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EU biofuels policy: What is the impact on rural development?

EU farmers are “very concerned” about the impact of the European Commission’s change of heart on biofuels, claiming the EU’s restrictive policy is putting thousands of rural jobs at risk.

Yet, the EU executive defended its proposed post-2020 biofuels strategy, saying the policy shift towards advanced biofuels will create jobs in the long run.

The EU’s current strategy requires each EU member state to have “at least 10%” renewable energy used in transport by 2020 – including from biofuels and other sources like green electricity.

But that target will be scrapped after 2020, the European Commission confirmed last year, hoping to set aside a protracted controversy surrounding the environmental damage caused by first-generation biofuels derived from food crops.

For 2030, the EU executive proposed reducing the contribution of conventional biofuels in transport from a maximum of 7% in 2021 to 3.8% in 2030. It also set an obligation to raise the share of other ‘low emissions fuels’ such as renewable electricity and advanced biofuels in transport to 6.8%.

But Bernd Kuepker, an official at the Commission’s energy department (DG Energy), recently admitted that the EU executive had not assessed the impact of its 2030 biofuels proposal over rural employment.

“We looked at different factors and generally what has been considered is that the highest share of jobs is in the agricultural sector and we don’t expect it to stop,” he stated, adding job losses related to first generation biofuels will be compensated by new ones in second generation biofuels.

“So, it’s certainly not a policy whose main objective is to create jobs, but the proposal will not decrease the employment rates either,” he concluded.

Contacted by EURACTIV.com, a European Commission spokesperson

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stressed that farmers and foresters were important for renewable energy production and the production of biomass for renewable energy, something which is supported by the EU’s rural development agenda.

Referring to the biofuels proposal, the EU official emphasised that it strengthens the support to advanced renewable fuels and gradually reduces the contribution of food and feed based biofuels in a balanced way.

“Additional sustainability criteria for biofuels under the RED (Renewable Energy Directive) aim to ensure that biofuels deliver actual greenhouse gas savings compared to fossil fuels,” the Commission official said.

Regarding employment prospects, the official added the EU executive expects jobs and economic activity in the production chain of advanced biofuels providing a value added in rural areas.

220,000 JOBS AT RISK

But EU farmers are sceptical about the Commission’s optimism. COPA-COGECA, the association of European farmers and agri-cooperatives, said it was “very concerned” about the impact on employment in rural areas.

Peka Pessonen, the association’s secretary-general, told EURACTIV that the biofuel industry will be forced to restructure itself because its production capacity would not be used to its fullest extent.

“The EU’s renewable energy and biofuels targets led to €16 billion of investments that generated 220,000 jobs, which are now at risk,” he said.

He added that considering that there will be no sugar quotas in place after 2017, there is a risk that uncertainty and volatility on the sugar and starch markets will be further exacerbated.

“The sugar beet sector should not be deprived of its ethanol for carburation outlet, which has a role in adjusting the competitiveness of the European sugar beet sector,” Pessonen noted.

Farmers also predict that ending EU support for conventional biofuels would cause rapeseed production to be abandoned due to the lack of a rapeseed oil market. Producers say they expect an income loss for farmers of around €300 per hectare.

“More than two-thirds of the rapeseed oil produced in the EU (some 6 to 7 million tonnes) is used in the local production of fatty acid methyl esters (FAME) biodiesel,” Pessonen said.

“It is unrealistic to think that the EU could increase its exports of rapeseed oil to third countries twentyfold in order to replace the internal FAME biodiesel market or to replace other oils and fats on the EU food market if this were to be eliminated,” he stressed, adding that farmers may turn to cereals, such as soft wheat, as an alternative to growing rapeseed.

But even this scenario could create market disturbances in the cereals sector if the EU is not able to find new export markets.

“Abandoning 15 million tonnes of rapeseed with an average yield of 3.1 tonnes per hectare would free up 4.84 million hectares of arable land. With soft wheat yielding an average of 5.5 tonnes per hectare, if all hectares no longer used to grow rapeseed for FAME biodiesel were instead planted with soft wheat, the availability of soft wheat could shoot up by 27 million tonnes, which is the equivalent of over 15% of the total volume of soft wheat available in the EU,” Pessonen noted.

