

10/05/2019

## **Lantmännen's response to the Commission consultation on State Aid Guidelines**

Lantmännen 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.

### **Lantmännen**

Lantmännen is an agricultural cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products. We are owned by 25,000 Swedish farmers, has 10,000 employees and a turn-over of Euro 4.4 billion.

Lantmännen's Energy sector is Sweden's largest producer of bioenergy products and biofuels. Our biorefinery Lantmännen Agroetanol produces ethanol with greenhouse gas savings of more than 90 %, protein feed, carbonic acid and other biobased products. The feedstock consists of grain and residues from the food industry.

Lantmännen <https://lantmannen.com/en/>

Lantmännen Agroetanol <https://www.lantmannenagroetanol.se/en/>

## **An extension of the validity of the should also extend all the relevant deadlines until at least 2022**

The Guidelines stipulate that operating aid for crop-based biofuels can only be granted until 2020 or until the plant is fully depreciated. An extension of the Guidelines until at least 2022 should therefore also amend the deadline until which crop-based biofuels would be eligible for operating aid.

Lantmännen proposes the following amendments:

<b>Current Guidelines</b>	<b>Proposed amendments</b>
<i>(113) Whilst investment aid to support food-based biofuel will cease from the date of application of these Guidelines, operating aid to food-based biofuels can only be granted until <b>2020</b>. Therefore, such aid can only be granted to plants that started operation before 31 December 2013 until the plant is fully depreciated but in any event no later than <b>2020</b>.</i>	<i>(113) Whilst investment aid to support food-based biofuel will cease from the date of application of these Guidelines, operating aid to food-based biofuels can only be granted until <b>2022</b>. Therefore, such aid can only be granted to plants that started operation before 31 December 2013 until the plant is fully depreciated but in any event no later than <b>2022</b>.</i>
<i>(121) The Commission will authorise aid schemes for a maximum period of 10 years. If maintained, such measure should be re-notified after such period. Concerning food-based biofuel, existing and newly notified schemes should be limited to <b>2020</b>.</i>	<i>(121) The Commission will authorise aid schemes for a maximum period of 10 years. If maintained, such measure should be re-notified after such period. Concerning food-based biofuel, existing and newly notified schemes should be limited to <b>2022</b>.</i>

These amendments are essential to ensure legal certainty and stability for the stakeholders as regards the applicable rules. It would ensure that existing national support schemes, for instance in the form of excise duty reductions for biofuel blends (e.g. B100, HVO100, E85, ED95) do not become invalid post-2020 in the absence of revised and updated Guidelines.

Support to sustainable crop-based biofuels should be continued especially in the light of their effectiveness to decarbonise the transport sector immediately, support food production and farmers' revenue, and their contribution to maintaining jobs in rural areas. Ending support for crop-based biofuels would put at risk the much-needed decarbonisation of the EU transport sector, as they represent the bulk of renewables in transport today.

## **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 CO<sub>2</sub> 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.

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 CO<sub>2</sub> emissions massively in the transport sector during the last decades.

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 CO<sub>2</sub> emissions from the Swedish transport sector.

## **An extension of the validity period of the Guidelines should also be used to reflect on future modifications to the Guidelines in line with EU environmental and energy policies, notably Directive (EU) 2018/2001 (RED II)**

The context under which the existing Guidelines were adopted is no longer valid. The existing guidelines were drafted at a time where the so called ‘food versus fuel’ and ILUC debates were contaminating the biofuels discussions. Since then, all controversies surrounding European crop-based biofuels, and ethanol in particular, have been debunked:

- In the [2015](#) and [2017](#) Renewable Energy Progress Reports, the European Commission confirmed that European ethanol had negligible impact on cereal prices and did not negatively impact food security.
- The [GLOBIOM study](#) of the land use change impact of biofuels consumed in the EU also confirmed both that European ethanol poses no negative impacts to food security and has low risk of land use change impact. This was further confirmed by [the 2019 delegated Regulation on high ILUC-risk biofuels](#) and its accompanying [Report on the status of production expansion of relevant food and feed crops worldwide](#), based on the best available scientific data.

