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- Es gilt das gesprochene Wort -

Speech of Energy Commissioner Andris Piebalgs

At the 6th International Conference on Biofuels "Fuels of the Future 2008" of BBE and UFOP

Berlin, 2 December 2008

Ladies and Gentlemen,

It is a great pleasure for me to be speaking to you at today's conference. Let me first of all thank the German government for supporting this event, which has become one of the leading events of the biofuel market not only in Germany but also internationally. Also, the timing is excellent, as the European institutions are about to finalize negotiations on the future policy on biofuels.

My sincere thanks therefore goes to the organisers for bringing together so many participants from different nations, industries and organisations and for giving me the chance to set out the European Biofuels Strategy. I will do so by placing it in the context of the "Climate and Energy" package proposed by the European Commission earlier this year.

As I am sure you are aware, in the last month there have been intensive discussions on biofuels almost everywhere around the globe. This conference is a good moment to reflect on those discussions.

In my address today I would like to cover the following key questions: What is the Commission proposing? Why are biofuels important? And what is the European Union doing to promote sustainable production of biofuels also in an international context?

The Energy and Climate Package

In **January 2008** the Commission proposed a package of Directives that would implement its "20-20-20" targets all to be achieved in 2020:

20% renewable energy, including a 10% target for renewable energy in transport, 20% greenhouse gas emissions reductions and 20% improvement in energy efficiency.

With its **proposals for legislative measures**, the European Commission has set out a very clear vision of how to implement the Energy and Climate Package and to reach the ambitious targets which had already been broadly endorsed by the EU's Heads of State and Government. It is a package that I believe is bold and ambitious, reasonable and balanced.

Our proposal establishes tough but effective criteria to ensure that the biofuels used in Europe generate real greenhouse gas and other benefits – and indeed, lead the world in establishing strict criteria for biofuels sustainability.

The Commission's analysis showed that these 20% targets, including the 10% target for renewable energy in transport, **are feasible on all fronts**. Binding targets for renewable energy for each and every Member State will clearly lead to a significant expansion of renewable energy across Europe, including the development of renewable energy in transport.

Since we published the proposed law in January, it has been working its way through the **European legislative process**. Discussions are right now intensifying between the EU's 27 Ministers in Council and Members of the European Parliament. Throughout all of this, I have continued to meet with Ministers and Members of Parliament to hear their concerns and to try and help address them.

It is of **utmost importance to keep the momentum** – especially against the background of the financial turmoil: the priority of restoring financial stability should not be allowed to block our efforts to deal with the long term challenges related to climate change and energy scarcity. We must continue to aim for a political agreement at the end of this year. The negotiations between the institutions are intense and delicate, but a compromise is close at hand that should satisfy all.

The importance of biofuels

But let's turn now to biofuels ... **Biofuels are important** because they help tackle two of the most fundamental challenges we face in energy policy.

First, transport depends on oil for 98% of its fuel. That **degree of dependence** would be a worry whatever the fuel. It is of double concern given that the fuel in question is oil – the fossil fuel of which global supplies are lowest, that are concentrated in the fewest hands, and of which the EU has least. We need to pursue many solutions to this problem; but today, biofuels are just about the only large-scale option available to diversify fuel sources in the transport sector.

Second, **greenhouse gas emissions** from transport are growing fast. This growth threatens to cancel out the savings being made elsewhere. On present trends, transport will account for more than 60% of the EU's increase in carbon dioxide emissions between 2005 and 2020. At EU level, there are just two policies with the capacity to make a big difference to this trend: vehicle efficiency improvements and vehicles powered by renewable energy, of which biofuels are particularly important. We must promote them both strongly and simultaneously.

Biofuels offer other opportunities, too. They can contribute to employment in rural areas, both in the EU and in developing countries and they offer scope for technological development, for example in second-generation biofuels.

For all these reasons, biofuels are a key part of our energy policy.

The EU's policy for promoting sustainable production of biofuels

The 10% renewable energy in transport target will almost inevitably mean a significant increase in biofuel consumption. It is, of course, essential to ensure that this increase is fulfilled in a sustainable way. Although most biofuels are likely to be produced in a sustainable manner, the risks, for example, regarding greenhouse gas emissions and biodiversity, are considerable if they are not.