ADVANCED BIOFUELS WILL CREATE NEW JOBS

Green NGO Transport and Environment (T&E) advocate for a full phase-out of food-based biofuels by 2030 and claim that the transition to advanced biofuels could be a job-creator.

Referring to the Commission’s impact assessment on the partial biofuels’ phase-out, T&E expert Laura Buffet underlined that any potential job losses in the food-based biofuel sector may actually not occur, as there would be time for the industry to restructure.

As for the full phase-out scenario, something that T&E recommends, the Commission concludes that it could lead to some direct job losses in conventional biofuel production “but that a transition to advanced biofuels could also lead to the creation of new jobs”.

Buffet also referred to research conducted by the International Council on Clean Transportation, suggesting that tens of thousands of permanent jobs and construction jobs could potentially be supported via a shift toward biofuels from waste and residues in the EU.

“The research looked in particular at employment in rural areas and points to the fact that jobs for the collection of agricultural residues would be created, therefore supporting rural development,” the French activist said, underlining that whatever happens with the EU policies, farmers would still have their land and could continue to produce crops for food, as they did before the biofuels boom.

“Thus, it seems clear that a transition towards cleaner alternatives such as sustainable biofuels from waste and residues would not impact employment negatively, including in rural areas,” she concluded.

BIOFUELS FACTORY IN HUNGARY

Dr. Zoltán Szabó, a sustainability advisor in the bioenergy industry, thinks it is a “fundamental mistake” to equate jobs created and maintained by bioethanol plants with farming jobs.

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"Various surveys show that jobs created indirectly in the service, logistics or maintenance industries vastly outnumber jobs created in farming," he noted, highlighting that biorefineries are vital engines of rural job creation.

"Ethanol plants are the hotbed of innovation in today's bioeconomy," Dr. Szabó said. "By adding value at various levels in the regional economies ethanol plants have been shown to play a key role in revitalising rural economies."

The ethanol industry emphasises that the development of biofuels not only has improved farmers' income but also, helped rural areas grow overall.

A study conducted by the Regional and Economic Center of the Hungarian Academy of Sciences focused on Pannonia Ethanol, a company which is located in Dunaföldvár in Hungary and produces fuel ethanol and animal feed. It's considered Europe's largest biorefinery, producing 500 million litres of ethanol per year.

Its value amounts to €181 million, representing almost 10% of the total capital investment in Hungary in 2010 and nearly 1% of all capital investment in the country between 2011 and 2015.

The study claims the company has brought an added value to the local rural development, ranging from employment to everyday farming and a halt to "brain drain".

The report claims that Pannonia's presence in the area had a spill-over effect on other business activities, creating in total more than 2,000 direct and indirect jobs. "Unemployment in the town has decreased to the lowest level in the whole Paks District except Paks itself," the report noted, referring to the region where Hungary's nuclear plant is located.

In addition, it underlined that the company helped keep young people in the region and stopped growing outward migration, while 70% of local government tax revenue comes from it, tripling the town's tax potential.

The report also pointed out that, thanks to approximately 300 direct partnerships with local farmers, so-called intermediaries have disappeared, helping prices to stabilise.

"Farmers say they can now avoid traders who formerly would manipulate deal prices by taking advantage of complex measurements involving grain humidity," the study reads.

The production process of the ethanol has been an integral part of the local agriculture, Dunaföldvár's mayor Zsolt Horváth admitted.

"As Pannonia provides a constant and reliable demand for crops, price volatility has decreased significantly and local farmers have been able to invest in new technologies," the Hungarian Mayor stressed, adding that his town has also recorded a remarkable decrease in the outmigration of the skilled and educated members of the community.

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The European Commission’s “unstable” policy on biofuels has created uncertainty among investors and undermines the market as a whole, the head of the EU farmers’ lobby told EURACTIV.com.

