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RE **ePURE's comments on the proposal amendment to Dutch legislation to implement the ILUC Directive**

ePURE, the association representing European producers of renewable ethanol, both from conventional and advanced feedstocks, including two production units in the Netherlands, wishes to make the following comments on the proposed amendments to the national legislation to implement the ILUC Directive:

1- <u>In relation to the 5% cap on convention biofuels</u>

The EU political 'solution' to set a cap on crop-based biofuel was a one size fits all reply to a concern that affect very differently the different biofuels production pathways. European ethanol is a low ILUC risk biofuels whose contribution to decarbonising transport is significant and should not be restricted. Capping its contribution only worsens climate change and prevents the bioeconomy to flourish.

- European renewable ethanol saves up to 90% emissions compared to fossil fuel, and currently delivers certified savings of 63% on average under the existing methodology. It is the most cost-effective means to reduce GHG emissions in transport.
- A study by Ecofys, a co-author of the GLOBIOM report on the land use change impacts of the EU biofuels policy, further details how the report should be read and applied, and confirms the negligible ILUC impact of European ethanol.
    - It finds that taking into account that a large part of EU biofuels production was produced pre-2008 under zero ILUC set-aside conditions, applying the GLOBIOM findings to the incremental ethanol results in the ILUC emissions for EU produced ethanol on the market today to be 7g CO2eq / MJ. This negligible ILUC impact does not question the contribution of European ethanol to decarbonising transport.
    - It also explores the impacts of different scenarios considered by the UK Department for Transport of lowering the cap on conventional biofuels, incl. a 5% cap on conventional biofuels. Its findings are therefore directly applicable to the Dutch situation. Under all scenarios explored, policies that reduce ethanol consumption simply increase the transport sector emissions and the risk of ILUC. If a 5% cap is retained, coupled with the abandonment of separate obligations in petrol and diesel since 2015, the Dutch biofuels policy will further restrict ethanol's ability to play a role in decarbonising transport, working against its stated aim.
- If the Dutch government is concerned about the risk of ILUC, it should focus its efforts on mitigating the risk of ILUC:
    - A 2014 study by the University of Utrecht, in part funded by the Dutch government, found that ILUC risks could be mitigated through agricultural yield increases, or when underutilized and unused land is brought into production.
    - The GLOBIOM report itself allows for the identification of measures that could mitigate the risk of adverse LUC emissions, such as halting peatland conversion, or favouring the use of unused land in Europe for the cultivation of crops used in the production of biofuels.

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- Growth in the renewable ethanol sector will benefit other industrial sectors by providing a renewable building block to make chemicals, polymers and biomaterials. A cap of 5% combined with a biofuels obligation that does not separate between the petrol and diesel markets undermines that possibility.

Finally, consideration of a cap lower than 7% '*to restrict the negative effects of blending conventional biofuels*' ignores the fact that all claims that have contaminated the biofuels debate have all been proven to be false:

- The claim that the EU biofuels policy was driving land grabbing in developing countries has proved to be false, and recognized as such by the Commission (renewable energy progress and biofuel sustainability, 2014).
- Food security is not altered by the production of European ethanol.
    - This is confirmed by historical real world data that were not available in 2008 when this debate started, as well as the 2015 Renewable Energy Progress report. FAO data shows that the deflated Cereals Price Index in 2015 was as low as in 2006, while the production of ethanol globally doubled in the meantime. This clearly demonstrates that ethanol production and agricultural commodity prices are not linked; contrary to cereals and oil prices.
    - Furthermore, the majority of crops used for the production of European ethanol allow for the co-production of animal feed. In 2015, ePURE members produced over 3.3 million tonnes of animal feed, enough to feed 2.1 million dairy cows, that is 10% of the EU dairy herd. It also displaced nearly 10% of Europe's soybean and soybean meal import by volume. Reducing imports of animal feed improves Europe's environmental footprint and helps reduce land conversion and GHG emissions resulting from agricultural land use outside of Europe.

2. In relation to the advanced biofuels sub-target

The RED has so far failed to foster the development and growth of innovative technologies because of insufficient and even damaging measures such as multipliers (for some biofuels and electricity) that decrease the projected market share.

- Double counting did little to nothing to spur investments in innovative technologies. It mainly benefited mature technologies that process used cooking oils and animal fats, which were already on the market before the double counting triggered more of their uptake, to the point that the EU started importing these feedstocks, diverting them from their previous use as animal feed (in the US and China) and in conflict with its own principle to prevent the creation of waste at first and reducing the risk of ILUC (see Ecofys, Low Carbon Biofuels for the UK, 2016).
- It is a welcome development that the Dutch authorities consider mandating the consumption of advanced biofuels (Annex IX-A) through a trajectory, with annual increases. Going forward,
    - Policies to encourage the deployment of advanced biofuels before 2020 should be improved by mandating their consumption within a bankable regulatory framework which would define a 2025 and 2030 target, set perspectives Post-2030.
    - In parallel, it is crucial to sharpen the definition of advanced biofuels, preclude grandfathering, define both waste and residues properly to avoid distortions of current market structures, and ensure that the use of waste to refine biofuels is considered as recycling in the waste hierarchy.
- The primary support that lignocellulosic ethanol now needs is the market introduction of a higher ethanol blend in petrol, i.e. E20 or E25. This is crucial because the EU petrol market has shrunk to the point whereby during the next decade the conventional ethanol sector in Europe will be fully able to supply an E10 petrol market without imports. Without expansion of the market the window for investing in and paying back the investment in lignocellulosic ethanol is fast closing.

3. In relation to the multiple counting and the 10% target

As evoked above, multipliers have not incentivised the deployment of innovative low carbon technologies such as advanced biofuels (Annex IX-A). Instead, such accounting trick is of sole use of Member States that can reach their 10% target with less effort, with the perverse consequence that more fossil energy will be used.

In this vein, while ePURE welcomes the intention of the Dutch government to abandon the multiple counting mechanism on the market we regret that the implementation of the ILUC Directive also foresees the diminution of the renewable in transport target from 10% to 8.4% in 2020. In effect, the proposed Dutch trajectory would still rely on the multiple counting accountancy trick to achieve the 10% RES-T mandated by the EU, with the direct consequences of more fossil fuel being used.

4- Complementary measures to achieve the renewables and decarbonisation objectives in the transport sectors

- The EU market for renewable fuels is fragmented, with only a handful of Member States having implemented E10 so far, while this is technically and practically feasible in all Member States. E10 has been introduced timidly in the Netherlands in replacement of HE15, but to allow the completion of the internal market for fuels, the Dutch government should consider supporting further the deployment of such ethanol-petrol blends.

- Similarly, the taxation of energy products remains inconsistent, despite the effort by the European Commission to address this in 2011. Within liquid transport fuels, petrol is taxed more heavily than diesel, thus triggering the dieselisation of the car fleet. This leads to the perverse situation that the most pollutant fuel, is the lowest taxed one. Additionally, renewable biofuels are also taxed more than the fossil fuel they are blended with. Ethanol is, by energy content, the most heavily taxed transport fuel. An energy products taxation based on the energy content and carbon footprint of the fuels would allow for a level playing field between fossil and non-fossil energy sources, and between alternative fuels, thereby addressing the petrol-diesel imbalance.