



## **Policy Briefing**

### **Biofuels: surmounting populism for a fact-based policy**

**October 2017**

The European Commission has made a proposal in the context of a revised RED (Renewable Energy Directive) that would phase out to a large extent the production of conventional or first-generation biofuels, produced from EU feedstock.

Why are conventional biofuels being targeted for quasi-extinction? Are they not valuable in reducing greenhouse gas emissions, and therefore mitigating climate change, as some claim? Are they a burden to feeding the European consumer and the world at large, as goes by the “accepted wisdom” of many NGOs?

Let’s first have a hard look at facts, then contrast those facts with the current Commission proposals, and conclude by putting forward what should be done in the best interest of the EU.

It is crucial that the European Institutions do not bow under pressure of populist, un-verified, and factually wrong positions in the current debate.

The best interest of the EU is to promote policies that mitigate climate change and promote growth and jobs, and that do not undermine the availability of food to European and world consumers. It is well worth going against “accepted wisdom” if that “wisdom” is little more than baseless claims and statements that taint the value of biofuels.

## THE FACTS

### **1) European sourced biofuels have not displaced any food and feed production**

The public perception of biofuels changed dramatically in 2007, from a positive view on products that helped mitigate climate change and could replace favourably fossil fuels, to a largely negative view on products that compete with the production of food and therefore increase food prices.

Yet today it is clear that the oil price spike, which impacted the prices of all commodities, was the driving cause of food price peaks in 2007/2008, and that biofuels had a very limited impact.

It is the lead world organization for food that says so. FAO's HLPE (2013)<sup>26</sup> study determined that many factors caused the steep rise in food prices, such as: the impact of high oil prices on agricultural fuel and input costs, rising food demand, combined with a shift to animal protein diets in the large emerging economies, the influence of China's cereal stock management, weather events in major exporting countries, a slowdown in agricultural productivity growth, and speculation. In addition, the impact of biofuels on commodity prices may be considered as too low to quantify, as determined recently by the World Bank's leading expert on the issue.

For those that like ad contrario arguments, the current feed and food price situations provides a good example, and further validates the assessment that biofuels do not play a significant role in food prices.

As a matter of fact biofuels production has kept growing since 2007/2008, and agriculture prices have fallen over since 2010. Since 2008 EU biofuels production increased by 68% while global food prices dropped by 20%.

If one looks more closely to the relationship between the production of conventional biofuels in the EU and the availability of food and feed, the facts are that food and feed production has gone up as the production of biofuels.

The EU production of the main feedstocks used for producing biofuels (rapeseed, wheat, maize and sugar) has either increased (doubling in the case of rapeseed) or remained stable (by quotas in the case of sugar), due in particular to productivity gains.

In this context, European sourced biofuels have not displaced food and feed production, and have had no real impact on prices. On the contrary biofuels have helped in limiting the adverse effects of the food markets U-turn, offering some economic stability to struggling EU farmers, not only without adverse effects on food or feed availability, but with a very important positive impact of biofuels production in the EU – the production of high quality protein feed as a by-product.

## **2) European sourced biofuels improve European and global food security**

Europe is still dependent for 70% of soybean meal imports to meet its growing livestock demand.

Soybean meal imports declined, especially from the 2007 peak level, as a result of increased vegetable protein meal production within the EU which allowed to reduce imports each year of nearly 13 million tons of rich protein meal, reducing the EU deficiency by one third.

Indeed, The development of the output of rapeseed and sunflower meal (protein meal accounts for about 60% of the seed and oil 40%) has ensured with an extra production of 10 Mt a minimum of self-sufficiency.

While food consumption of rapeseed oil has been steady for decades, the development of an increasing European supply of protein meal has been made possible by finding alternative outlets for oil, i.e the production of biofuels.

In 2015 EU bioethanol companies produced 5 million tonnes of high protein animal feed. That is enough protein to feed 3.5 million dairy cows, or 17% of the EU dairy herd.

