Svebio’s position on the EC proposal for changing the RED and FQD:

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<th>Svebio works to reach a 100 % renewable energy system. Our more than 300 members produce, refine, market and use biomass and biofuels from crops, waste, residuals, forests etc. Conventional as well as advanced biofuels. Svebio is politically independent</th>
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<td>Svebio hence has a unique knowledge and insight in the technical, commercial and political prerequisites needed for producing and marketing biofuels.</td>
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**Svebio’s position**

Svebio share the Commission’s view that biofuels used should lead to a net reduction of GHG compared to fossil fuels and that there is need for further stimulation in order to commercialise the advanced biofuels.

The Commission’s proposal does however not lead to this result. Instead it forces sustainable biofuels out of the market, reduces the target of 10 % renewable and reduces the market for advanced biofuels by 50-75 %, thus severely hampering their development together with the development of infrastructure and optimised biofuel vehicles.

**The proposal leads to increased oil consumption and increased carbon emissions.**

**Svebio propose the following**

- The 5 % cap on biofuels from crops is not adopted. There is an abundance of agricultural land available for other use than food, feed and fibre and a cap prevents the development of several sustainable biofuels that should be promoted. Instead restrictions on fossil fuels should be introduced.
- Negative ILUC-effects are mainly ameliorated through bilateral cooperation between EU and countries where the risk for undesired landuse changes are high.
- ILUC-factors are introduced only when there is a scientific sound basis on how to calculate them and how the models should include both regional variations and the sustainability criteria already adopted in the Directive or implemented in third states. Meanwhile, the proposed raised standards for GHG reduction will give a satisfactory safety margin, guaranteeing that biofuels used within EU will always be better than fossil fuels.
- Double and quadruple counting is not introduced as it reduces the market demand, causing obstacles for the commercialization of advanced biofuels and reduces the carbon savings. Instead the objective for renewable energy in the transport sector is raised to 25 %, with a stepwise increase until 2030, thus providing a demand big enough to guarantee the commercialisation of advanced biofuels. The transport sector should also reduce energy use with 20 % by 2020...
- Support for RTD, investment and financing for development and production of cellulosic based biofuels are improved
• The European Commission is not given the mandate to amend the directive – stability and predictability are crucial for the market.

Consequence analysis of the Commission proposal

<table>
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<th>Summary of the consequences</th>
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<tr>
<td>– sustainable biofuels are forced away from the market and existing investments are damaged.</td>
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<td>– advanced biofuels are strongly hampered as the market is reduced with 50 % or more</td>
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<td>– the market for infrastructure for highblends is reduced</td>
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<td>– the market for developing optimised vehicles for highblends is reduced.</td>
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<td>– the trust in the stability of the system is undermined by this sudden policy change; hence also the investments will drop. The market has actually already started to react by inhibiting investments.</td>
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<td>– Double and quadruple counting is further lowering the very low target of 10 % renewable fuels in the transport sector. This causes doubts on the seriousness of EU climate policy.</td>
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Detailed analysis

1. Cap at 5 % for biofuels from crops

The Commission proposes a cap of 5 % of biofuels from crops, thus hoping to reduce the possible risk for competition with food and hence ILUC-effects. The cap also pushes the MS to use advanced biofuels or electricity to reach the objective of 10 % renewable in the transport sector.

a) There is no scientific basis for a 5 % cap and the EC provides no arguments for this level.

On the opposite there is at least 11.2 million ha fallow or cropland taken out of production within the EU-231. Probably the true figure is considerably larger as cropland has been taken out of production already earlier and large areas are just kept open to obtain subsidies. According to the Swedish Board of Agriculture there is twice as much surplus land as shown in the EU statistics2. A recent study by University of Hohenheim shows 16.5 million ha available for biofuels, a figure that will double by 20503.

This land will not be used for food or feed and cultivating biofuels will hence cause no ILUC-effects. If the land is not kept open it will be forested and be unavailable for food production for foreseeable time, at the same time as the biological diversity will be strongly reduced as this land often make up islands in a uniform plantation landscape.

• If on the other hand this land is used for ethanol and biogas it will sustain 50 million energy efficient cars, i.e. 20 % of EUs total car fleet. Alternatively parts of the land can be used for

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2 The global need for food, fibre and fuel – KSLAT nr 4-2012
ethanol and protein feed, which reduces the pressure on tropical land due to soy meal production. I.e. sustainable biofuels production within EU reduces indirect emissions in other parts of the world.

- According to the Swedish Board of Agriculture, less than half of the Swedish surplus land (800 000) ha could produce 6,720 GWh biofuels, i.e. 8 % of the current fuel usage.
- In their proposal for a new Common Agriculture Policy, the Commission proposes a mandatory set-aside of 7 percent, i.e. 10 million ha. Obviously the EC recognises that there is a huge surplus of cropland that can be used for other purposes without causing ILUC-effects.

b) A cap of 5 % harms already made investments

The Commission claims that the proposal guarantees that already made investments are not harmed. This is deeply wrong and shows an alarming lack of understanding of market conditions in the Commission. Naturally a 50 % decrease of the demand for biofuels from crops will harm the investments made. The biofuels industry has already made investments to meet more than the proposed 5 %, which now will not be paid back as the demand is cut. In addition a reduced demand will lower the prices, thus further harming the investments made.

