

Biodiesel back from the dead as EU drops ILUC factors

By *Sonja van Renssen*

In what some may see as cruel twist of fate it is the bioethanol, not biodiesel, industry which in the end has most to lose from the European Commission's long-awaited proposals on preventing indirect land-use change, or ILUC, from biofuels. Bioethanol that is, and climate change.

The Commission [finally announced these proposals on Wednesday](#), more than two years late and strangely anti-climactic in the shadow of media interest in Tuesday's unexpected resignation of EU commissioner for health and consumer affairs John Dalli, in the wake of a tobacco lobbying scandal. By the time the Commission's anti-fraud office OLAF finally finished taking questions from a packed press room, the ILUC press conference was an hour late and journalists were desperate for lunch. When it started, the room was empty compared to before.

EU climate and energy commissioners Connie Hedegaard and Günther Oettinger did their best, but failed to convince the remaining journalists that the ILUC proposals actually do anything about ILUC. In a last-minute change to a [draft proposal](#) analysed in detail by EER just two weeks ago, the Commission dropped its most controversial element: ILUC factors, or emission penalties per crop category to account for ILUC. They are still in there – as the Commissioners repeatedly pointed out – but only for reporting fuel emissions, not for calculating progress to a 6% greenhouse gas emission reduction target for road fuels that fuel suppliers must meet by 2020.

"The Commission has acknowledged the climate impact of biofuel emissions from indirect land-use change but does not tackle it," explained Nua Urbancic from Brussels-based NGO Transport and Environment.

Bizarre

This results in a very bizarre situation. Fuel suppliers will have to present member states with a list of their biofuels and ILUC impacts by 31 March every year. But they can carry right on using the worst ILUC performers – biodiesels – to meet their 6% emission reduction target under the EU's fuel quality directive. Nothing prevents them from doing so. They can in effect document emission cuts when scientific evidence to date suggests the opposite might be true (some biodiesels are actually worse for the environment than conventional diesel). What the fuel quality target means today is therefore a good question. If ILUC is accepted as real, how can it be ignored in the carbon accounting for a climate target? And what kind of precedent does this set for the accurate carbon accounting of other fuels, such as oil sands, still to come?

Commissioners Hedegaard and Oettinger admitted the proposals were "not perfect" but emphasised the 5% cap on food-based biofuels that did make it into the final proposal. This is supposed to cap conventional biofuel production at current levels. The problem is that this cap is not really a cap, at least not on the production of these biofuels. It is a reporting cap under the EU's renewable energy directive: member states will only be able to use (and subsidise) food-based biofuels to meet half of a 10% target for renewable energy in transport by 2020.

But without an equivalent cap – or ILUC factors – under the fuel quality directive, fuel suppliers will continue to drive demand for biodiesel, the cheapest, most abundant, most applicable (most cars are diesel) biofuel on the European market. The EU biodiesel industry - with an existing overcapacity with which it could supply twice what it does today (i.e. twice the 5% cap) – is suddenly back in business. Why buy bioethanol?

Decimate

The entire biofuel sector stood shoulder to shoulder on Wednesday in condemnation of the Commission's proposals, using words like "decimate", "destroy" and "devastating" to describe the likely impact on them. And while it's true the new ILUC reporting requirements may reflect badly on biofuels as a whole and biodiesel in particular, and will put oil companies in the schizophrenic position of using fuels they acknowledge they shouldn't really, the fact remains that without a legal obligation to count ILUC in lifecycle fuel emissions, biodiesel remains the fuel of choice.

At least until 2020. The whole point of the Commission's proposal is to stimulate the advanced biofuels market – biofuels made from waste that don't compete with agriculture or cause ILUC. This market has been slower to develop than expected, the Commission admits, but it wants only these kinds of biofuels eligible for subsidies after 2020. To this end, the Commission has retained from the draft proposal a quadruple counting incentive for advanced biofuels. They will count four times conventional biofuels towards the renewable energy directive's 10% renewables in transport target (although the incentive does not apply for the fuel quality target).

This was presented as a "stronger" incentive for advanced biofuels on Wednesday, and a handful of stakeholders seem to agree. But most, from industry as well as NGOs, remain critical. "Just as the

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[existing] double counting mechanism failed... the quadrupling counting is likely to have no impact," said Lars Christian Hansen, President for Europe at Novozymes, an enzyme-maker for advanced biofuel manufacture. "A dedicated, ramping-up

target for advanced biofuels is the best option to secure the commercial deployment of advanced biofuels by 2020 and beyond."

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The problem is also that most of the advanced biofuel work in Europe today is being carried out by the bioethanol industry, exactly those who get squeezed by the current proposal. "Existing companies and investors in arable crop-based biofuels are and will be key to producing large scale advanced biofuels," the biofuels sector reminds us in a press release.

The risk is that in 2020 we'll find ourselves very much where we are today: with biodiesel the "green" fuel of choice, an embryonic advanced biofuel industry, and impending climate change. Applying binding ILUC factors then, as the Commission wants to do, also won't be any easier than it is today.

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