Consultation Brief

The European Commission has proposed an ambitious biomass action plan (COM (2005)628) and biofuels strategy (COM (2006)34) as instruments to support Europe's Energy Policy objectives. In presenting this plan, it was noted that targets for energy produced from renewables will not be reached unless support schemes are optimized and barriers removed.

Biomass presents the opportunity to reduce Europe's dependence on fossil fuels, cut down of greenhouse gas emissions whilst securing competitiveness, sustainability and security of supply. The increased use of biomass could also create employment especially in rural areas as well as put a downward pressure on the price of oil as a result of lowered demand. Biomass currently meets 4% of the EU's energy needs and presently accounts for about half of the renewable energy in the European Union.

Therefore this Action Plan sets out coordinated action to develop cost effective measures at European level to exploit this potential to the maximum. It provides a clear way forward for major European industries in the sectors of heating, electricity and transport to increase the development of biomass energy by creating market-based incentives and removing barriers to the development of the market. The Action Plan also address the cross-cutting issues, considering the measures required to ensure availability of an adequate supply, EU financial support and it also proposes that the 7th Framework programme gives priority to biomass research.

More than 20 actions to be implemented are announced. For example, in the transport sector the Action Plan includes measures to promote obligations by which suppliers will offer a minimum proportion of biofuel. The Commission will also assess the usefulness of reviewing the biofuels directive to deliver better penetration levels and review how fuel standards could be improved to encourage the use of biomass for transport, heating and electricity generation.

In Malta, biomass from agricultural or food industry waste may be utilised for transport, in furnaces or for generation of electricity or combined heat and power. It is not believed that there is much potential for energy crops in Malta, because of area and water constraints.

The Commission is now looking at whether the objective of promoting biofuels still valid and whether poor performing biofuels should be distinguished from better performing ones. It is also looking at the reference value of 5.75% for the market share of biofuels in 2010 and whether the system of targets for biofuels need to be adapted, in addition to a number of more technical issues. The Authority has been requested to give its position to Government. Your input would be highly appreciated as it would help us present a position that takes into account the position of other stakeholders. We would appreciate any comments on mra@mra.org.mt by the end of September 2006.

Annex – Questions posed by the Commission

1. From the adoption of the directive in 2003, the cost of conventional transport fuels has more than doubled and competition has increased as well. However, by using biofuels, gas emissions and security of energy supply can be obtained at lower costs. Besides this, the advantages of biofuels are offset by negative impacts on consumers and the economy.

   Is the objective of promoting biofuels still valid?

2. The directive sets the reference value for the share of biofuels at the end of 2010 of 5.75% of the petrol and diesel market. Some Member States consumed more than their national indicative target, while others consumed less.

   (a) With existing policies and measures, will biofuels achieve a market share of 5.75% in the European Union by the end of 2010? (Please give reasons for your answer)

   (b) What are the main factors favouring the development of biofuel use in the EU? What are the main obstacles?

3. The biofuels directive establishes "reference values" – market shares of 2% by the end of 2005 and 5.75% by the end of 2010. Given today's high oil prices, biofuels still cost more than conventional fuels. Therefore, targets can only be achieved if biofuels provide some benefits. Some examples of support to encourage the supply include aids for the cultivation of raw materials and for the capital cost of biofuel processing. However, support systems should also be designed to encourage demand. The main options available are tax reductions/exemptions, and/or biofuel obligations where fuel suppliers are required to achieve a given proportion of biofuel within the total amount of fuel they place on a given market, and or that each litre of petrol or diesel sold should contain a proportion of biofuel. But the latter option contravenes the present EU fuel quality directive.

   (a) Looking towards 2010, is the present European system of indicative targets and support for biofuels appropriate or does it need to be changed?

      The Commission has not decided whether it will be necessary to change the European system of targets and support. If it is to be changed, this could be done in different ways. Then options are set out below:

      Option A: The biofuels directive is amended to fix targets for each Member State. These targets are mandatory – that is, failure to achieve them automatically places the Member State in breach of Community law.

      Option B: The system of fixing national indicative targets is retained. The biofuels directive is amended to state explicitly that, once fixed by Member States, these targets are mandatory.

      Option C: The system of fixing national indicative targets is retained. The biofuels directive is amended to define more precisely the

circumstances under which these targets may differ from the reference value.

Option D: The biofuels directive is amended to require Member States to use biofuel obligations (requiring fuel suppliers to incorporate a given percentage of biofuel in the total amount of fuel they place on the market) as a tool to achieve national targets.

Option E: A biofuel obligation is imposed at Community level on each fuel supplier.

Option F: The fuel quality directive is amended to permit Member States to impose mandates on fuel suppliers (laying down a minimum proportion of biofuel to be contained in each litre of fuel sold). Here the comment should be made that without EU harmonisation of the minimum proportion, this risks to create a serious internal market barrier.

