Revision of Directive 2003/30/EC

Priorities for the Bioethanol sector

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European Parliament hearing on Strategy for Biomass and Biofuels
Brussels, 1 June 2006

Mr. Chairman,

Mr. Langen,

Honorable members of the Parliament,

eBIO, the European Bioethanol Fuel Association, welcomes the opportunity to express on behalf of the European Bioethanol fuel producers its views on the EU Biofuels strategy.

1. On eBIO

eBIO represents the majority of the EU Bioethanol fuel production as well as the market leaders. The association has been founded 1 year ago and has managed to attract more than 20 members in this period.

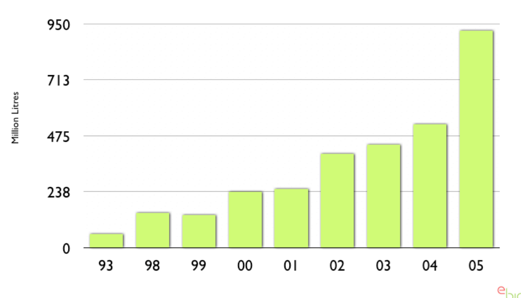
Our goals are:

- Removing public policy, legal and market barriers.
- Reducing uncertainties and risks for investors in the market.
- Changing societies attitudes and perceptions about oil and bioethanol visions.
- Initiating the stepwise progression of system change towards sustainable mobility using bioethanol. And finally,
- Achieve a strategic share of the petrol market.

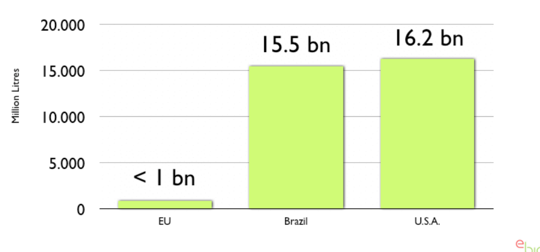
2. The present situation and its challenges

The European Bioethanol fuel industry is relatively young and small. Last year within the EU, some 900 million litres were produced compared with 15 billion litres in Brazil and 16 billion litres in the USA.

EU Bioethanol fuel production



EU v. USA and Brazil
(2005 production)



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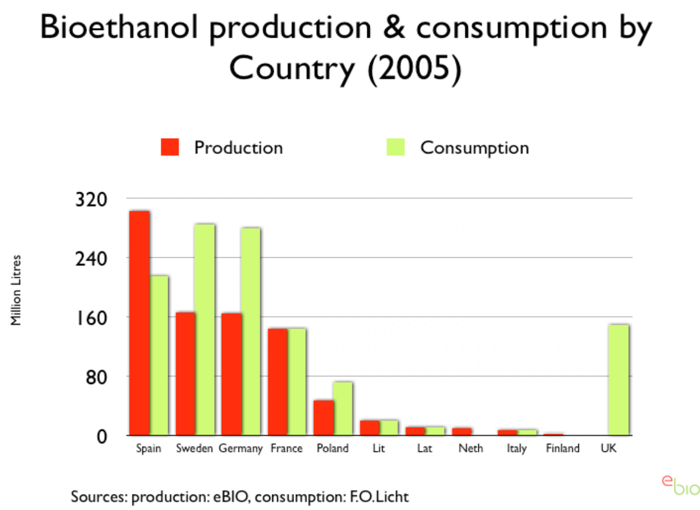
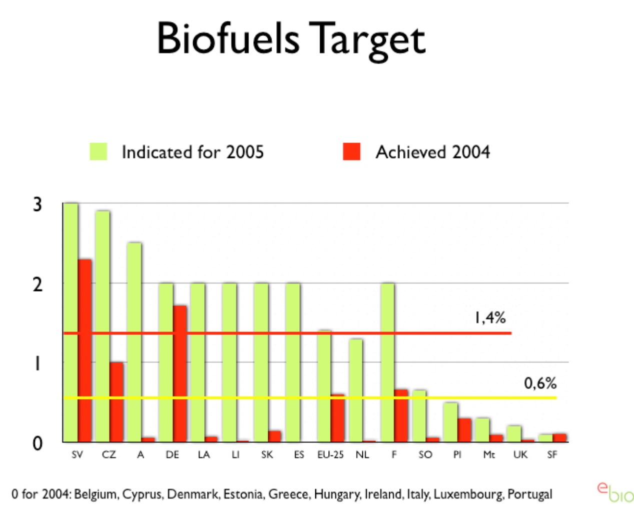
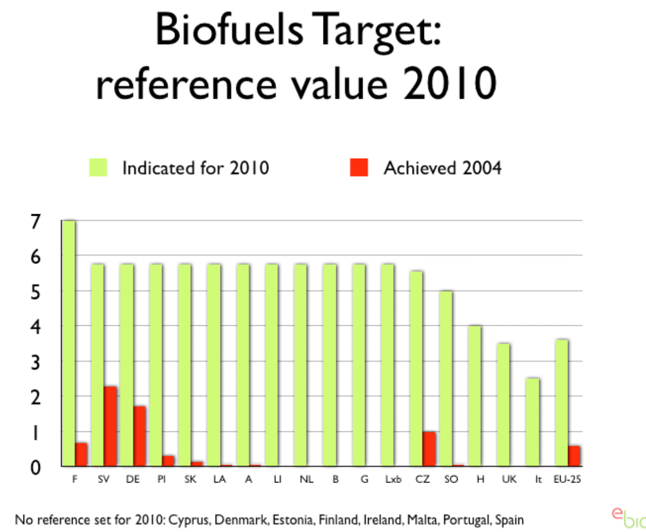
The slide below shows how much bioethanol for fuel the EU produced and consumed in 2005. Almost 30% is imported as we consume more than we produce.



