

Response to the European Commission DG Competition Public Consultation on the Prolongation of the State aid Regulations and Guidelines reformed under the State aid modernisation (SAM) package and expiring by the end of 2020

Energifabriken i Sverige AB is a specialized producer and supplier of pure biofuels. The company has existed since 2006 and supplies sustainable biofuels as 100% RME and 100% HVO and ED95, mostly to companies in heavy transport. Many of our customers have already made a complete transition to fossil-free fuel alternatives and completely phased out fossil fuels. These are living proof that it is possible to already fulfill the Swedish goal of fossil-independent vehicle fleet.

Energifabriken believe that forerunners in reducing climate gas emissions should be valued highly and that it should be profitable to choose renewable fuels instead of fossil fuels. Energifabriken was founded by 3 farming families and we still run and own the company. The climate result from our business was a reduction of 400 000 tons of CO2 in 2018.

Energifabriken welcomes the opportunity to comment on the European Commission intention to extend the validity of State aid Guidelines reformed under the State aid modernisation (SAM) package and expiring by the end of 2020 until the end of 2022.

We support the two-year prolongation of the *Guidelines on State aid for environmental protection and energy* (EEAG 2014-2020) and look forward to participating in their evaluation to contribute to their optimal design/implementation post 2022.

However, a mere extension of EEAG validity to 2022 granted without consistently extending the time limit for operating aid to “food-based biofuels” will have a negative impact on the market and stakeholders involved.

Paragraphs 113 and 121 currently limit operating aid and aid schemes to 2020 for “food-based” biofuels.

Support schemes would therefore cease before of the end of the guidelines’ validity and adoption of the rules covering the following period, generating uncertainty among sector’s operators. Lack of predictability would cause market disruption for sustainable biofuels restraining choices for low carbon transport options. This would translate into a barrier to the achievement of the target for renewables in transport by 2030 under the Renewable Energy Directive (EU) 2018/2001.

Furthermore, with the introduction of new sustainability requirements on biomass fuels in the Renewable Energy Directive (EU) 2018/2001 the EEAG wording should be updated to be more coherent with legislation. Categories as High vs. Low iLUC should be adopted when deciding on the continuation of the operating aid to biofuels while the wording “food-based biofuels” should be dropped.

To improve consistency with the Renewable Energy Directive (EU) 2018/2001 and avoid market disruptions, Energifabriken recommends the Commission to amend the Communication concerning the prolongation of the Guidelines by:

1. Extending the time limit for operational support to biofuels until December 2022 under the Energy and Environment Guidelines (paragraphs 113 and 121)

and

2. Conforming the categories applied to biofuels to the Renewable Energy Directive (EU) 2018/2001 privileging the distinction between high and low- iLUC risk starting with the entry into force of the Renewable Energy Directive (EU) 2018/2001.

The Swedish crucial need for continued tax exemptions for biofuels

Sweden has tax exemption for high-blend and pure biofuels (e.g. FAME100, biogas, HVO100, E85 and ED95). These fuels make up a large part of the Swedish biofuel consumption, and also account for much of the CO₂ reduction in the transport sector. These sustainable and climate friendly fuels are to a large extent based on agricultural crops, mainly EU produced rapeseed and grain.

Thanks to these conditions, new companies have been formed on the Swedish fuel market. Companies which are specializing in production and sale of pure and high-blend biofuels. This has increased diversity and competition on the fuel market which gives the consumer more fuels and fuel companies to choose from. Continued state aid is needed to maintain this competition.

Tax exemption from carbon tax and energy tax is by some reason considered as operating aid by the EU Commission, even though the incentive is fully directed towards the consumers, not the producers. This is a fact and it is very strange that an incentive created to increase the consumption of sustainable biofuels is considered as operating aid.

The Swedish tax exemption has been in use since 1991 and it has been and still is the main reason to the Swedish success in phasing out fossil fuels and decreasing the CO₂ emissions massively in the transport sector during the last decades.

The market for pure biofuels pushes the transport sector towards reduced emissions. In order to continue to be such a driving force, it needs to be independent of the sale of fossil fuels and therefore continued tax exemption.

The positive outcome of the tax exemption is the main reason why Sweden has the highest RED target for renewable energy (49%) in EU. In 2017 the total share of renewable energy in Sweden was 54%. In the transport sector the use of biofuels has reached a level of 21.6% (with no double counting, 38.6% with double counting) and the main instrument during the years to reach this high level has been the tax exemption for biofuels.

Sustainable first generation biofuels stand for a high share of this success and to eliminate the possibility to use the tax exemption would definitely create severe problems for the Swedish ambitious climate agenda and lead to increased CO₂ emissions from the Swedish transport sector.

Biofuel perception is changing

The perception of biofuels have changed over the past few years. In the so called Fuel vs Food debate in 2008 biofuels were heavily criticized, but that perception has since been totally reversed. Sustainability of biofuels have also been under scrutiny, and in the 2015 so called GLOBIOM report, commissioned by the European Commission, has been wrongly used to say that biofuels have a larger climate impact than fossil fuels. That is wrong. The GLOBIOM report states that there are good and bad ways to grow and produce biofuels, naturally we should choose only biofuels that can be produced in a sustainable way.

It also shows that legislation needs to adopt a substrate neutral approach, and judge a specific fuel on its merits, GHG reduction and other sustainability requirements. We do not believe a certain denomination, “conventional”, “advanced”, “superadvanced” should determine how appropriate a biofuels is.

Directives demand biofuels

The Clean Vehicle Directive is taking a strong position on public procurement, and outlines targets for every member state for public procurement of cars, buses and trucks, and procured services with these vehicles. For buses and Trucks Low Emission Vehicles are those that can run, and can show that they run on, 100% biofuels (HVO 100, RME1000, ED 95, Biogas. Low Emission Vehicles can be counted towards the quota each specific country must procure – the rest being zero emission vehicles.

The CVD will be a pivotal directive for public procurement in many countries, and the State Aid rules deadlines regarding crop based biofuels must be extended to allow member states flexibility in meeting the CVD requirements.

With the CVD we see a new approach in the Commission, where biofuels are allowed to play a strategic role.

Energifabriken therefore sees no ground to rule out the possibility to grant aid schemes for sustainable crop-based biofuels post-2020, in particular when support schemes aim at promoting the use of sustainable biofuels that would not otherwise be competitive with a supply or blending obligation only.

Best regards
Energifabriken i Sverige AB

A handwritten signature in black ink, appearing to read 'K. Varverud', is written in a cursive style.

Karin Varverud
Owner

Phone +46 76 103 79 79
E-mail: karin@energifabriken.se