

Answer to consultation on prolonging state aid rules, with specific reference to the Guidelines for environmental protection and energy

Dear EC/DG Comp 3,

We are answering this consultation from the Swedish Association of Local Authorities and Regions (SALAR).

We are listed in the transparency register with ID-number 698580322266-37.

Our proposal is to prolong the support for sustainable first generation biofuels in the State aid guidelines until 2022

It would otherwise have a very negative and unjustified impact on the use of renewable energy and reduction of climate impact of the transport sector on both national, regional and local levels. Many Swedish local authorities and regions have converted their local car and bus fleets from fossil fuels to pure or high blend biofuels, in their effort to reduce climate impact. Local and regional public transport in Sweden runs on renewable fuels to about 87 per cent 2017, a number expected to rise according to preliminary statistics for 2018. The most common renewable fuels in public transport are biodiesel including both HVO and RME, renewable electricity, biogas and bioethanol.

In our opinion, both first and second-generation biofuels are needed to decarbonise the transport sector - as long as they fulfil requirements for sustainability and reduced carbon impact. This is in line with the outcome of the negotiations on RED II, where the phase-out of first generation biofuels until 2030 was rejected, allowing member states to use these fuels at levels attained by 2019. Also, we understand that the discussions on the future EU agricultural policy will give higher priority to using land for energy production.

Based on these developments, we think it is essential to keep options open until 2022. When the state aid regulation is prolonged until 2022, it is logical to extend also the possibility to give support to first generation biofuels to 2022, as regulated in points 113 and 121 in the Guidelines on State aid for environmental protection and energy 2014–2020. The question of using crop-based biofuels for transport can then be further analysed before the state aid regulation for 2022–2030 is adopted.

Background situation in Sweden

Sweden today has tax exemptions for high blend and pure biofuels (FAME100, HVO100, E85 and ED95). These fuels make up a large part of the Swedish biofuel consumption, and also account for much of the greenhouse gas reduction in the

transport sector. These fuels are to a large extent based on agricultural crops, like rapeseed and grains.

Tax exemption from carbon tax and energy tax is considered as operating aid by the EU Commission.

If the state aid rules suddenly would terminate the support to these fuels in 2020, the consequences will be drastic:

- The price will increase to a level that make the fuels uncompetitive on the market. The fuels will disappear from the market and production units will be closed down.
- The companies offering these fuels will disappear from the market, which will lead to higher concentration and less competition on the fuel market in general.
- The CO₂ emissions will increase by about 1.2 million tonnes, according to calculations, based on sales in 2018 – 950 000 tonnes from reduced sales of HVO100, 220 000 tonnes from reduced sales of B100 (RME), and 65 000 tonnes from reduced sales of E85.
- The network of 1,700 E85 pumps at filling stations, as well as pumps for HVO100 and B100 will close down. This infrastructure will be lost for the foreseeable future.
- Developers of cars and trucks for pure or high-blend fuels will make losses as the market for these vehicles disappear. Car companies selling flexi-fuel cars will also lose their market, at a time when this market is taking off in other countries, like France.