The European Commission last November presented its draft proposal to review the Renewable Energy Directive (RED) for the post-2020 period as part of a Clean Energy Package.

The EU executive proposed to reduce the contribution of conventional biofuels in transport from a maximum of 7% in 2021 to 3.8% in 2030. It also set an obligation to raise the share of other ‘low emissions fuels’ such as renewable electricity and advanced biofuels in transport to 6.8%.

The first Renewable Energy Directive set a target of 10% of renewable energy sources in the transport sector, including first generation biofuels made from food crops. But this directive was amended in 2015 and the contribution of conventional biofuels from October 2017 will be limited to 7% of energy consumption in land transport, a figure that will be lowered to 3.8% in 2030 under the latest Commission proposals. At the same time, the EU executive also set an obligation to raise the share of other ‘low emissions fuels’ such as renewable electricity and advanced biofuels in transport to 6.8% by 2030.

Pekka Pesonen, the secretary-general of Copa-Cogeca, the association of European farmers and agri-cooperatives, told EURACTIV.com that the constant change of direction by the Commission has triggered uncertainty for investors.

“While we welcome the clear support for advanced biofuels in the Commission’s proposals, the proposed vision of developing an advanced biofuels industry by sacrificing

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the conventional biofuels industry actually damages investor confidence and bankability,” Pesonen said.

As a consequence, confidence in the biofuels market as a whole has been undermined, while having a negative impact on the EU’s 2030 objectives for climate and energy, Pesonen claimed.

AN UNSTABLE POLICY

For Copa-Cogeca, a stable EU policy framework is a prerequisite to support investment.

“The EU biofuels policy is unstable and does not create a favourable climate for the setting up of new biofuel commercial plants,” Pesonen said, underlining that the gradual phase-out and exclusion of conventional biofuels from the mandatory blending obligations on fuel suppliers are “simply not compatible with the market conditions and biofuel blend standardisation”.

Pesonen explained that instead of setting up new advanced biofuels plants, the executive’s decision could assist the closure of existing conventional plants.

“The development of advanced biofuels also depends on the strength of the conventional biofuels market,” the Copa-Cogeca leader said, adding that a different approach should be adopted to strengthen the role of agricultural and forest biomass in all bioenergy sectors.

“The support given by this proposal to waste-based fossil fuels (based on the circular economy principle) must be eliminated because it makes fossil fuels more competitive and contradicts the EU climate and energy goals,” Pesonen concluded.

MOVING AWAY FROM FOOD-BASED BIOFUELS

Green NGO Transport & Environment (T&E) does not share such a view. It believes first generation biofuels have benefitted from a high level of public support without encouraging better alternatives, such as biofuels from waste and residues or renewable electricity used in transport.

In an interview with EURACTIV, Laura Buffet, an expert on oil and biofuels at T&E, said, “We had commissioned a study on the question of investments which showed for example that 95% of investments in biodiesel installations would be paid back by the end of 2017. So it’s time to shift the policy support to better alternatives.”

For Buffet, looking at the climate and environmental impacts of current EU biofuels policies, it became clear that investments in alternative energy for transport need to move away from food-based biofuels towards better alternatives such as sustainable advanced biofuels.

“One important element to keep in mind is the huge amount of palm oil imports that go into EU biofuels. Around one-third of current EU biodiesel is made out of palm, mostly imported from South East Asia. It is clear that this doesn’t benefit rural development in Europe,” Buffet said.

EU INSTITUTIONS HAVE “HURT” EUROPE

The bioethanol industry claims that the EU’s constantly changing policy on biofuels has discouraged and above all, caused economic damage to investors.

“In the first five years of this century in Europe, investors were building hundreds of millions of euros of biofuels assets per year, and

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in the next five years, this increased to billions of euros per year,” Eric Sievers, director of investments at Ethanol Europe, told EURACTIV.

“The RED, sadly, turned that back into hundreds of millions of euros, and then the Commission’s various policy U-turns since 2012 have decreased truly private investment into new assets to zero,” he said.

