

GAS

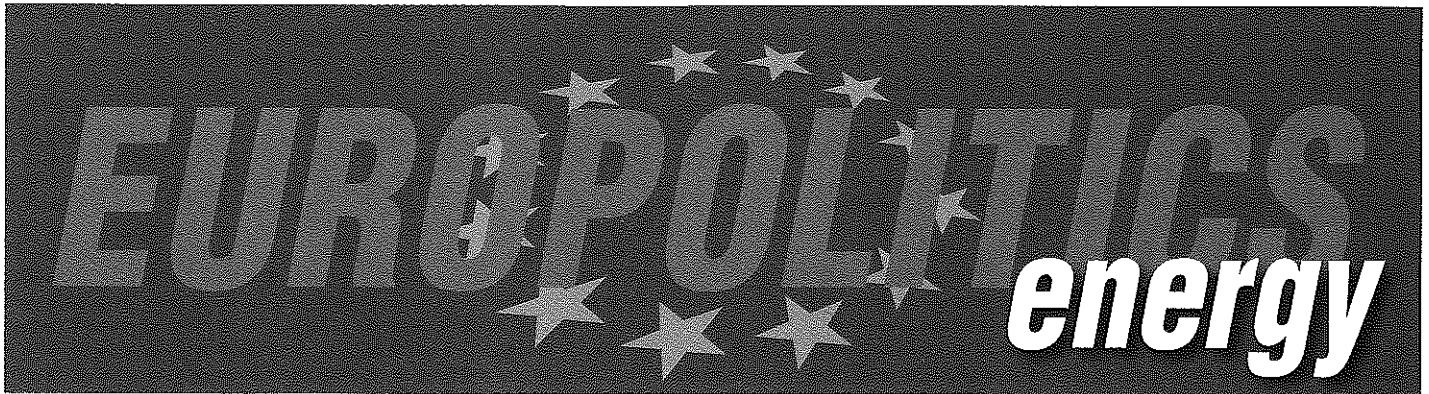
US happy with new push to complete Southern Gas Corridor **Page 5**

ENERGY POLICY

GDF Suez and ENI warn EU against subsidising renewables **Page 7**

ETS

Commission adopts national plans 2013-2020 **Page 8**



| Twice monthly | En français : *Europolitique Energie* |

| Wednesday 18 September 2013 | N° 851 | 41st year |

FOCUS

Environmental assessment: EP vote postponed

The vote (without preliminary debate) on the proposal for revision of the directive on environmental impact assessment of major private and public projects, added to the agenda of this EP plenary session at the last minute (4 September) at the request of rapporteur Andrea Zaroni (ALDE, Italy - ENVI committee), has been postponed at the request of Nikolaos Chountis (GUE-NGL, Greece), rapporteur for opinion for the Committee on Petitions (PETI). Taking the floor shortly before the vote, Chountis called for a proper debate. The subject is particularly important, he said, arguing that as rapporteur for the PETI committee, he had observed that 85% of petitions concern this issue and compliance with the requirements of legislation, especially on public participation. He added that Parliament was being put under pressure and that it is «essential» for the assembly to debate this matter in plenary and hear the Commission. He therefore requested postponement until the first session in October, which the plenary accepted.

BIOFUELS

Uncertainty hangs over European fuel sector

By Sonja van Renssen

When the European Parliament narrowly rejected opening talks with member states on indirect land use change (ILUC), on 11 September, it chose to prolong an exhausting saga that leaves the European biofuel industry mired in uncertainty.

Combined with an emerging debate on EU proposals for a mandatory alternative fuel infrastructure roll-out and no decision to date on a revision of the EU's Energy Taxation Directive - which underpins fuel taxes - fuel investors are hardly getting the regulatory certainty they crave.

Most stakeholders now do not expect the ILUC file to be closed until 2015 at the earliest - after a new Parliament next spring and a new European Commission next autumn. The proposal on the table seeks to make biofuels used in the EU accountable for any indirect displacement of forests - and the greenhouse gas emissions resulting from that.

Nobody welcomed 11 September's lack of a negotiating mandate for French rapporteur MEP Corinne Lepage (ALDE). She missed out on this mandate by one vote, despite winning a majority for her report (356 in favour, 327 against and 14 abstentions). "I welcome the Parliament vote in favour of correct accounting of greenhouse gas emissions including indirect land use change and in favour of a reasonable cap on first generation biofuels. This is an important signal that support should be focused on advanced biofuels from 2020. Taking indirect land use change into account is important for the

integrity of the EU climate change policy", said Corinne Lepage (ALDE, FR).

"This is bad news for industry and investors who need clarity," said Novozymes' Director for European Affairs, Kare Riis Nielsen. "Ongoing regulatory uncertainty is jeopardising all the parallel EU efforts to attract investments in innovative renewable energy technologies, including in advanced biofuels."

Nusa Urbancic from green transport campaign group T&E said: "Until an agreement is reached, it is uncertain for investors and the environment what the future of biofuels will be. What is certain, though, is that Europeans will have to keep paying for another seven years for biofuels that pollute more than the fossil fuels they are supposed to replace".

Concern over prolonged uncertainty did not feature in the press releases of the biofuel industry, however, with both the European Biodiesel Board (EBB) and ePURE, representing the bioethanol industry, choosing to target their criticism elsewhere.