The EU biofuels industry processing rapeseed and cereals now produces approximately 13 million tons annually of high protein meals that otherwise would be imported from the Americas.

It is an evidence therefore that feed meal production and biofuels production from European vegetable oils and cereals are key (and today the only realistic option) for improving and securing the availability of higher volumes of vegetable protein produced locally and used as animal feed source, limiting imports.

It should be noted that less imports from the Americas mean more feed and food availability from these regions, to the benefit of consumers all over the world thus contributing to increased global food security.

What appears quite clearly from the facts is that **production of biofuels from EU agriculture origin complements food demand: the increased production had no impact on the availability of cereals, oilseeds or sugar for human or animal feed consumption but instead the production of biofuels is vital for the production of proteins for animal feed and, thus, has a positive impact on European and global food security.**

Let us now move on to the climate benefits of biofuels as compared to the use of fossil fuels.

### **3) EU biofuels produced from EU feedstock provide immediate and efficient answer to transport emission.**

Transport is responsible for 25% of GHG emissions in Europe. This sector is at the heart of the climate challenge. Biofuels are an alternative to fossil fuels. In this context, the share of biodiesel and bioethanol is expected to grow in the energy mix, as their role as an alternative to fossil fuels is of paramount importance.

The EC's 2016 Strategy on Low Emissions Mobility envisages biofuels comprising 35% of transport energy in 2050, twice the level of renewable electricity. The data shows that biofuels will continue to make up over 90% (around 28.9 MTOE) of renewable energy demand in 2020, with the remaining 3.1 Mt being met by renewable electricity.

Biofuels and feedstock production in the EU must conform to strict sustainability criteria to ensure that their production and use do not cause any harm to the environment or negative social effects. Accordingly, the Renewable Energy Directive, which was adopted in 2009, sets out biofuels sustainability criteria for all biofuels consumed in the EU.

These criteria include a minimum rate of direct GHG emission savings (rising to 50% in 2018 in comparison to fossil fuels) and restrictions on the types of land that may be converted to production of biofuels feedstock crops. The latter criterion covers direct land use changes only. Specifically, biofuels cannot be grown in areas converted from land with previously high carbon stock such as wetlands or forests and also they cannot be produced from raw materials obtained from land with high biodiversity such as primary forests or highly biodiverse grasslands.

The revised Fuel Quality Directive (FQD), adopted at the same time as the RED, includes identical sustainability criteria and targets a reduction in lifecycle greenhouse gas emissions from transport fuels consumed in the EU by 6% by 2020.

It is very important to note that **actual GHG saving values currently being certified and calculated with RED methodology are exceeding by far both the typical and the default values published in the RED.**

The EU produced ethanol reached for example on average 68 % of GHG reduction in 2016.

#### **4) Biofuels have a clear economic value as well.**

They help reducing EU oil imports dependency. As regards biodiesel alone, in 2010 its energy share in diesel for road transport was 5% in the EU. This helps greatly to reduce EU dependence on imported crude oil for its energy supply. In France, for instance, more than 98% of oil is imported. This represents almost half of the trade deficit of the country. In producing about 2 million tons of biodiesel each year, France is saving 1.5 billion euros per year.

Regarding bioethanol, in 2014 European renewable ethanol displaced 4.8% of Europe's petrol volumes, saving €1.5 billion of the EU oil bill. Increased ethanol use, via a shift to E10 fuel, would further strengthen the benefits of ethanol use, and reduce oil use by 50 million barrels, and thereby saving €4bn for the European economy based on 2014 oil prices. The improvement in biofuels production can thus respond to one of the main struggles that EU countries face, by satisfying domestic energy demand.

In addition to the previous point, production of biofuel feedstock crops benefits European farm incomes, assuring long term demand stability at the higher end of price ranges for farmers selling to nearby refineries. It is estimated that the production of crop-based biofuels in the EU generates at least 6.6 billion euros of direct revenue for EU farmers.