Several biofuels companies have sustained initial hard times and taken initial losses with the knowledge that market will increase up to 10 %. These investments are now made in vain due to a total change in policy direction.

c) A cap of 5 % waters down the renewable fuel target of 10 %

The cap leads to – in spite of misleading multiple counting - great difficulties to meet the 10 % target of renewable energy in the Transport sector by 2020. Currently 98 % of the biofuels used within EU are crop based and it seems very unlikely that the large quantities needed, will be produced from non-crop fuels in the short period to 2020, multiple counting or not.

d) A cap of 5 % hampers new crop based sustainable biofuels

There are big expectations on Jatropha as feedstock for biodiesel. Jatropha can grow in dry and poor conditions and also together with other crops in so called agroforestry. The residuals from the oil press would be a valuable feed if unless Jatropha contained phorbol esters that are poisonous for the livestock. There is currently promising development of a non-toxic Jatropha. Non-toxic Jatropha is however a crop and the 5 % cap will put an end to the export of biodiesel to EU- the largest biodiesel market in the world and a necessary market to develop the biodiesel production in third world. Instead the Commission’s proposal will favour toxic Jatropha.

Another example is new crops as an alternative to intermediate or fertilizing crops. Such crops must in northern areas be harvested before they are fully mature to give time for the sowing of winter grain and are mainly used as a mean to prevent leakage and to increase the nutrient status for the next crop. This is a common practice in all agriculture. There are however new crops that also allow a harvest of biomass for ethanol and a small surplus for feed. These crops are not competing with other uses of cropland and cause hence no ILUC-effects, but are still stopped by the 5 % cap.
e) A cap of 5 % undermines the credibility of EU’s climate policy

A cap on biofuels from crops also means big difficulties – or even impossible - to meet the objective of 6 % climate gas reduction laid down in the Fuel Quality Directive. There is no double counting allowed to reach this objective. If the Commission so strongly restricts the possibility for the oil companies, it is doubtful if all of them will take this obligation seriously. Failing to meet this objective will, together with the only theoretical compliance with the 10 % objective caused by the multiple counting, will cast serious doubts on how serious EUs climate policy really is.

**Svebio proposes:**

- The 5 % cap on biofuels from crops is not adopted. There is an abundance of agricultural land available for other use than food, feed and fibre and a cap prevents the development of several sustainable biofuels that instead should be promoted. Instead restrictions on fossil fuels should be introduced.

2. ILUC-factors

The commission proposes to add ILUC-factors on all biofuels when calculating their minimum GHG reduction. This is believed to reflect the potential risk for causing indirect carbon-releasing landuse changes by cultivation of biofuels feedstock.

**Svebio’s comment**

There is not scientific basis enough for the proposed ILUC-factors. ILUC-factors are an inefficient way of stopping unwanted landuse changes, but form a large obstacle also for biofuels with very good climate performance and with no effects on other landuse.

The research shows widely spread results of modelling ILUC-effects: from -4 to 220 g CO$_2$e/MJ - depending on the assumptions made in the models. Assumption built in for a totally different purpose. A comprehensive report of the research is available in Ahlgren. S & Börjesson P. 2011. Indirekt förändrad markanvändning och biodrivmedel - en kunskapsöversikt, LTH Rapport 73. 54 s. Some conclusions from the report:

- the variations between different models is so big that it is impossible to rank different biofuels or make any general conclusions
- it is a principle difference between ILUC-studies and Life Cycle analysis methodology making it impossible to include ILUC in LCA analysis.
- the modelling results are interesting and should be used for as further discussion. It is however not scientifically viable to use ILUC-factor as a legal policy tool at the current state of art

Furthermore the models are by definition based on old data and ILUC-factors used cannot include any improvements made in the production. **It is especially contradictory when the ILUC-factors proposed by the Commission are based on the assumption that the Commission’s own sustainability criteria have no impact what so ever.**
The same is true for improvements made in different producing countries, e.g. Brazil where new legislation – sugar cane zoning – and satellite monitoring has reduced deforestation of Amazonas with 79 percent from 2004 to 2011.

The proposal is based on a worry for indirect land use changes caused by biofuel production. It is however totally inefficient to introduce a theoretical value on all biofuels when these fuel comprises less than 2% of the cropland. The ILUC factors will not stop deforestation or cultivation of new land. It will only lead to biofuels substituted by fossil fuels.

Svebio proposes:

- ILUC-effects are mainly ameliorated through bilateral cooperation between EU and countries where the risk for undesired landuse changes are high.
- ILUC-factors are introduced only when they is a scientific sound basis on how to calculate them and how the models should include both regional variations and the sustainability criteria already adopted in the Directive or implemented in third states. Meanwhile, the proposed raised standards for GHG reduction will give a satisfactory safety margin, guaranteeing that biofuels used within EU will always be better than fossil fuels.
- Sustainability criteria for direct landuse are introduced on all land use: agriculture, urban sprawl, infrastructure, golf courses, etc.