"The rather indecisive results seen today show that doubt persists in using a rather young discipline for policy making," said Raffaello Garofalo, EBB's secretary-general. "Europe cannot afford to threaten nearly 220,000 jobs based on simplistic ILUC assumptions." "At a time when we need to boost our economy it is difficult to see why MEPs agree to curtail jobs and investment in a sector that helps Europe to grow the production of clean and sustainable fuels," ePURE Secretary-General Rob Vierhout commented. These two industry reactions home **(continued on page 4)**

Biofuels

(continued from page 1)

in on what Lepage describes as two of the vote's main achievements: a cap on conventional, land-based biofuels and the promise that "correct" carbon accounting - taking into account ILUC - will be introduced in future.

MEPs backed a 6% cap for conventional biofuels in 2020. This is 1% more than the 5% originally proposed by the Commission, which was aimed at capping the industry at current levels.

Like EBB and ePURE, farmers' association Copa-Cogeca lambasted what it called EU policy makers' "U-turn" on demanding that 10% of transport fuels come from renewable sources in 2020.

This was agreed as part of the 2009 climate and energy package. "The move jeopardises the EU's energy and climate targets, feed supplies for animals and 200,000 jobs, mostly in rural areas," the association said. Biofuels today are conventional biofuels.

More controversially, Parliament also voted to introduce so-called ILUC factors - which would apply crop-specific ILUC penalties -

from 2020. These ILUC factors would have to be factored in by fuel suppliers calculating their compliance with a 6% emission reduction target by 2020 (versus 2010), set by the EU's Fuel Quality Directive. This means that even though ILUC factors are not yet included in biofuel sustainability criteria - and "bad" biofuels can therefore continue to benefit from national subsidies - these biofuels are rendered less attractive.

All this is bad news for the biodiesel sector in particular - it is the biofuels made from rapeseed oil and its cohorts that studies to date suggest have the worst ILUC impacts. This sector has also been the most vocal in questioning the science behind ILUC. In its 11 September vote, Parliament called on the Commission to review its ILUC science by mid-2016.

Parliament also backed several other, more broadly popular targets, notably a 2.5% sub-target for advanced biofuels in 2020. This was welcomed by a wide range of stakeholders as a preferred alternative to so-called "double-counting," which has been the main incentive for advanced biofuels to date. Double-counting does not work, the industry has repeatedly said.

As it is, Parliament did retain some double and indeed quadruple-counting alongside the new 2.5% target and this is one area that led to accusations of incoherence. EBB, for example, called it "schizophrenic" that MEPs maintained double-counting support for used cooking oil and animal fats but excluded them from the 2.5% target.

Others pointed out that energy crops, from trees to grasses, such as *Miscanthus*, are included in both the 6% cap (it was extended from food-based crops to all land-based crops) and in the advanced biofuels target.

In a separate development, MEPs also voted through a specific target for bioethanol - calling for it to represent 7.5% of the final energy consumption of petrol in 2020 - but rejected a target for electricity in transport.

This proliferation of targets - and the occasional conflicts between them - will need to be discussed and resolved in forthcoming dialogues with member states. First, however, the Council of Ministers will have to adopt a position. Sources suggest that this is likely to converge around a 7% cap on conventional biofuels, a 1% target for advanced biofuels and ILUC factors for reporting, not accounting, purposes only. ■

CLIMATE CHANGE

ETS: Eurométaux denounces Commission's decision

By Anne Eckstein

This is neither the right way nor the best timing. For Eurométaux, the European association representing the non-ferrous metals industry, the European Commission's recent decision on free allowances for industrial installations is inappropriate and will have serious consequences for the sector.

In the association's line of fire is the EU executive's decision of 5 September, which sets out the number of free emissions allowances that can be granted annually to industrial installations for the years 2013-2020 (and their breakdown by sector) under the Emissions Trading System (ETS). Like Eurofer, Eurométaux is particularly critical of the cross-sectoral correction factor.

Europe, notes the organisation, «needs an industrial vision, not another burden». «Instead, the Commission has decided to go for a stringent solution that sends another negative signal to the indus-

try in Europe and is not accompanied by the supporting measures that some energy-intensive industries deserve.»

Eurométaux is particularly critical of the cross-sectoral correction factor

The entire metalworks sector is opposed to the decision. Eurométaux expresses surprise about the decision making process, particularly transparency on the data used. There was no stakeholder consultation and the decision was taken following notification of the member states' national plans. It adds that, according to the most recent data, 10% of the companies evaluated have already achieved the 21% emissions reduction foreseen for 2020.

While it supports the ETS, Eurométaux notes that the non-ferrous sector will be particularly affected by application of

the cross-sectoral correction factor. On the one hand, as a new entrant to the ETS in January 2013, this sector has not received any free allowances until now and has no reserves to be used from previous trading periods. On the other, as an energy-intensive sector and part of a global price-setting mechanism, it will have to face massive additional costs related to energy prices. This will be «untenable,» says Eurométaux. The decision endangers the sector's competitiveness since its competitors are not burdened by these extra costs.

«Europe's non-ferrous metals industry is more than ever under the pressure of strong international competition and high energy costs,» explains Eurométaux President Oliver Bell. He adds: «Instead of an industrial policy boosting productive investment and progress on sustainability, the Commission gives us yet another penalty, which will damage the economic sustainability of our sector». ■