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## State aid for environmental protection and energy - Public Consultation, 07.01.2021

Neste is a company that creates solutions for combating climate change and accelerating a shift to a circular economy. We are the world's leading producer of renewable diesel and sustainable aviation fuel, developing chemical recycling to combat the plastic waste challenge.

With the revision on the Energy and Environmental State Aid Guidelines (EEAG) Neste calls for fact-based, coherent, predictable and clear guidelines as regards biofuels, that are based on understanding of markets, technologies and raw materials.

### EEAG should be fully aligned with the relevant sectoral legislation

EEAG and related GBER provisions were never in line with the definitions of the Renewable Energy Directive. Now that the recast Renewable Energy Directive (RED II) has been enacted, there is an opportunity to align the definitions and the approach to aid with the RED II. Most importantly, the undefined concept of "food based biofuels" in EEAG should be replaced with the concept of "biofuels produced from food and feed crops". The concepts of "biofuels" and "food and feed crops" are defined in Art. 2 of RED II.

When the EEAG was elaborated in 2014, the European Commission held the view that food based biofuels should no longer receive public support after 2020. However, this is no longer the case, as the EC proposal and especially the final text of RED II as adopted by the EU legislator make clear.

It should be noted that there are also biofuels that are produced from residues or wastes that are not listed in Annex IX, part A, of RED II, but still are eligible for national support schemes. Article 27.1.b which defines the numerator of the obligatory share of renewable energy in transport and corresponding blending obligations, makes it clear that the energy content from all types of renewable energy are eligible - hence also biofuels made from feedstocks which are neither "produced from food or feed crops" (definition excludes explicitly waste and residues) nor are included in the list of "advanced biofuels", are eligible for national support schemes.

### Do not discriminate technologies based on feedstock pathways, instead overall greenhouse gas reductions should be the basis

As the climate ambitions are strengthened the Commission will have to rely on multiple solutions to decarbonise transport, including sustainable biofuels, renewable electricity in transport, hydrogen and synthetic fuels ("Power-to-X"). In the recent publication of the JRC<sup>1</sup> on Well-to-Wheels emissions from a large number (>1600 pathways) of fuels it was clear that biofuels almost always were

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<sup>1</sup> JEC WTW Study, 2020: <https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/jec-well-wheels-report-v5>

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significantly better than fossil gasoline, diesel or natural gas. Some biofuel pathways (waste as feedstock) represent even lower GHG emissions than so-called zero-emission vehicle pathways with electricity and hydrogen. This must be reflected in the EEAG.

We believe that all biofuels should be judged on the basis of their greenhouse gas performance , rather than on the basis of raw material or conversion technology.

Neste also believes that biofuels, being more expensive to produce than fossil fuels, may need financial support for Europe to achieve its growing climate ambitions. Biofuels contribute greatly to the overall European climate goals. Emerging biofuel pathways need several years to reach financial break even, and will need additional support.

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