

## ePURE's feedback to the Public Consultation on the revision of the EEAG 2014-2020

ePURE, representing the European producers of renewable ethanol from crops, waste and residues, welcomes the opportunity to provide feedback on the revision of the current Guidelines on State aid for environmental protection and energy (hereafter EEAG).

### Context

- EU transport is currently 94% reliant on oil and accounts for one quarter of EU emissions. The EU's transport emissions are 20% higher than in 1990 and its dependence on fossil fuels has decreased by a mere 2.1% since the 2020 climate and energy package was adopted in 2009.
- Sustainable biofuels account for over 89% of the renewable energy in transport, incl. 60% for crop-based biofuels. With average certified GHG emissions savings of more than 72% compared to fossil petrol, European renewable ethanol produced by ePURE members represents an immediate and cost-effective tool to reduce emissions of the existing and future light and heavy-duty vehicles. Biofuels use should not be limited to transport modes that cannot be electrified.
- ePURE is mainly interested in guidelines 112, 113, 114 and 121 of the current EEAG, with regard to so-called investment and operation aids granted to biofuels, some of which should be amended.

### The treatment of crop-based biofuels should be revised

As found out by the Commission's [evaluation](#) carried out from 7 Jan. 2019, there is room for improvement for the current EEAG and in particular *'more could be done to contribute to the Energy Union, by aligning the recent legislation in the energy field and further promoting competition and market integration'*.

Furthermore, as regards the treatment of crop-based biofuels, the evaluation echoes the concerns of several associations, ePURE included, i.e. *'the inconsistency between the EEAG provisions and the Recast Renewable Energy Directive, on the one hand, and the Energy Tax Directive (ETD) 2003/96/EC, on the other hand. The same conclusion was also reached by the Evaluation of the ETD'*.

### The context under which the existing Guidelines were adopted is no longer valid

Indeed, the existing EEAG were drafted at a time where the 'food versus fuel' and ILUC debates were hijacking the biofuels discussions, neglecting their vast potential to support the EU's climate ambitions. 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 Commission already confirmed that European ethanol had negligible impact on cereal prices and did not negatively impact food security. More recently [the 2020 Renewable Energy Progress Report](#) reiterated 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 consider that associated environmental impacts are low.
- 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.

- The most recent [Communication](#) on the progress toward the Fuel Quality Directive also confirms the importance of biofuels to decarbonise transport fuels, both in terms of quantities and GHG savings. It confirms that European ethanol saves above 70% GHG emissions on average compared to fossil fuel and has no or very limited ILUC impact.

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

- The Renewable Energy Directive sets clear and stringent sustainability criteria, incl. minimum GHG savings performance, for all biofuels to count towards the renewable energy targets. Granting aid to biofuels that are sustainable within the meaning of Article 29 of RED II is therefore fully justified. Member States should not refuse to 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, principle upon which the current EEAG are based, has been rejected by the co-legislators**, first in the 'ILUC Directive' 2015/1513 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 to the renewable energy target in transport shall be no more than one percentage point higher than their 2020 share, with a 7% maximum; crop-based biofuels can still be used beyond that cap, but would not count towards Member States' RED targets.
  - 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 EEAG 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 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.
- 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 energies 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.

**ePURE therefore sees no ground to rule out the possibility to grant operating aid 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, and**

- **calls the Commission to amend guidelines 113, 114 and 121 of the current EEAG.** As per the opinion of the Commission on the [Swedish tax exemption](#) for higher biofuels blends, ePURE believes that post 2021, the sole restrictions on operating aid for crop-based biofuels should be that
  - they remain limited to the crop cap imposed by the RED II;
  - operators must demonstrate compliance with the sustainability criteria;
  - high-ILUC risk biofuels defined in the [2019 delegated Regulation on high ILUC-risk biofuels](#) should not be eligible;
  - they do not result in overcompensation, as is the case today.
- **calls for a continuation of investment aid for advanced biofuels as foreseen in existing guidelines 112.**