According to Sievers, the industry is still interested in investing; however, the EU institutions need to recognise that “it is precisely the risk emanating from them, and not technology risks, or the price of oil that makes biofuels today in Europe an impossible asset class for investors”.

“Once the EU institutions admit that they’ve massively hurt Europe by failing to provide a stable legislative framework, then we’ll be on the right track because then the logical next question is what investors would need in order to invest,” he added.

**RED PROPOSAL IS A NON-SENSE**

Luc Vernet, a senior advisor at Farm Europe, a think tank specialising in EU agricultural affairs, believes that the RED proposal is based on a wrong vision of our agricultural sector and its integration into the wider farming industry.

He stressed that it’s a matter of serious concern that the Commission’s proposal lacks scientific background and objectivity, which is contrary to the usual approach of the EU executive.

Referring to a Farm Europe study, Vernet noted that opposing first and second generation biofuels – based on EU sustainably sourced material – was a non-sense in the context of the circular economy and climate goals.

“The EU’s sustainably sourced biofuels (biofuels from EU Rapeseed, sunflower, wheat, beet, and corn) have a clear positive impact on the environment and climate change,” he said, adding that thanks to the production of first generation biofuels in the EU, more than ten billion tonnes of EU protein meals are produced annually instead of being imported.

The French agri-food expert went further, saying that the RED proposal would not only be detrimental to the emergence of second generation biofuels – which will still require some years to develop – but also would result in more use of fossil fuels and more imports of protein meals by the EU.

“It will mobilise extra lands in third countries, and this will harm our answer to the challenge of global food security,” he warned.

According to Vernet, “The RED proposal has important implications for the farming sector, as farmers and agri-policy are deeply involved in the process of providing biomass – conventional or advanced – for renewable energy.

“It’s time to go back to facts, to restore a fact-based perspective on EU sourced sustainable biofuels and to highlight the key contribution of conventional biofuels to the agricultural economy, environment and rural development in the European Union,” Vernet concluded.
The conflict between second and first generation biofuels – depicted as good and bad for the environment – only exists in Brussels. In fact, it’s the brainchild of the European Commission, Eric Sievers told EURACTIV.com.

Eric Sievers is director of investments at Ethanol Europe. He spoke to EURACTIV’s Sarantis Michalopoulos.

The European Commission has tabled a proposal for biofuels post-2020, which are objected to by industry. Can you list them?

Listing our objections would do this proposal too much honour because it would suggest that the structure of it is correct. But it is entirely wrong for two reasons.

The first is that, over the past decade we’ve had the renewable energy directive (RED) and the fuel quality directive (FQD), which focuses on the greenhouse savings from specific fuel and rewards those which have the highest greenhouse gas savings. The new RED II for the next decades is a proposal to discontinue the FQD approach. It is prolonging the structure that has not worked and has ignored the fabulous successes of the FQD.

The other reason is that the RED II proposal is based on the ideology that there is something called food-based biofuels, which are bad for the environment, and something called advanced biofuels, which are good.

In reality, neither of these categories exists. There are conventional or first-generation biofuels which have 90% greenhouse gas savings, and no impact on food prices. And likewise, there are so-called advanced biofuels,

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which are worse than oil.

So, it’s a non-starter to pursue an ideology that science absolutely contradicts.

**Have you measured the impact of the Commission’s 2030 proposals on rural development?**

If you look at the Commission’s own impact assessment, you’ll see that it entirely ignores the jobs that are created and sustained from biofuels.

There is a provision at the very end, which is non-scientific (it’s laughable actually), which is not even from the Commission, it’s from the International Council on Clean Transportation (ICCT). It says that advanced biofuels facilities create lots of jobs but that it’s complicated to calculate how much. And so in order to estimate how many jobs they create, we are going to multiply them by two compared to job estimates for conventional biofuels.