We cannot just sit back and assume that sustainable production will happen automatically. It is important that our measures to implement our climate change and renewable energy policy do not have negative side-effects on the environment. Therefore, the proposal includes **environmental sustainability criteria for biofuels** that count towards the 10% target or receive support from the EU Member States. In drawing up the criteria the Commission relied upon consultation of stakeholders from within and outside the EU.

The proposed criteria include the following:

First, a **minimum greenhouse gas saving** compared to fossil fuels in order to ensure that biofuels contribute significantly to the objective of reducing greenhouse gas emissions;

Second, **areas that contain high carbon stock** should not be converted for biofuels. This is to avoid the risk of causing big greenhouse gas losses through the release of carbon stored in the soil and in plants;

Third, **areas with high biodiversity** should not be used for biofuels production in order to avoid disturbing biodiversity and disrupting natural habitats.

These rules will, of course, apply equally to domestically produced biofuels and to imports.

The Member States and the European Parliament are currently discussing this proposal. Some would like to add additional criteria to further ensure the sustainability of the biofuels we use. From the Commission's point of view, I think it is very important that the sustainability criteria are effective and non-discriminatory. It is, however, also important to make sure that the criteria can work in practice and do not place undue burden on biofuels producers.

As I have mentioned, there have been intensive discussions on biofuels in the last year. These have focussed mostly on the **relation between biofuels and food prices**. The increase in food prices is an important issue and the Commission has taken rapid action in that area. However we have concluded that our biofuels production has little impact on current global food prices. Many statements made on the relation between biofuels and food prices were out of proportion.

Nevertheless, we take the discussions seriously and food prices are one of the issues that will be addressed in the monitoring of our policy.

This leads us to the next question: **'Is there enough biomass to produce biofuels and how much should we import?'**

Globally, there is enough biomass for energy production. The limiting factor is expected to be cost rather than technical availability.

The impact of the Directive on land use is relatively modest. From a technical perspective, the EU has enough land to fulfil the 10% target entirely through domestic production.

In practice, however, we think that such an approach would be neither likely nor desirable. Instead, we aim at a "balanced approach" under which domestically produced biofuels and imports will both contribute to meeting the EU's growing needs.

In order to achieve the 10% biofuel share as efficiently as possible, we should encourage "**second-generation**" biofuels that can be made from a wider range of raw materials, such as organic wastes

and woody material. This will increase the security of supply benefits of the policy, as well as its environmental performance.

Conclusions

The European Commission continues to believe that the case for biofuels is strong. Therefore strong promotional efforts are required. However, at the same time we must ensure that our biofuels policy is based on stringent sustainability criteria and monitoring rules. By adopting such rules the **EU wants to positively influence not only the international biofuels market but also other markets using the same feedstock to adopt the same stringent sustainable and responsible criteria.**

Without such criteria biofuels will not be politically acceptable. Europe has been the key driver behind the Kyoto Protocol and international efforts to reduce the greenhouse gas emissions. Similarly, we want to assume a leading role on developing international sustainability standards. It is also worth underlining that this is in the interest of biofuel producers and of countries that are or want to become biofuel exporters.

Therefore, it is of utmost importance that we work together internationally for **convergence** on biofuel sustainability – both on the **criteria** that will be set for biofuel use in each country or region, and for the **procedures** to be used to verify these.

I am just back from the International Biofuels Conference organised by the Brazilian Government in Sao Paulo and am still full of inspiration. The Conference was a good occasion to discuss all aspects of biofuels, including security of supply, sustainability and development of second generation biofuels between different countries.

When one country or region adopts a sustainable policy of biofuel development, everyone gains as we all profit from the consequent reduction in greenhouse gas emissions; the further development of biofuels to become an increasingly credible alternative to oil-based fuels in the transport market; and the emergence of new opportunities for economic development in rural areas.

Each country's experience – inside and outside Europe – offers lessons that others can draw on. At EU level we have learnt a lot from the pioneering efforts of certain Member States, like the German and Swedish experiences, and from others internationally, like Brazil.

The EU will soon adopt legislation which will require all Member States to make efforts to introduce renewable energy in the transport sector. Biofuels offer an excellent opportunity for doing so. And with strict criteria for their environmental performance, they can make a significant contribution to meeting our energy and environmental challenges and targets for 2020 and beyond.

Thank you very much for your attention!