

Call for contributions on competition rules & sustainability policies

Lantmännen

Lantmännen welcomes the opportunity to comment on the European Commission's call for contributions on how competition rules could further support the objectives of the European Green Deal. Lantmännen is providing comments to Part 1. State aid control.

About us

Lantmännen is an agricultural cooperative and Northern Europe's leader in agriculture, machinery, bioenergy and food products. We are owned by 20,000 Swedish farmers, have 10,000 employees and a turnover 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% as well as protein feed, carbonic acid and other biobased by-products. The feedstock consists of grains and residues from the food industry.

Part 1. State aid control

1. What are the main changes you would like to see in the current State aid rulebook to make sure it fully supports the Green Deal? Where possible, please provide examples where you consider that current State aid rules do not sufficiently support the greening of the economy and/or where current State aid rules enable support that runs counter to environmental objectives.

In the context of the Green Deal as well as anticipated increases of the renewable energy and climate targets for 2030 and carbon neutrality by 2050, it will be crucial for governments and industry to make use of all sustainable, low-carbon fuel technologies available. At Lantmännen, we therefore strongly believe that the existing state aid guidelines for environmental protection and energy (EEAG) must be updated to align the framework with the Clean Energy Package, including the Renewable Energy and Fuel Quality Directives.

A concrete example, where the existing state aid rules risks hampering the decarbonization of the EU economy is related to the use of sustainable biofuels in road transport. The current EEAG has banned the granting of any operating aid for so called "food-based biofuels" after 2020. Stopping the support for all crop-based biofuels, disregarding their emission reduction potential and compliance with the sustainability

criteria as set out in REDII, however, risks severely slowing down the reduction of CO2 emissions in transport, in particular in view of the EU's 2030 targets.

The transport sector in EU is currently the only sector where emissions continue to rise annually according to the UNFCCC. Latest figures indicate only 8% renewables (RES) in road transport by 2018, which is below the trajectory set in the Renewable Energy Directive. Of this 8%, 89% of the renewable energy is sourced from biofuels. Of this 89%, 64,5% are crop-based biofuels (EC SHARES 2019), demonstrating that only by using sustainable, crop-based biofuels can the EU achieve its emission reduction targets in the transport sector. These fuels are the most readily available and cost-effective renewable fuel, can be used in conventional vehicles on the road today, and in the case of Lantmännen's Agroetanol, use crops grown on sustainable farms in Europe which create jobs, safeguard farms and create valuable by-products including valuable proteins.

Given today's situation, however, sustainable biofuels cannot fairly compete with fossil fuels on the market. On the one hand, renewable ethanol is one of the highest taxed fuels on the market given its lower energy intensity and the sole focus of the EU energy taxation (ETD) on volume consumption instead of CO2 emission performance. On the other hand, external costs of fossil fuels (on human health, the environment and in terms of energy security) are still not accounted for. As long as this remains the case, the need to support sustainable biofuel solutions will remain.

In Sweden, a tax exemption for high-blend and pure biofuels (e.g. FAME100, biogas, HVO100, E85 and ED95) has so far contributed to the Swedish success in phasing out fossil fuels and decreasing the CO2 emissions massively in the transport sector during the last decades. The tax exemption is fully directed towards consumers, not producers, and benefits any type of sustainable biofuel whether produced locally or imported. Further evidence shows that the vast majority of biofuels used in Sweden are imported (around 80%), which demonstrates that the Swedish tax exemption does not give preference to Swedish biofuel producers and should therefore not be considered as an operating aid. The tax exemption is one of the main reasons why Sweden has the highest RED target for renewable energy (49%) in EU, and why the use of biofuels has reached a level of 21.6% (with no double counting, 38.6% with double counting) in the transport sector. On 8 October 2020, the European Commission approved a continuation of the Swedish tax exemption for another year until the end of 2021. Eliminating the possibility to grant support for this technology beyond 2021, will create severe problems to achieve the ambitious national climate agenda.

3. If you consider that more State aid to support environmental objectives should be allowed, what are your ideas on how that should be done?

a. Should this take the form of allowing more aid (or aid on easier terms) for environmentally beneficial projects than for comparable projects which do not bring the same benefits (“green bonus”)? If so, how should this green bonus be defined?

b. Which criteria should inform the assessment of a green bonus? Could you give concrete examples where, in your view, a green bonus would be justified, compared to examples where it would not be justified? Please provide reasons explaining your choice.

Lantmännen sees no ground to rule out the possibility to grant aid schemes for sustainable crop-based biofuels post-2020 and believes the State aid rulebook must align with existing legislations (i.e. REDII and FQD) and previous decisions from the European Commission on the matter. This would also provide a clearer and more consistent guidance for member states when designing their long-term energy and mobility transitioning strategies.

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.

Furthermore, discriminating between crop-based and advanced biofuels is not justified according to the EU’s Renewable Energy policy post-2020, for which 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 phases-out the use of ‘high-ILUC risk’ biofuels, as defined in the Commission Delegated Regulation on high ILUC-risk biofuels (i.e. primarily palmoil-based 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.

4. How should we define positive environmental benefits?

a. Should it be by reference to the EU taxonomy and, if yes, should it be by reference to all sustainability criteria of the EU taxonomy? Or would any kind of environmental benefit be sufficient?

For renewable fuels in transport, a strict focus on the CO₂ reduction performance (i.e. minimum of at least 70%) combined with the sustainability criteria as defined in REDII should be the main requirements to define the positive environmental benefits.

We do not see a reason why there should be separate criteria and/or new definitions, or a reference to the EU taxonomy, in the updated state aid guidelines as this would create duplications and substantial inconsistencies with the existing legislation.

Regarding the elaboration of sustainability criteria under the EU taxonomy, Lantmännen regrets that no member from the bioenergy / biofuel industry or agriculture sector was selected to join the new platform on sustainable finance. This absence of representatives from the agriculture and biofuel sectors should not lead to unjustified or inconsistent decisions on sustainable biofuels.

Alarik Sandrup

Director Public and Regulatory Affairs

Direct no: +46105560953, Mobile no: +46 70 602 87 80

Email: alarik.sandrup@lantmannen.com, www.lantmannenagroetanol.se/en/