This is fantastic because there is research on how many jobs are supported by conventional biofuels. And likewise, the assumption that jobs from advanced biofuels are more complicated to estimate is actually entirely wrong. It’s just the other way around.

Less than half of the jobs that we support are directly linked to the ethanol we produce. The majority is in fact linked to animal feed, pharmaceutical, and food. The Commission wants to pretend that feedstock goes into an ethanol plant, ethanol comes out and that’s it. Whereas half of what comes out by mass and most of what comes out in terms of high technology and innovation is in the animal feed and non-fuel side of the business.

**NGOs like Transport & Environment (T&E) suggest that the Commission’s biofuels proposals won’t have any impact on employment because farmers will still be able to sell their production for other purposes than ethanol production.**

T&E has never spoken to a corn farmer in their lives. To suggest that T&E has the backing of the rural population is quite fantastic. In fact, we commissioned research late last year after the most senior Commission official on this file said there are no arguments against first generation biofuels except that the public does not want them. This research showed that, when confronted with the argument against first generation biofuels, 70% of the EU public still supports them.

**Do you believe that the EU’s biofuel strategy should somehow be connected with the Common Agricultural Policy?**

No, we don’t. We view ourselves as an agricultural company but nothing that we do is directly connected to the CAP. It’s an easy and cheap trick of biofuels opponents to claim that everything is connected to the CAP.

The one thing everyone can agree on is that in 10-25 years, farm subsidies should be reduced. If that’s going to happen then we need to have non-CAP markets for farmers, which is what we’re creating. Any business needs more than one outlet and there is need for diversification. It’s a complete hypocrisy to complain about the CAP to resist the things that diversify EU farmers away from CAP subsidies.

**Have you calculated the financial consequences for the ethanol industry in the event that the Commission’s proposal is actually implemented?**

We don’t predict losses because we produce lots of different things. Certainly, we would prefer for there to be better markets for high greenhouse gas saving ethanol produced in Europe but we are looking at it in terms of investments.

We will not invest in first or second generation biofuels because the amount of risk that the Commission proposal has created makes it just unpalatable. Maybe there will be people who want this risk in Europe. The actual facts on the ground suggest that there is not anyone who will take this risk other than the European Commission. There isn’t a capital project done today in Europe that is not done with EU funds.

We have biofuels opportunities outside Europe. We have been approached for projects by many parts of the world but we have not done any because our preference is to be in Europe.

**It seems you have lost your trust in the EU.**

Absolutely, we were the only large biofuels plant to be built because of the RED. So we now have a 500 million litre biorefinery in Hungary thanks to the RED. And the thing that set us apart from most other biofuel investors in Europe at that time is that we had no experience in biofuels in Europe.

Already after the RED, pretty much everyone with experience realised that this is not a field to invest in considering the Commission’ acts. We should have learned our lesson there. But two years later, we broke ground with our second plant in Hungary and then that project had to be cancelled after we spent €10 million when the Commission announced its intention to put a 5% cap on crop-based biofuels.

But we continued and went to Macedonia and we created with Dupont what would have been the world’s largest advanced biofuel project. An incredibly ambitious project to turn abandoned land in Macedonia into a highly productive farmland to produce not only feedstock for advanced biofuels but also more food.

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The Commission’s response to that project was to try to amend its ILUC directive proposal to prevent energy crops from being counted as advanced biofuels. This is where we realised there was no winning in this game.

Are member states on your side?

Most of them are. One of the problems is that not all member states have a biofuels industry. But the ones that have, they are supportive of both first and second generation biofuels.

This war between first and second generation biofuels does not exist on the ground. It only exists in Brussels and it’s the brainchild of the European Commission itself.

Most member states would like to see more biofuels, more investment in rural areas but for that to happen there needs to be a clear conception that the role of biofuels is to replace oil. Not to replace each other.

We are going to forcibly take away x% of the oil market and give it to advanced biofuels and see what happens over ten years. If you take 2-3% it is a huge amount of the market. The same logic should apply to first generation biofuels, lots of which are proven to be good for the environment and have no land grab or conflict between food and fuel.

