

## **Lantmännen's response to the Public Consultation on the Guidelines on State aid for Climate, Environmental Protection, and Energy 2022**

Lantmännen welcomes the opportunity to contribute to the public consultation on the proposed Guidelines on State aid for Climate, Environmental Protection, and Energy 2022 (hereafter CEEAG). This paper is Lantmännen's second submission on the revision of the guidelines.

Lantmännen supports the Commission ambition to revamp the state aid guidelines in line with the newly adopted 55% GHG emissions reduction target by 2030, and its efforts to enhance consistency with the Renewable Energy Directive (hereafter RED II).

Lantmännen is particularly pleased to see the alignment of the proposed CEEAG guidelines 74 and 76 with the RED II provisions, which:

- Recognise the importance of sustainable biofuels in contributing to the EU GHG emissions reduction.
- Allow financial support for sustainable crop-based biofuels beyond 2021.

However, Lantmännen considers that further clarification is needed as regards guidelines 76 and 77 on the eligibility of sustainable crop-based biofuels for financial aids and the high ILUC risk biofuels case.

### **The CEEAG should foster the climate ambition of first-in class Member States**

Renewable fuels – in particular renewable ethanol – are by far the most taxed source of energy for transport on an energy content basis. On a Euro per gramme of CO<sub>2</sub> equivalent basis, every gramme of biogenic CO<sub>2</sub> emitted from ethanol is taxed up to 10 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.

High blend biofuels, by offering considerable additional GHG savings for the transport sector, are the main instrument for Sweden to achieve its target to reduce its transport sector's CO<sub>2</sub> emissions with 70% by 2030 (which will demand up to 50% biofuels) and its general climate target of net zero GHG emissions by 2045. If the Commission decides to move forward with its state aid intention to ban financial support for crop-based biofuels exceeding the 7% limit,

such high blend biofuels could not be adequately supported and would not be competitive, risking to increase the use of fossil fuels.

This is not only a Swedish case. This is Lantmännen's definite opinion that the Commission should not hinder the climate ambition of first-in-class Member States, which pave the way for other countries on how to design adequate policies to fight climate change. Capping the financial support for crop-based high blend biofuels solutions, disregarding their emission reduction potential, will severely slow down the achievement of the 55% GHG emissions reduction and of the 14% RES-T target in the transport sector by 2030.

### **Lantmännen's recommendations on the CCEAG**

Lantmännen recommends the following:

#### **1. The removal of 'caps' under guideline 77**

Sustainable crop-based biofuels are the only market-ready, low-carbon fuel available that can be used today in road conventional vehicles to substantially reduce GHG emissions from the transport sector, that currently accounts for around 25% of the total EU emissions (UNFCC).

According to RED II Article 26(1), the 7% cap is the maximal contribution of sustainable crop-based biofuels for the member states reporting to the EU renewable energy objective and the national renewable energy target in the road transport sector (RES-T):

*"For the calculation of [...] the minimum share [of renewable energy within the final consumption of energy in the transport sector of at least 14% by 2030] referred to in the first subparagraph of Article 25(1), the share of biofuels and bioliquids, as well as of biomass fuels consumed in transport, where produced from food and feed crops, shall be no more than one percentage point higher than the share of such fuels in the final consumption of energy in the road and rail transport sectors in 2020 in that Member State, with a maximum of 7 % of final consumption of energy in the road and rail transport sectors in that Member State".*

It is worth underlining that **the 7% maximal contribution only applies to the eligibility of crop-based biofuels to the contribution and the national reporting to the EU RES and RES-T target.** In other words, **Member States are free to use sustainable crop-based biofuels in their energy mix above the cap, regardless of their contribution to the RED II targets. This shall not be understood as a ban of crop-based biofuels above the 7% cap.**

**We therefore consider that hampering financial support for crop-based biofuels exceeding the 7% limit under the CEEAG is not at all justified.**

In addition, it should be noted that RED II Article 29(1) supports the use of financial aids for all biofuels as long as they comply with the RED sustainability criteria. **On this basis, Member States should be allowed to freely grant state aid to support the production of biofuels that are certified as sustainable, e.g. through differentiated/reduced taxation, without any restriction.**

## ***2. The clear exclusion of high ILUC risk-biofuels under guideline 76***

Initially, the 7% cap had been set up to address concerns on high ILUC-risk biofuels (i.e. palm oil biofuels) under RED II. Shortly after, the Commission adopted a Delegated Act on high ILUC-risk biofuels identifying the worst-performing crop-based biofuels and ensuring their phase out by 2030. This is the sign of an over-regulation on crop-based biofuels.

In this context, we consider that the Commission should focus on banning financial support for high ILUC risk-biofuels. This should be explicitly stated under guidelines 76 of the CEEAG.

### **Background: Evolution of the European crop-based biofuel context**

All the controversies surrounding European crop-based biofuels, and renewable ethanol in particular, have been debunked in the past few years. In the [2020 Renewable Energy Progress Report](#), the European Commission stressed that no correlation between food prices and biofuel demand in the EU in the recent years could be observed. In addition, Member States reported limited cultivation of feedstock used in biofuel production (which, in total, accounts for 3% of EU cropland) compared to total agricultural activities and therefore considered that associated environmental impacts are low. Similarly, the [GLOBIOM](#) study of the land use change impact of biofuels consumed in the EU confirmed that European bioethanol poses no negative impacts to food security and has low risk of land use change impact. Finally, crop-based biofuels produced in the EU have multiple other benefits which are often forgotten but important to acknowledge in a circular economy. Amongst other, they reduce our dependency on imported oil leading to a higher energy security. They also provide vital protein as a by-product, reducing the EU's dependency on imported protein from overseas (mainly large quantities of imported soy with questionable sustainability impact).

Therefore, European crops do not drive deforestation and commodities prices up. Area to cultivate crops for European ethanol and its co-products accounted for 2.2% of the EU utilized

arable area in 2018 (if considering other co-products e.g. animal feed, the area for ethanol would only account for 1.2%).

### About us

Lantmännen is an agricultural cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products. We are owned by 19,000 Swedish farmers, have 10,000 employees and a turnover of Euro 4.5 billion.

Lantmännen's Energy sector is Sweden's largest producer of bioenergy products and biofuels. Our biorefinery Lantmännen Agroetanol produces **bioethanol with greenhouse gas savings of more than 90% compared to fossil fuels** as well as protein feed, carbonic acid and other biobased by-products. The feedstock consists of grains and residues from the food industry.

Our bioethanol also supports food production and farmers' revenues and contribute to maintaining jobs in rural areas as well as Sweden's security of energy supply.

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