**There are no legal grounds to discriminate against sustainable biofuels, on the contrary**

- Granting aid to biofuels that are sustainable within the meaning of Article 29 of RED II is fully justified. Member States should not refuse to financially support biofuels that are certified as sustainable, e.g. through differentiated taxation.

*Art. 29.1: Energy from biofuels, bioliquids and biomass fuels shall be taken into account for the purposes referred to in points (a), (b) and (c) of this subparagraph only if they fulfil the sustainability and the greenhouse gas emissions saving criteria (...):*

*(c) eligibility for financial support for the consumption of biofuels, bioliquids and biomass fuels*

*Art. 29.12: For the purposes referred to in points (a), (b) and (c) of the first subparagraph of paragraph 1 of this Article, and without prejudice to Articles 25 and 26, Member States shall not refuse to take into account, on other sustainability grounds, biofuels and bioliquids obtained in compliance with this Article. This paragraph shall be without prejudice to public support granted under support schemes approved before 24 December 2018.”*

- Furthermore, discriminating between crop-based and advanced biofuels is not justified according to the EU’s Renewable Energy policy post-2020. The phase-out of policy support for crop-based biofuels in transport coupled with a partial phase-down post-2020, principles upon which the current Guidelines are based, have been rejected by the co-legislators, first in the ‘ILUC Directive’ 2013/18 and more recently in RED II. On the contrary, the co-legislators have renewed their support to all sustainable forms of biofuels:

Sustainable biofuels, both crop-based and advanced ones, can count towards the obligation put on fuel suppliers to provide at least 14% of renewable energy in the transport sector by 2030;

- The contribution of crop-based biofuels shall be no more than one percentage point higher than their 2020 share, with a 7% maximum;
- RED II limits the phase-out of support to ‘high-ILUC risk’ biofuels, as defined in the Commission Delegated Regulation on high and low ILUC-risk biofuels (i.e. palm oil biofuels);
- Advanced biofuels, defined as those made from Annex IX-A feedstock (a definition that is lacking in the State aid guidelines), are subject to a dedicated ramping-up sub-target, reaching 3.5% of the energy in transport by 2030.
- It would be inconsistent to have the RED II legislation supporting crop-based biofuels and the State aid guidelines banning support to the same biofuels.
  - The Commission State aid guidelines should not contradict nor undermine EU primary legislation but rather reflect the decision from the Council and the European Parliament to continue to support the use of crop-based biofuels.
  - Member States should be free to devise policies, including supportive measures for all sustainable biofuels that can help them meet their renewable energy targets and the binding non-ETS emission reduction targets, incl. transport, for which no cap on crop-based biofuels applies.

**Support schemes are justified where they create a level playing field for biofuels to compete with fossil energy sources and thereby increase the level of environmental protection.**

- The current volume-based approach to energy taxation leads to a paradoxical situation where renewable fuels – in particular renewable ethanol – are by far the most taxed source of transport on an energy content basis despite the numerous benefits associated with blending renewable ethanol in petrol, including lower CO<sub>2</sub> emissions and reduced non-CO<sub>2</sub> tailpipe emissions. Because of the lower energy density of ethanol compared to petrol, the volume consumption increases over the same distance. As a result, the tax burden is higher for clean renewable transport energy than for fossil energy. On a Euro per gram of CO<sub>2</sub> equivalent basis, every gram of biogenic CO<sub>2</sub> emitted from ethanol is taxed almost five times more than fossil CO<sub>2</sub> emitted from petrol. This is valid for all ethanol blended with petrol but aggravates in the case of higher blends, such as E85 and ED95, which could not make it competitively to the market unless differentiated taxation applies.
- Furthermore, as long as the external costs of fossil energy (on human health, the environment and in terms of energy security) are not internalised, the need to support renewable energy will remain.
- Last but not least, given that crop-based biofuels are the only immediate way to decarbonise transport and reduce our dependency on oil, given that supporting measures for biofuels are a prerequisite to counterbalance the massive subsidies that oil companies benefit from, abandoning support to crop-based biofuels would make it totally impossible for the EU to achieve the EU's climate and energy goals, in particular the share of renewable energy in transport and non-ETS emission reduction targets.

**Lantmännen 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,  
Lantmännen

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