Looking at the broader biofuels picture we see that in 2004 Member States (except Sweden) were still far from achieving the target they had set for 2005.



The gap is even more dramatic if we plot the 2010 targets set by Member States against their 2004 achievement.



It is obvious: a dramatic change of policy is needed.

If we want to realize the 5.75% target by 2010 for bioethanol we would need to expand the production capacity to about 12 billion litres. The investment costs we estimate to be 7 billion Euro at least.

Achieving this industry needs favourable market conditions. We therefore very much welcome the biofuels strategy initiative taken by the European Commission.

At present biofuels policy is predominantly Member State policy. We do have a common framework with the EU biofuels Directive on one hand, but we also have a patchwork of national systems on the other hand. This results in market distortions inside the EU and goes very much against a common market approach.

What we need is a base line: a EU approach allowing for some regional flexibility.

In my presentation I will try to outline this baseline following most of the axes mentioned in the Biofuels Strategy document of the European Commission.

3. Stimulating demand for biofuels

We believe that there are 3 ways to stimulate the demand for biofuels as the present instruments do not deliver enough result.

A) We need to have a European biofuels obligation before 2010 (like is happening now in a the growing number of MS: France, UK, Germany, the Netherlands, Czech Republic, Slovakia, Italy, Austria, Lithuania, Poland and Hungary.) otherwise the target of 5.75% will not be achieved. In case MS want to combine an obligation with tax measures they should be free to do so. An obligation would be "fair" in a way that additional costs for biofuels have to be carried by those using fuels and not by the general public (the polluter-pays-principle).

B) A EU obligation should have separate targets for diesel and petrol (like for example in France, Germany, the Netherlands). Why? Achieving the Kyoto targets is a European-wide responsibility every motorist should contribute to this and therefore a burden-sharing between motorists is necessary. Another argument is the raw material need for biofuel production. In the case of bioethanol production, variety, yield and availability is much better than for biodiesel production.

C) It is necessary to develop a long-term perspective for biofuels. We therefore believe, that we should set targets for beyond 2010 as already recently proposed by the European Council (10% by 2015, 15% by 2020 and 25% by 2030). This is planning-wise important for car manufacturers but it also gives a clear signal to the society as well as investors that biofuels are here to stay.