We should not have a case where market share is given back to oil and that is exactly what the Commission’s proposal is doing. In 2008, they said that by 2020 10% of the oil market should be taken away. Now, it says that maybe 8% should be taken away.

The only real winner in this decade has been the oil sector. It got 2% more market share than it ever expected. And now looking forward to 2021 the Commission’s own proposal says that the oil sector might get back another 5% of the market. This is astonishing. This is the most oil-friendly proposal we could have ever imagined.

What is your last “hope” for this proposal?

The 7% cap on biofuels currently in place won’t be lowered, it seems that people fighting for that will lose. But that’s the defensive part for us. The 2020 policy is aspirational and what we are still hoping for is incentives for more oil being displaced by the bioeconomy. And there is room for lots of different technologies to contribute to that.

But having watched what’s happened in the last decade, there needs to be someone out there who forces some serious dialogue, with real accountability. Because most of what has been said about biofuels in Brussels is simply incorrect. How could one expect a good policy to develop if most of the dialogue is factually incorrect?
Migration, unemployment, lack of services: these are among the many challenges faced by European rural areas.

In response, the September 2016 Cork 2.0 Declaration A Better Life in Rural Areas, highlighted the importance of rural development.

In this context, biofuels have the potential to bring vital investment and growth to isolated regions, as has been the case in several US states which have enjoyed rising prosperity due to policies which support biorefinery operations for the ethanol and animal feed sectors.

Biorefineries are located in the heart of areas that produce the crops they require for operation. This brings about a virtuous circle of direct employment, even greater indirect employment plus secure long term demand for farm produce. These factors combine to create a firm foundation for the entire socio-economic system of the areas, closing rural-urban income gaps and evening out intra-European disparities.

To earmark the publication of a study by the Hungarian Academy of Sciences of the Pannonia Ethanol biorefinery commissioned in 2012 at Dunaföldvár in Hungary, EURACTIV.com organised a high-level forum on 12 May to discuss the potential of biofuels and biorefineries for rural development and the way forward.

QUESTIONS INCLUDED:

- What is the potential for biofuels investment in Europe in the short to medium term, particularly in Central and Eastern Europe?
- How can EU rural development and regional development policies benefit from biofuels?
- Can the Common Agricultural Policy (CAP) and the Renewable Energy Directive (RED) be better integrated?
- How to ensure biofuels bring no adverse side effects, ensuring continuous development and livestock production?
- What type of jobs and growth can be expected by the creation of biorefineries?
European Commission Vice-President Jyrki Katainen said he was “ready” to continue the discussion on the EU executive’s proposals on biofuels and see if there is something that “can be refined at a later stage”.

Speaking at an event organised by EURACTIV last week (12 May), European Commission Vice-President Jyrki Katainen highlighted the economic and environmental potential of bio-economy and biotechnologies.

Katainen, who is responsible for Jobs, Growth, Investment and Competitiveness, said that bio-based industries are currently providing around 3 million jobs in the EU and 1 million new jobs are projected to be created especially in rural areas.

The EU official noted that in order to take advantage of this potential, the Commission adopted in December 2015 a Circular Economy Action Plan and as part of the latest Clean Energy Package, the executive has tabled a revised renewable energy directive (RED II).

“By concentrating on sectors where there will be noticeable effects, the [circular economy] package delivers tangible wins for climate, environment, and competitiveness […] Bioeconomy is one of these sectors,” he stressed, adding that this in practice means more support for bio-based products with proven sustainability.

THE RED II PROPOSAL

Regarding RED II, the Commission has proposed reducing the contribution of conventional biofuels in transport from a maximum of 7% in 2021 to 3.8% in 2030 [See background].

It also set an obligation to raise the share of other ‘low emissions fuels’ such as renewable electricity and advanced biofuels in transport to 6.8%.

“We want to boost the use of low carbon and renewable energy in transport – a sector where oil supplies about 94% of all energy used to power European cars, trucks, ships and planes,” Katainen said.
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“The proposed gradual reduction of conventional crop-based biofuels and increase of advanced biofuels will promote the development and deployment of innovative advanced renewable fuels,” he noted.

