

EBB POSITION PAPER ON THE COMMISSION BIOMASS AND BIOFUELS ACTION PLAN

The European Biodiesel Board (EBB) welcomes the Commission initiative to issue an EU Biomass and Biofuels Action Plan as a concrete step towards the achievement of the EU goal of doubling the share of renewable energy from 6 per cent to 12 per cent by 2010.

The EU strategy in favour of biofuels defined with the adoption of Directive 2003/30 and of the fiscal rules of Directive 2003/96, has set ambitious targets for the short and medium term market penetration of biofuels. As a result of this strategy the European Union is today the world leader in biodiesel production. With an expected outlet of more than 2,5 million tonnes in 2005 the EU biodiesel industry is a well established and fast growing sector. Investments in new projects are planned to double the current EU production capacity bringing it close to 7 million tonnes in the next two years.

Although the 2% target will not be reached on time, biodiesel production and demand is reacting very positively to the impulsion given by EU and Member States authorities. High mineral oil prices together with EU gasoline surpluses and diesel shortages are also triggering biodiesel expansion.

EBB approves many of the measures proposed by the Commission in the frame of this Action Plan, still we would also like to raise the attention of EU authorities on some issues that may need a more prudent approach:

- The EU biodiesel industry **strongly supports the Commission initiative to legislate in order to increase the maximum content of biodiesel (FAME) in conventional diesel from 5% to 10%**. The ongoing revision of Directive 98/70 on fuel quality provides a timely and appropriate opportunity to insert a maximum content of 10% biodiesel in the EU definition of diesel fuels. Meantime it would be appropriate that the Commission gives an official mandate to CEN TC 19 in order to review the EN590 diesel standard accordingly. Directive 2003/30 should also be amended in order to make it possible to commercialise blends up to 10% without specific labelling requirements. The need for such changes is clear: the current 5% limit is completely inconsistent with a 5,75% market penetration in energy content - i.e. around 6,5% in volume - for biofuels, especially considering that the large majority - 80% today - of the EU biofuels market penetration is likely to be achieved by biodiesel. Furthermore technical experience and large scale distribution have shown that due to the high EU biodiesel standards a 10% biodiesel blend behaves as diesel, with an extra improvement of low sulphur diesel fuel lubricity.
- The acceptance and overall commitment of the vehicle industry in favour of biofuels can be further stimulated. The proposal of accounting **CO² savings from biofuels to meet EU official vehicle industries** targets would represent a crucial step in the right sense. The transport sector being excluded by the EU CO² Emission Trading Scheme (ETS), the green house savings linked to biofuels are not accounted in the EU sofar: it would be perfectly coherent to link biofuels and vehicle industry CO² requirements.
- A 25% of public bodies procurement for clean energy vehicles may also be helpful but does not tackle the main obstacle for **biofuels use in public transport** and taxis. In many Member States in fact public transports benefit of an aid calculated as a reimbursement of the excise duty paid for fuels. This constitutes an indirect but strong disincentive to use biodiesel or biodiesel blends which, due to their tax exemption or reduction, automatically lower the amount of the aid perceived as an excise duty reimbursement. It would be urgent to modify the calculation pattern of such public transport aids, basing the refund on fuel pump prices and not on the excise duty levied on fuels. This would not discriminate anymore biodiesel and biofuels which would benefit of the same advantages as conventional fuels.

- EBB fully supports Commission efforts in favour of a **future standardisation and marketing of Fatty Acid Ethyl Esters (FAEE)** at EU level. More research is needed in this field. Gasoline surpluses make it difficult to blend bioethanol to conventional gasoline and FAEE may represent an interesting alternative opportunity for the future development of biodiesel.
- The Commission may anticipate the scheduled revision of Directive 2003/30 and propose the establishment of **EU mandatory targets for biofuels**. This would be a very sensitive step which would radically change the present market situation. It is important to remind that article 16 of Directive 2003/96 on the taxation of Energy clearly provides that all the measures enabling Member States to exempt or reduce excise exemptions for biofuels will not anymore apply "*should Member States be required by Community law to comply with legally binding obligations*" on biofuels. In practice if EU mandatory targets were to be adopted all national tax exemption regimes would automatically come to an end. The European biodiesel and biofuels industry would lose an important pillar for support (detaxation), and would by then exclusively rely on an EU obligation.
Although an EU mandate would entail clear advantages in terms of EU market harmonisation and progress in countries lagging behind in biofuels promotion, EBB raises the question whether today this is really worth the definitive loss of the detaxation tool. Different national mandatory schemes – accompanied by a partial tax exemption - are already in place (Austria, France) or are under preparation (UK). In these countries an EU obligation would overlap the existing national mandatory schemes, eliminating the possibility of tax exemptions. An increasing number of Member States is likely to follow this new path (mandatory targets plus detaxation) in the next months. This is an interesting policy-mix since it distributes the extra cost of biofuels both on State budgets and on the final consumers. **EBB would rather suggest that as a first step the European Commission encourages the establishment of these kind of schemes at national level, delaying any decision on an EU mandatory target.** The definition of an EU wide mandatory scheme appears still as premature today, most of Member States legislation are in fact only starting to be implemented and more time is needed to evaluate their impact.
- EBB would also express its concern towards the proposed Commission "*balanced approach*" to **imports of biofuels and of their raw materials**. EU biofuels support is, among others, linked to EU agricultural development. Member States' support will be politically bearable until a clear majority of the biofuels consumed in the EU-25 are produced in the Union using domestically grown raw materials. Although it does not concern biodiesel today, the potential threat represented by future eventual massive imports of biofuels from third countries deserves to be taken in due account. As a result EBB recommends a more prudent approach to the negotiation of international agreements. Equally any change in the **custom code of biodiesel**, which DG TAXUD together with EBB have already thoroughly investigated, would risk to generate complications (especially if the new classification was not covered by the definitions of article 16 of Directive 2003/96), without bringing in real practical advantages. Finally any eventual modification of the biodiesel standard should take into account the crucial need to guarantee a high quality biodiesel product, giving priority to the technical needs of EU biodiesel producers.

As a conclusion it is worth highlighting that the guarantee of a stable supply of EU agricultural raw materials represents a crucial issue for both the future of the EU biodiesel industry and the success of the EU biofuels strategy. In this perspective **EU policies for non-food crops and for biofuels must be consistent**. Some of the measures adopted during the recent CAP reform need to be adapted and completed in order take into account the important needs of the European biodiesel sector. An increase both on the surfaces and on the premium provided by the EU Energy crops scheme appear as suitable to exploit all the European potential.

The European Biodiesel Board (EBB) is the European Federation of biodiesel producing companies, it represents the large majority of EU biodiesel producers accounting for more than 80% of the EU biodiesel production. Today the EBB gathers 31 among Full and Associate Members.

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