4. Capturing environmental benefits

All government studies as well as the Commission financed VIEWLS study proved that biofuels contribute to reducing CO_2 emissions. Depending on kind of feedstock and method of production this can be up to 70%. More advanced bioethanol production schemes, also referred to as "2nd generation bioethanol", will deliver even better results because of the use of ligno-cellulosic feedstock and the use of renewable resources for the energy supply to the plant.

However, it is very important to realize that in the case of bioethanol we will only get to that 2nd stage if we actively pave the way. We need R&D and investments credits like in the USA but in a balanced way both for bioethanol and so-called BtL-fuels. Investments should also be stepped up for research in diesel blending with ethanol.

As far as capturing environmental benefits is concerned we are presently faced with restrictions due to the Fuel Quality Directive. The inconsistency with the Biofuels Directive of allowing only up to 5% by volume blending of biofuels should be changed. Also are required a waiver on vapour pressure (like in the USA) and a higher oxygenate threshold.

Finally, we as an industry fully support the condition of growing crops in a sustainable way. However, sustainability conditions needs to apply to all crops whatever their origin and end-use.

5. Expanding supplies of feedstock

Contrary to biodiesel production in the bioethanol sector we are not faced with a food/fuel dilemma.

To achieve the 5.75% target for ethanol we would need some 26 million tones of cereals. That is only 10% of the total volume the EU has produced in the crop season 2005/6. Therefore, the question of raw material supply for bioethanol is far from being problematic.

However, farmers should receive the right incentive to produce for the biofuels market. We should not forget that at present we have 18 million tonnes of cereals in intervention, costing over 200 million Euro. Why not use this for biofuel production?

The changes to the sugar regime might provide new opportunities for farmers, but more importantly we need an extension of the energy crop scheme as already proposed by your Parliament earlier this year. What you proposed (extending the maximum guaranteed area to up to 2.2 million ha and doubling the premium) we fully support.

6. Enhancing trade opportunities

At present the EU is already the biggest importer of ethanol from LDCs (ACP and GSP countries). eBIO does ***not*** want any change to this.

However, imports from Brazil should be related to EU consumption (a percentage). Of course, imports should also comply with sustainability conditions.

Furthermore, bioethanol should stay a sensitive product under the Doha negotiations. Ladies and Gentlemen, it is worth mentioning that the US import duty on bioethanol fuel falls outside the scope of the WTO negotiations, giving US producers the chance to build-up their industry.

What we need for the EU is a single CN code for all ethanol for fuel entering the community. We should realize that too much volume is imported by avoiding proper duties. The present tariff system relates to other ethanol markets such as potable and industrial applications. **A new reality requires a new tariff system.**

7. Wrap up

Ladies and Gentlemen, let me please wrap up what I wanted to convey to you.

Biofuel production means new opportunities in combating climate change, R&D and rural opportunity and employment. We should not forget that for every single hectar we can use for bioethanol production we secure 1 job. My company is processing some 700,000 tonnes of wheat grown on 100,000 ha. That means securing 1,000 jobs in rural areas.

Finally, I would like to remark that we should stop the discrimination between excise on diesel and petrol. The fact that we see a growing dieselization of the EU car park is directly linked to the much lower diesel price thanks to a much lower excise duty.

Mr. chairman, **I conclude**.

If we want the transport sector to contribute to achieving the Kyoto goals, if we want to improve our security of supply of transport fuels and to achieve the 5.75% target we need to have a EU obligation on biofuel use.

However, this obligation should not discriminate between biofuels. Nor should we maintain the present inconsistency in EU legislation on biofuels.

The EU bioethanol fuel industry is committed. It is convinced it can deliver a substantial contribution to getting cleaner fuel on the road, making it cheaper whilst improving at the same time its environmental impact. However, crucial in all of this is getting the right legislative and regulatory framework. To this end we need the support of the European Parliament.

Thank you very much for your kind attention.

Brussels, 1 June 2006

Robert Vierhout, Secretary General

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