

Response to the Consultation on the Prolongation of the State aid Regulations and Guidelines

The Swedish 2030-secretariat

The Swedish National 2030-secretariat is a non profit stakeholder organization with more than 80 members from Swedish industry, municipalities and interest organisations. The sole aim of the 2030-secretariat is to catalyse the decarbonization of the Swedish transport sector, including air travel. The 2030-secretariat is independent of any political or commercial interest, and is not biased towards any specific technology. On the contrary, the 2030-secretariat firmly believes that a combination of fuels, technologies and behaviour change is needed to achieve a transport sector without climate impact.

The Swedish National 2030-secretariat welcomes the opportunity to comment on the proposed extension of the current State Aid Rules and Guidelines until 2022. The Swedish National 2030-secretariat is mainly concerned about the 'Guidelines on State aid for environmental protection and energy' with regard to investment and operation aids granted to biofuels.

An extension is needed

The Commission rightly points out that an extension of the current rules is needed to predictability and legal certainty. It would naturally have been better to have all this done in a timely fashion well before 2020, but especially the biofuel dialogue has been both complex and intense. However, the European biofuels industry, currently probably the most advanced in the world, needs predictability to invest. They have not had predictability since 2015, often having to plan with yearly exemptions.

The bio economy is crucial for our ability to reach the climate targets suggested by the IPCC, decided in Paris at COP 21 or indeed decided by the European Commission in the Energy Union package.

We see a global trend with strong investment plans in countries like China, with the decision to implement E10 by 2020, in India who are, albeit from a low level, focussing on biofuels, in Brazil where the programme RenovaBio plans for a record increase in biofuel production. We also see this in the Nordic countries, where ambitious national emission reduction plans for the transport sector leads to an increased demand.

We also note that the International Energy Agency in its last projection does not foresee a strong growth in biofuels for transport in the EU. They suggest that the limitation in RED II on the industry for so called conventional biofuels plays an important role.

By allowing an extension there will be ample time to agree on State Aid rules that ensure free transport of goods and services, and free competition, without hampering European industry.

The extension to 2022 is crucial, and should also include dead-lines for biofuels, for example the dead lines for when crop-based biofuels would be eligible for so called operating aid. Crop based biofuels make up 2/3 of biofuels used in the member countries today.

Biofuel perception 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.

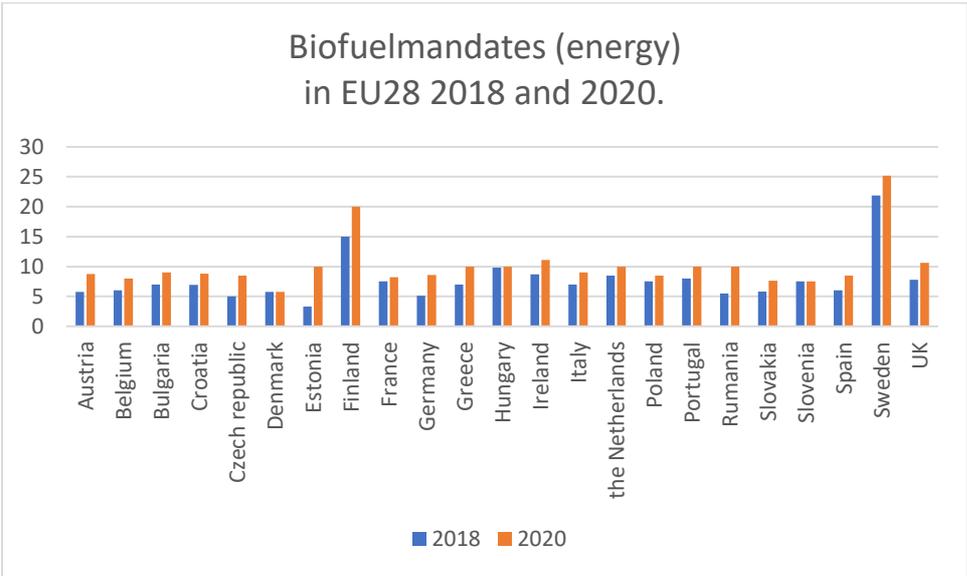
The debate has put pressure on the biofuel industry that has led to increased efficiency, higher GHG savings and more sustainable production methods. This is very positive, and we need to see continuous improvements.

It also shows that legislation needs to adopt a feed-stockneutral approach, and judge a specific fuel on its merits, GHG reduction and other sustainability parameters. We do not believe a certain denomination, “conventional”, “advanced”, “superadvanced” should determine how appropriate a biofuels is, it is the de facto emission reductions and condition of production that counts.

Supply and demand

Looking at adopted mandates in the member countries, the average demand increase is 32% between 2018 and 2020. Mostly crop based fuels.

Some EU member states, like Sweden and Finland have much more ambitious targets. In Germany, the largest transport market, it is being suggested that there will be a need of 40% biofuels in the transport sector in 2030 in order to reach already made decisions.



It would be ill advised by the Commission not to delay dead lines for when crop-based biofuels would be eligible for operating aid. Even RED II, that according to the IEA limits investment into the conventional biofuel industry, relies heavily on crop based biofuels.

Directives demand biofuels

The Clean Vehicle Directive (CVD) 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 dead-lines 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.

Unfair competition

Conditions for trade with fossil fuels are set in the Fuel Quality Directive. The requirements are much more relaxed on fossil fuels than on biofuels – this cannot be right. We are in favor of strict demands, but they should be even across the board. The State Aid rules must allow extensions of dead-lines for crop based fuels to allow at least existing market conditions.

In conclusion

- The European biofuel industry is well poised to take a globally leading role with sustainable biofuels. They need long term conditions.
- The member states and the European Parliament has manifested its support for crop based biofuels, advanced biofuels and electricity in RED II. Good. The State Aid regulation should not limit market conditions for those fuels.
- Biofuel production has improved, and continues to improve. It is wrong to base a view on certain biofuels on production data from around 2012, so much has happened since then, both regarding GHG reduction, sustainability and development of co-products.
- There is a bias in fuel trade towards fossil fuels. The administration and the requirements through the Fuel Quality Directive are much more lax, which provides and unfair market condition for sustainable biofuels.
- We therefore proposes the following amendments:

Current Guidelines	Proposed amendments
<p><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 2020. 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 2020.</i></p>	<p><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 2022. 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 2022.</i></p>
<p><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 2020.</i></p>	<p><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 2022.</i></p>