Specifically, as explained by the EP in a recent report, *"the EU's biofuels policy supports jobs, especially in rural areas"*. It reported that the EU biofuel sector has generated more than 220 000 direct and indirect jobs in the EU biodiesel production chain. Not negligible figures when unemployment is still so high.

It is worth reminding that limiting the contribution of conventional biofuels would represent a real economic damage for farmers and a loss of jobs and wealth for the regions where refineries are present.

#### **THE COMMISSION LATEST PROPOSALS : Get back to facts and confront populism.**

**EU sourced biofuels cogenerating proteins are to be promoted if the objective is truly to fight climate change while improving food security and job creation.**

In spite of the climate and economic benefits of conventional biofuels production, and the lack of negative impacts on the availability of food and feed, the Commission is proposing to halve its markets by limiting its use to a maximum of 3.8% of the total

energy consumption in the EU by 2030. Worth recalling that today the EU has a target of 7% use of biofuels in the transport sector for 2020.

The Commission is thus proposing to scale down the production of conventional biofuels, without any facts or analysis that would support its proposals.

To make it even more unacceptable, the Commission seems to ignore that today the EU is a net importer of biofuels. Well informed decisions to promote balanced and locally sourced biofuels in the EU will mean that for every additional production of locally sourced biofuels, there would be a corresponding decrease in farming biofuels in third countries with uncertain sustainability practices. There will be a decrease in feedstocks produced in third countries to be exported to the EU to produce biofuels and a decrease of feed meals imported into the EU from third countries. Moreover, those third countries could use the freed-up land resources for afforestation and food security purposes.

Amongst the imported feedstock for biofuels, palm oil comes first. As a result of the 2012 Commission's proposal on "crop-based biofuels", the EU has been locked into strong levels of increasing imports into Europe.

The one consensus element, arising from all the scientific data, is the negative impact of unsustainable palm oil, especially in the context of deforestation of highly diverse and carbon rich ecosystems contributing to the expansion of palm oil deforestation in Sumatra and Indonesia. Use of palm oil for biodiesel in Europe has grown to over 3 million tonnes per annum, undermining valuable efforts engaged in the food sector to focus on certified palm oil production and fight against the expansion of unsustainable production (world palm oil capacity increased from 45Mtpa to over 60Mtpa in the five year period to 2016, with EU production of palm biodiesel accounting for nearly a fifth of this growth). This issue should be tackled, including via a proper trade coherent action, but the Commission is mute at this respect. RED II should adequately respond to the concerns in the use of palm-oil based biofuels in the EU.

Furthermore, specific provisions in the ILUC (Indirect Land Use Change) Directive has led to the highly questionable choice of imported Used Cooking Oil (UCO) which is generally not a waste outside the EU but instead is used for both feed and fuel, over domestic UCO or rapeseed.

Waste-based fossil fuel is also advantaged in the Commission proposals, over emissions saving biofuels. It should not be included in the obligation to incorporate a minimum share of renewable energy imposed by Member States on fuel suppliers, nor should it be counted in the EU target.

The European Parliament Rapporteur on the Commission proposals, whilst recognizing the advantages of a specific EU target for renewable energy in the transport sector, and

proposing to increase the current 10% to 12%, also dramatically scales down without any valid justification the contribution of conventional biofuels to no more than 3%.

It is high time to get back to facts and confront populist positions that attempt to equate conventional biofuels to hunger and deprivation. On the contrary conventional biofuels are a source of job creation and increased incomes, improving food security.

If “accepted wisdom” is little more than baseless opinion, it should be confronted without hesitation. The last thing one expects from the European Institutions is that they cave-in to widespread false beliefs. They should be in the front line to confront them.

The debate on the current Commission proposals should make it more ambitious the targets for the use of renewable energy in transport.

In addition to that the sustainability criteria for feedstock originating biofuels should **promote those that deliver protein feed, replacing imports of grains, and freeing-up land in third countries for food and feed production or environmental improvement, on top of their emissions savings.**

**That would benefit the environment, create jobs and growth, diminish EU dependency on imports of protein feed and oil, and improve food security overall.**