Option G: The fuel quality directive is amended to require all fuel sold in the EU to contain minimum proportions of biofuel (a European mandate).

Option H: The Commission attempts to negotiate with the oil and vehicle industries a voluntary agreement to achieve the 5.75% reference value.

Option I: All fuel is labelled to show the proportion of biofuel it contains. (At present, only fuel with a biofuel content above 5% has to be labelled.)

Option J: A campaign is organised to inform consumers of the benefits of biofuels.

Some of these measures are mutually exclusive – for example options A, B and C. Others can co-exist – for example, option D is compatible with all those three options.

(a) What are your views on the advantages and disadvantages of the options described in section 3.2 of this paper?

(b) How should the option(s) you favour be put into practice?

(c) Should other options other than those in section 3.2 be considered?

(d) If your preferred option(s) would have implications for granting tax reductions/exemptions for biofuels, for example if these fiscal measures had to be prohibited, would that change your answer?

(e) Should Member States be able to provide tax reductions/exemptions and lay down biofuels obligations at the same time – or should it be "one or the other"?

4. The EU has adopted measures aimed at ensuring the environmental sustainability of agricultural production and an obligation to maintain the proportion of land that

is under permanent pasture. Circumstances under which the possible negative effects exceed the greenhouse gas benefits of biofuels should the avoided.

(a) Should there be a system – for example, a system of certificates - to ensure that biofuels have been made from raw materials whose cultivation meets minimum environmental standards? If so,
- What should be addressed in the standards?
- How should the system work? Are there good models to draw on?
- Should the biofuels directive be amended so that only biofuels which comply with environmental sustainability standards count towards its targets?

(b) Should a wider system of certificates be introduced, indicating the greenhouse gas and/or security of supply impact of each type of biofuel? If so,
- How should this certification system work?
- How should the greenhouse gas and/or security of supply benefits of different biofuels be measured?
- Should biofuels with good greenhouse gas and/or security of supply performance be rewarded within biofuel support systems for biofuels? If yes, how?

(c) Should there be a scheme to reward second-generation biofuels (made with processes that can accept a wider range of biomass) within biofuel support systems?

5. (a) Should the EU continue acting in favour of biofuels after 2010?

(b) If the EU is to continue acting in favour of biofuels after 2010, should this action include or exclude the definition of a quantified target for biofuels?

(c) Should EU action include the following measures (which could be pursued without defining a quantified target):
   a) support for research, development and dissemination of good practice?
   b) continued Community financial support for the supply of biofuels and their feedstocks?
   c) continued scope for Member States to support biofuels through tax reductions/exemptions?
   d) the labelling of all fuel to show the proportion of biofuel it contains?
   e) a campaign to inform consumers of the benefits of biofuels?
   f) any other options?

(d) If the EU is to define a quantified target for biofuels after 2010, what should it be? What year(s) should it relate to - 2015? 2020? both?

(e) If the EU is to define a quantified target for biofuels after 2010, should this be expressed in terms of
- market share (as in the present directive)?
- greenhouse gas savings from biofuel use?
- reduced oil consumption from biofuel use?

- reduced fossil fuel consumption from biofuel use?

(f) If the EU is to define a quantified target for biofuels after 2010, should this remain a purely political step (accompanied by monitoring) or should it be given concrete form? If the latter, should this be in the form of:
a) adding reference values for later years to the biofuels directive as presently drafted?
b) one or more of the options in section 3.2?
c) some other form?

6. (a) Do you have any comments on the following issues, listed in the biofuels directive for inclusion in the Commission's progress report:
a) the cost-effectiveness of the measures taken by Member States in order to promote the use of biofuels and other renewable fuels?
b) the economic aspects and the environmental impact of further increasing the share of biofuels and other renewable fuels?
c) the life-cycle perspective of biofuels and other renewable fuels [and] possible measures for the further promotion of those fuels that are climate and environmentally friendly, and that have the potential of becoming competitive and cost-efficient?
d) the sustainability of crops used for the production of biofuels, particularly land use, degree of intensity of cultivation, crop rotation and use of pesticides?
e) the assessment of the use of biofuels and other renewable fuels with respect to their differentiating effects on climate change and their impact on CO2 emissions reduction?
f) further more long-term options concerning energy efficiency measures in transport?

(b) What are the prospects for second-generation biofuels that can be made from a wider range of biomass? Can they be expected to be cost-competitive with first-generation biofuels and if so by when?

(c) It is sometimes suggested that vehicles can travel more kilometres on a given amount of biofuel than on an equal amount (measured by energy content) of conventional fuel. Are any data or explanations available on this point?

(d) Problems have been reported in interpreting the directive's requirements on the calculation of the contribution of certain types of biofuel (notably ethers such as ETBE). Could the drafting of this directive be improved on this point? If so, how?