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Position paper

Proposal to address Indirect Land-Use Change (ILUC)

Context

Two EU laws, the Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD) adopted in 2009, promote the use of biofuels in the EU, ostensibly for the purpose of reducing greenhouse gas (GHG) emissions from the transport sector. The RED requires Member States to source 10% of their transport fuels from renewables (mostly biofuels), while the FQD requires fuel suppliers to reduce carbon intensity of fuels sold on the EU market by 6% by 2020. Despite the initial purpose of reducing GHG emissions, both laws could however lead to higher, rather than lower, greenhouse gas emissions unless the issue of Indirect Land-Use Change (ILUC) is resolved. Moreover, the existing weak sustainability criteria are not stringent enough to secure the overall environmental and social sustainability of biofuels.

1. What is ILUC?

ILUC occurs when existing agricultural land is turned over to biofuel production and agriculture has to expand elsewhere to meet the existing (and ever-growing) demand for crops for food and feed. This expansion happens at the expense of forests and other carbon rich ecosystems, thereby releasing large amounts of GHG emissions and threatening biodiversity.



Palm oil expansion, West Kalimantan, Indonesia

2. The European Commission's proposal

In October 2012, the European Commission published a proposal¹ trying to address the problem of ILUC. This was done on the basis of a legal mandate included in the RED and FQD that obliged the European Commission to report on ILUC and propose a methodology to tackle the problem. The proposal formally relieves Member States from the need to further support or mandate food crop-based biofuels above today's level of about 5% under the RED. While this is a step in the right direction as it limits the contribution of "bad" biofuels to today's levels, it still fails to properly account for GHG emissions from ILUC, as ILUC factors are included merely as a reporting obligation. This means that regulations still favour bad biofuels over good ones in three ways:

- the FQD still stimulates fuel suppliers to blend high-ILUC biofuels, such as conventional biodiesel, in their fuel mix – potentially even above 5% volume in RED;
- the RED still incentivizes Member States to expand the use of high-ILUC - but non-food – biofuels, such as miscanthus and other energy crops;

¹ http://ec.europa.eu/clima/policies/transport/fuel/docs/com_2012_595_en.pdf

- cleaner, low-ILUC biofuels are still not properly incentivized, in particular in the FQD.

For these reasons, it is unlikely that the measures proposed will effectively reduce ILUC impacts. BirdLife Europe, EEB and Transport & Environment urge the Parliament and the Council to make the following improvements.

How to improve the proposal

1. REINTRODUCE ILUC FACTORS

Numerous scientific and public bodies agree that ILUC is in fact taking place and should be accounted for when calculating the GHG emissions from biofuels.² The European Commission has ordered five separate studies of its own and consulted extensively with scientists who suggested that it is possible to take emissions from ILUC into account. The best way to tackle the issue would be to put in place separate ILUC CO₂'factors' for each type of biofuel crop.³ The European Commission's own impact assessment also shows that ILUC factors would ensure that the policy delivers the highest GHG savings (70% with ILUC included).⁴ In the current proposal, ILUC factors are only included as a reporting obligation, recognising the science, but stopping one step short of making it relevant for meeting the targets. Introducing ILUC factors would also help investment certainty, which is ensured only when science and policy are aligned.



Deforestation in Sumatra, Indonesia in order to make way for biofuel production

The European Parliament and Council should introduce ILUC factors in the sustainability criteria, specifically in the GHG methodology of both the RED and FQD. These factors should be applied to biofuels produced from all energy crops leading to displacement and would have an effect to phase-out high-ILUC biofuels.

2. STRENGTHEN AND TIGHTEN THE LOWER MANDATE FOR ALL LAND BASED BIOFUELS

The Commission's proposal lowers the contribution of biofuels produced from food crops to more or less current production levels, this is approximately 5%. Sugar, oilseed and cereal based biofuels (also known as "food based biofuels") can only contribute up to half of the 10% RED target. Although this is a step in the right direction, the major shortcomings of this are that it only applies to the RED and not the FQD. Moreover, it only applies to biofuels from food crops, whereas *all energy crops* have the same effect of displacing agricultural (food and feed) crops to other parts of the world.

This means that Member States can still give financial support and incentivise the use of more unsustainable biofuels, not least to meet the 6% FQD target.

The European Parliament and Council should ensure that the 5% lower mandate is tightened, so that no more than 5% of all land-based biofuels can be subsidized or counted to both targets.

² <http://www.transportenvironment.org/what-we-do/what-science-says-0>

³ Edwards, J. et al. (2011): Critical issues in estimating ILUC emissions <http://publications.jrc.ec.europa.eu/repository/handle/111111111/22908>

⁴ Add link to ILUC IA.

3. ENSURE THAT ADVANCED BIOFUELS ARE TRULY SUSTAINABLE AND REDUCE GHG EMISSIONS

The European Commission's proposal offers incentives for next generation biofuels by introducing quadruple counting for their energy content towards the RED target. This "creative accounting" is taking us a step further away from ensuring that renewables are supported on the basis of their merit in reducing GHG emissions. In order to prevent repeating the same mistake with advanced biofuels, it is important that we introduce correct carbon accounting from the start and also the necessary sustainability criteria or safeguards to avoid negative environmental impacts of these fuels.

The European Parliament and Council should introduce minimum safeguards and criteria to steer the advanced biofuels in the right direction. This should for instance include provisions to ensure that materials promoted do not lead to displacement and verification procedures to prevent fraud.

Where do we go from here?

Biofuels are not the only solution to reduce GHG emissions and to make our transport sector more sustainable. Member States should seriously be looking for alternatives like reducing energy demand and introducing efficiency measures, such as stricter CO₂ standards for cars and vans and promoting the uptake of renewable electricity in transport. Post-2020, no more unsustainable biofuels should be subsidized and no more volume targets for biofuels should be set.

Whilst there are both good and bad biofuels the problem with a quantity target is that it treats all biofuels the same way. BirdLife Europe, EEB and T&E have consistently backed carbon-reduction targets for all transport fuels, such as the FQD 6% target, rather than technology-specific volume targets such as the RED's 10% target. Getting rid of the 10% mandate in RED and accounting for ILUC from biofuels under the FQD, remains our preferred approach – at the latest in a post 2020 policy framework.

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