3. Double and quadruple counting.

The Commission proposes that additional feedstock categories may be counted double in the MS meeting their targets on renewable energy in the transport sector. Some advanced biofuels may even be counted quadruple. The aim is to speed up the commercialisation of advanced biofuels and to make it look like the MS meet the target.

Svebio's comment

The Commission’s analysis is deeply wrong and shows a total lack of insight in the fundamentals of a market. The main obstacle for these fuels are lack of investments due to an uncertain market that can be totally obliterated by a mere political decision, together with the very low prices on emission rights within the ETS – also this due to political ambivalence.

The proposal worsens the market conditions further by

- reducing the market with 50% - or even 75% for some fuels. Applying this multiple counting in Sweden means that we have already reach 14% renewable in transport, and the multiple counting hence results in a negative market development. This is not the way to promote advanced biofuels.
- totally change the market conditions, already 3 years after the Renewable energy Directive was introduced and announce even further – unknown - changes in the next years.

Furthermore the double counting results in some obviously unwanted consequences, e.g.:

- Wheat is a crop and ethanol or biogas from this is strongly limited by the 5 % cap. There will be no new such production if the proposal is adopted. However – if the very same cropland is used to produce biogas from a non-crop grass (e.g. Phalaris arundinacea) this is favoured by the proposal with double counting – in spite of less yield and less biofuels produced on the very
same area. More cropland area needed to produce the same amount of GHG reduction. This kind of production is already in place and hence is a very realistic option.

- Double counting of cellulose in combination with the 5 %-cap forms an increases the ongoing trend of taking cropland out of production and planted with forest. This land is in all practical sense irreversibly out of food production. Only with great costs can it again be cropland.
- Double counting of cellulose with the exception of logs pushes towards replacing today’s forests with dense bioenergy plantations, harvested every 10th year, with the only objective to produce as much biomass as possible. This means dense monocultures with very little biological diversity and no place for outdoor life, compared to current forests.
- Palm oil with really bad environmental performance can be imported for food use and after only a short time be turned into “biodiesel from waste” which is counted double. Used cooking oil is today priced at the same price as virgin oil in some MS. The proposal leads hence to the use of biooils with much worse environment performance than today.

Svebio proposes:

- Double and quadruple counting is not introduced as it reduces the market demand, hence causing obstacles for the commercialization of advanced biofuels and reduces the carbon savings. Instead the objective for renewable energy in the transport sector is raised to 25 %, with a stepwise increase until 2030, thus providing a demand big enough to guarantee the commercialisation of advanced biofuels. The transport sector should also reduce energy use with 20 % by 2020...
- Support for RTD, investment and financing for development and production of cellulosic based biofuels are improved

4. **Stricter standards for GHG reduction**

The Commission proposes to introduce the standard of 60 % GHG reduction by biofuels from new productions already 2014, instead of 2018 as previously decided.

**Svebio’s comment**

Svebio supports this proposal. Swedish biofuels already meet this standard and this stricter standard is enough to guarantee that European biofuels are always better than fossil fuels, possible negative ILUC-effects included

5. **Mandate for the Commission**

The Commission proposes to mandate itself to further change the directive without hearing the Council and Parliament.

**Svebio’s comments**

Long term stability is together with ambitious targets for greenhouse gas reduction the most important prerequisites for decarbonising the transport sector and commercialising the advanced biofuels. However urgent it might seem to be able to correct errors as soon as possible, it is imperative to keep the rules unchanged until investments made have reached pay-back before introducing new rules.

A conclusion of this proposal is that the Commission self has realised that the proposal is inadequate and that it is practically impossible to create long-term rules with this level of details.

**Svebio proposes:**
The European Commission is not given the mandate to amend the directive – stability and predictability are crucial for the market.

Svebio’s basis

- All biofuels should be sustainable and the standards should successively be stricter.
- The main objective with biofuels is to reduce climate effects from transport. Targets, legislation and economical incentives should hence be based on the climate performance. Differentiated legislation/incentives can be acceptable if based on climate performance.
- Sustainability criteria, including DLUC and ILUC, must be based on science.
- Actions to directly protect carbon rich land from cultivation are far more efficient than theoretical global ILUC-factors. In Sweden, EU, Europe and most of the world, there is a surplus of agricultural land.
- The current target of 10% renewable energy should be raised, not in practice lowered as the Commission proposes.
- Technology neutrality should be the aim for all policy measures. Multiple counting is by definition NOT technology neutral.
- Development, commercialisation and production of advanced biofuels must be promoted more. Preventing biofuels from crops does not lead to this. Instead restrictions on fossil fuels should be introduced.
- Investments made must not be harmed by drastic and unpredictable changes in policy. This scares away any possible investor and causes big economical losses to current investors.