting can lead to:

- ◇ More waste being produced, which runs counter to the aims of Directive 2008/98/EC on waste, and to increased imports of waste and residues.⁸ The definition of waste could also be misconstrued to cover goods which could have a higher value on the biofuels market than on the commodities market, as opposed to simply meaning non-desired substances.
- ◇ Unpredictable disturbances on agricultural markets.⁹ For example, straw could become more expensive than grain, or the quality of agricultural commodities could be intentionally reduced through poor storage, which would make the goods more attractive on the biofuels market.

Currently, only straw and residues from agriculture, forestry, fisheries and aquaculture are subject to the sustainability criteria defined in Articles 17.3 to 17.7 of Directive 2009/28/EC, which do not apply to the majority of the wastes and residues listed in Annex IX of the proposal. This rules out protecting primary forest, natural grassland, wetlands and peatlands as well as protecting workers. For this reason, the EC's proposal, which aims for greater market penetration of advanced biofuels, is a step backwards compared to the sustainability requirements for conventional biofuels. The EC's proposal should ensure that sustainability criteria are the same for all types of biofuels/bioliquids.

What's more, the proposed definition of waste and residues is so broad that certain materials could wrongly be considered as waste. In practice, significant administration would be necessary to verify that these materials really are waste. As for importing waste or biofuels produced from waste from third countries, it would be impossible to carry out effective checks.

◆ Increase in the minimum greenhouse gas saving threshold for biofuels produced in new installations

The EC is proposing increasing the minimum greenhouse gas saving threshold for biofuels produced in new installations from 35% to 60% with effect from 01/07/2014. The EC's aim is to strengthen EU sustainability criteria, which are already the most stringent in the world, to discourage further investments in installations with low greenhouse gas savings performance.

Copa-Cogeca believes that this proposal will stall any new investment in conventional biofuel production, restricting the market and reducing demand for arable crops. Investment in advanced biofuels may also fall as investors consider the potential impact of future policy changes.

Copa-Cogeca would stress that the reference value for CO₂ emissions from fossil fuels of 83.8g CO₂/MJ underestimates the amount of GHG emitted by fossil fuels and should therefore be changed to reflect reality. This is even more important as the use of unconventional fossil fuels will rise in the future.

⁸ This can already be seen with the increase in the use of used cooking oils in biodiesel. France has imported up to 340,000 tonnes of used cooking oils from other Member States and the USA, the equivalent of almost 700,000 tonnes of biodiesel compared to a national biodiesel market of 2 million tonnes, and has put in place a limit mechanism.

⁹ 1 million hectares of wheat straw cannot be substituted in making the necessary organic substrate for mushroom production.

◆ Indirect Land Use Change (ILUC)

The EC is proposing introducing reporting by fuel suppliers (Article 7a of Directive 98/70/EC) and the Member States (Article 22 of Directive 2009/28/EC) on estimated emissions based on changes in carbon stocks caused by indirect land use change (ILUC). This would be carried out using the best available scientific data to calculate greenhouse gas emissions reductions over the life cycle of conventional biofuels. The Commission is proposing estimated indirect land use change emissions values by feedstock group (in g CO₂/MJ) (Annex V of Directive 98/70/EC and Annex VIII of Directive 2009/28/EC). It is also proposing ILUC values for groups of crops and wastes in g CO₂ eq/MJ, stating that these values are based on the best available scientific data. The EC's aim is to account for indirect greenhouse gas emissions resulting from land converted in order to meet EU food demand.

Copa-Cogeca questions the introduction of indirect land use change (ILUC) on the basis of the IFPRI report¹⁰ and the 2011 JRC technical note, which have not been subjected to a peer review. The models used in both of these documents contain numerous errors in both their hypotheses and their data¹¹:

- ◆ The models cannot distinguish between direct and indirect land use change;
- ◆ The modelling of the oilseed/oil/meal complex is inadequate;
- ◆ The sustainability requirements laid down in Directive 2009/28/EC are not taken into account;
- ◆ The IFPRI model and the JRC method rely on a great deal of uncertainties and on inaccurate data. For example, 410 million hectares of arable land are not taken into account.

As a result, analysis of the real effects of indirect land use change remains impossible due to a lack of appropriate models or data. Furthermore, the level of indirect emissions linked to ILUC effects varies depending on the hypothesis used in a given analytical model. The proposed greenhouse gas emission values for the effects of ILUC are therefore not reliable.

Copa-Cogeca maintains that it is possible to verify the truthfulness of the theory that it would always be necessary to use new land to grow crops for biofuel production.

Between 1989 and 2009, global production of agricultural plant commodities increased by 52%, from around 5.1 billion tonnes to 7.7 billion tonnes. During this period, the total surface area used for production remained stable at 1.52/1.53 billion hectares (+0.96%)¹². This means that the increase in agricultural production did not require additional land. It also means that the theory on which ILUC modelling is based is incorrect.

Furthermore, there is no international consensus behind the values proposed by the EC, as proven by the key differences between the EC proposal and legislation currently in force in the USA. As a result, the ILUC values which are not supported by international consensus could expose the EC to the WTO Appellate Body.

¹⁰ International Food Policy Research Institute.

¹¹ For more details, see BI(12)1576 :1 and BI(12)1585 : 1

¹² Source: FAO/BDDE.



◆ Review clause

The EC is proposing reviewing the legislation in 2017. As part of this review, the EC could propose introducing ILUC factors into sustainability criteria from 01/01/2021.

Copa-Cogeca believes that this clause creates legal uncertainty which will discourage investment within the EU. Investment could be limited to R&D and pilot facilities whilst commercial production could be relocated to parts of the world where there are more reliable biofuels policies. There is nothing to say that ILUC factors would not also apply to advanced biofuels, the aim of certain NGOs being to eliminate all biofuels from personal transport.



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