NO U-TURN

Pekka Pesonen, the secretary-general of Copa-Cogeca, the association of European farmers and agri-cooperatives, recently said that the constant change of direction by the Commission has triggered uncertainty for investors.

Asked by EURACTIV.com if the Commission’s U-turn in biofuels policy has damaged investor confidence, Katainen replied that the policy orientation has been known since 2014.

“First, I would not call our policy as a U-turn because the previous Commission already indicated in 2014 that the first generation biofuels should not get public support in a later stage.”

“There is only a change in public support for conventional biofuels or food-based biofuels because we want to avoid harmful indirect land use (ILUC) development.

However, Katainen recognised that there were differences between conventional biofuels. “For instance, looking at sugar-based biofuels and the others, and that’s why we allow member states take this difference into account.”

He also admitted that there are some companies which may suffer from the new regulation but at the same time he noted that there would be sufficient time to adjust to this change.

“The first generation biofuels will play a role also in the future because it’s not reasonable to take the business out of the current investment,” Katainen said.

A PRAGMATIC APPROACH

For the Finnish Commissioner, a “pragmatic approach” is needed and if possible, “to differentiate between different resources and use the science-based approach”.

“I can imagine that sometimes an EU regulation is like a hammer, while we would basically need a smaller tool [...] but we need a common rule base for advanced and sustainable energy production and also to take into account the entire global market,” Katainen admitted.

“So, let’s continue the discussion if there is something that can be refined at a later stage, at least I am ready to look for these opportunities,” the Commission vice-president insisted.

NOT ONLY ETHANOL

Asked about the impact of RED II on ethanol contribution to EU rural development, Katainen agreed that the bioethanol business could be a big part of revitalising the rural areas.

However, when looking at the bioeconomy as a whole, ethanol is just one piece of it, he said, adding that one should not be blind and only look at ethanol production because there are other sources of renewables.

“It’s not only crop-based ethanol that will make a change. For instance, the forest is a source of biomass and if maintained in a proper and sustainable manner it’s a renewable energy.”

He underlined that new innovations would change the earning logic of rural areas. “We are now focused on the traditional ways but if we know how to make use of bio-waste then we can start looking at growth opportunities,” he said.
Industry and farmers see biofuels as a crucial market ‘outside CAP’

Farmers see biofuels as a crucial source of income but investors clashed with NGOs at an event organised by EURACTIV last week (12 May), over the European Commission’s post-2020 biofuels proposal and the realities of its impact on rural areas.

The Commission has proposed reducing the share of conventional biofuels used in transport from a maximum of 7% in 2021 to 3.8% in 2030 [see background].

It also set an obligation to raise the share of other ‘low emissions fuels’, such as renewable electricity and advanced biofuels in transport to 6.8%.

But the impact of this reviewed policy on rural development is still unclear. Farmers and ethanol investors focused on the practical implications for rural development, such as employment and new markets outside the CAP subsidies.

On the other hand, the NGO Oxfam highlighted the global impact of EU biofuels policy and noted that a complete phase-out by 2030 should be implemented.

**WITHOUT INCOME, FARMING IS LOST**

Eddie Punch, general secretary of the Irish Cattle and Sheep Farmers’ Association (ICSA) called for an approach based on science and logic in order to improve people’s lives.

He pointed out the main problems farmers are currently facing, stressing the pressure on incomes and the lack of markets to consume their products.

“If the farmer is to produce a product, there must be a logic behind this investment decision. And if this logic falls down, then we don’t have it,” Punch said.

The Irish farmer defended conventional biofuels production, saying that it is a €6.6 billion income source for farming on top of the Common Agricultural Policy’s (CAP) €59 billion. “Without the ability to make income farming goes nowhere and the next generation won’t be there,” he warned.

He also referred to protein imports, saying that 70% of the EU’s plant protein comes from South America. “Biofuels offer us the opportunity

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Marc-Olivier Herman, Oxfam's head of EU Economic Justice Policy, said that the case should be seen from a global perspective, as the policies applied in Europe do not only have an impact at EU level but also globally.

“Palm oil is an example of the disastrous impact, which drives climate change and causes land conflicts in countries like Indonesia,” he said. He admitted, though, that in the case of ethanol, the market is smaller and the impacts much lighter.

“But if we replace diesel with ethanol are we going down the right policy road? That’s not the case,” he added, stressing that the policy in the US is extremely controversial, inside and outside the states, as the benefits are not equally shared.

Looking at the climate targets as part of a sustainable and long-term vision, Herman said that the Commission’s 2014 decision not to take Europe down that road after 2020 had been a very wise one.

“It’s essential to move on beyond food-based biofuels to waste and residues [...] we don’t think that replacing crops with energy crops is a good idea for resolving our energy and transport issues.”

NO MORE TRUST IN THE COMMISSION

Eric Sievers, director of investments at Pannonia Ethanol, said that his company had believed in the RED when it was originally published. “We were exactly what that law sought to encourage, to draw new investors and new money,” he said, underlining that millions of euros had been invested all these years and that trust in the Commission now “is lost”.

According to the ethanol industry expert, Oxfam’s Herman had been to the Commission and said that it was a “moral disaster and a crime against humanity” to grow energy crops on agricultural land. He then managed to convince the executive to tell the industry that “energy crops will be used for biofuels over my dead body”, Sievers said.

Referring to the current RED proposal, he said its publishing date was the day that his company ceased to be an ethanol or biofuel investor in...
Europe.

“It’s a very sad story [...] we are the only investors that invested private money,” he said.

As far as the food versus fuel discussion in the US is concerned, he insisted there was no indication that ethanol production increased the price of corn. “From 2003 to today the data shows that the price of food crop biofuels globally went up less than the prices of other foodstuffs, less than fertilisers, less than anything.”

He also referred to the ageing rural population and stressed that farmers should be helped to find new markets. “We must create markets for farmers outside the CAP’s subsidies,” he emphasised.

**CLASH OVER IMPACT OF BIOFUELS**

Oxfam’s Herman and Pannonia Ethanol’s Sievers clashed intensely on the impact EU biofuel policy.

Herman explained that it was not just about palm oil but also about expanding agri-business into sensitive zones as a result of a growing market for agricultural commodities that is driven by a poorly informed EU policy.

“The RED proposal addresses that efficiently, we don’t understand why after a very clear wording in the state aid guidelines for 2014-2019 the decision to stop support for conventional biofuels has not basically been made,” Herman said.

“It might not be the best for investors to look into the future but this is not really my issue,” he added, in support of a complete phase-out.

As for ILUC, he said, “We would be happy to have a differentiation of feedstocks and we tried during the revision of the RED to address the ILUC problem, but unfortunately it proved to be politically impossible to have ILUC factors included in the directive.”

“The good thing is that the consequences [of the RED II] for the farming sector are not catastrophic. If you remove the huge tax credits given to the biofuels sector and the impact particularly on vegetable oil crops, there are transition and balancing effects in terms of increasing demand for other uses and exports,” he emphasised.

Sievers shot back that, five years ago, Herman had said the problem of biofuels were the tremendous price increases in agricultural commodities.

“Now he says that the great thing about biofuels is that they don’t have an agricultural price impact,” the expert said.

“In 2012, there were global impacts to EU policy. Maybe, but he [Herman] said that the global impact was with African ethanol, not a drop has ever come in [...]. You convinced people that there were six million hectares of land grabs in Africa, which turned out to be zero hectares. You talked about a huge agricultural price increase, which proved to be a decrease, and about a tax credit for ethanol, which as a business person I have never received.

“It’s a complete fabrication. All the arguments against ethanol have been proven to be absolutely false,” Sievers concluded.

Both experts agreed to conduct independent research focusing on the actual impact of biofuels on corn prices.