

MVO's Position on Biofuel

in the Context of the European Commission's RED II Proposal¹

Introduction

In the Netherlands, the 2009 Renewable Energy Directive (RED) has resulted in investments of approximately 1.6 billion euros in the production and processing of raw materials for conventional as well as advanced renewable biofuels. 99% of the advanced biofuels entering the market in the Netherlands as diesel substitutes are made from used cooking oils (UCO) and animal fats (Category 1 and 2)². With a production of 1.46 million tonnes of biodiesel³, the Netherlands is an important (no. 3) producer and supplier of biodiesel for the European market. This is in part related to the strong oils and fats industry in the Netherlands (no. 1 in the area of refining and storage, and no. 4 in processing oil seeds). With annual revenues exceeding 7 billion euros, the oils and fats industry represents a large-scale economic activity that is key to the trading position and employment in the ports of Rotterdam and Amsterdam. RED provided a tremendous stimulus to European rapeseed production. Currently, approximately 75% of the oil extracted from the rapeseed cultivated by European farmers is destined for the biofuel industry. As such, the biofuels industry has become a strategic partner of the oil seeds processing industry. The protein-rich meal produced by this industry reduces the need for importing of vegetable protein from outside the EU with approximately 10 million tonnes.

Sustainable Development

All raw materials for the biofuels used on EU territory must comply with obligatory sustainability criteria. Production must not result in deforestation. Furthermore, raw materials shall not be cultivated in ecologically valuable areas and cultivation shall not result in draining peat moors. This is enforced by means of mandatory certification on the basis of schedules approved by the European Commission and audited by third parties. Aside from the fact that biofuels are the only products in the world that must comply with statutory sustainability criteria, companies in the oil seeds processing industry are widely working on the sustainable cultivation of various vegetable crops including palm and soy.

In addition, the strict sustainability criteria in the biofuels sector have resulted in improving the sustainability of the supply chain, which also benefits other sectors. Independent research⁴ has shown that today 74% of traders and refineries in Southeast Asia are pursuing a 'no deforestation and no peat exploitation' policy. The increasing transparency within the supply chain and the persisting pressure of community-based organisations, consumers and policymakers, mean that parties without a sustainability policy may be pushed from the market's mainstream, forcing them to conform to the sustainabilisation process.

With due consideration to the above, the oils and fats industry is advocating the following in the context of the RED II Proposal:

¹ [Proposal by the European Parliament and the European Council for a Directive to Promote the Use of Energy from Renewable Resources](#)

² [Report on Energy for the Transportation Sector in the Netherlands 2016](#), Dutch Emissions Authority (NEa).

³ [Statistics Netherlands \(CBS\)/StatLine Database: Liquid Biofuels; Supply, Consumption and Admixing](#).

⁴ [Unsustainable Palm Oil Faces Increasing Market Access Risks: NDPE Sourcing Policies Cover 74 Percent of Southeast Asia's Refining Capacity](#), November 1, 2017, Chain Reaction Research.

1. MVO advocates an **ambitious binding target for the use of renewable energy in the transportation sector by 2030**. This is necessary for reducing CO₂ emissions by the transportation sector and for realising the targets of the Paris Climate Agreement and those of the current Dutch government. A solid ambition adopted in the form of a binding target is furthermore required for attracting new investments in the biofuels sector and in the biobased economy in the Netherlands. This is only possible with a mandatory target of a minimum of 15% by 2030.
2. MVO advocates a consistent and stable government policy that **protects existing investments**, and is **against a reduction of the 7% ceiling on conventional biofuels**. The introduction of the ILUC Directive in 2015 and the introduction of the 7% ceiling on conventional biofuels addressed concerns relating to additional land use. Sustainable biofuels are needed to make the transportation sector more sustainable. The phase out of conventional biofuels does not counter deforestation and furthermore maintains the use of fossil fuels by the transportation sector. There is no scientific consensus whatsoever about the ILUC⁵. Acceptance of controversial ILUC values instead will result in an increased use of fossil diesel. This will inevitably result in major destruction of capital, negative consequences for European rapeseed producers and in the additional import of 10 million tonnes of vegetable proteins for animal feeds.
3. MVO advocates that **products should be evaluated on the basis of actual sustainability performance rather than making an a priori distinction between different raw materials**. An evaluation of this nature must be based on the actual and clearly established performance of the individual production chains pertaining to a reduction in emissions. The application of default ILUC values, such as those listed in Annex VIII of the Commission's proposal, is not representative of all biofuel production methods and there is no scientific consensus on this. **The ILUC effect is already entirely offset through the introduction of the limit, because when there no longer is any growth in volume, biofuels cannot cause an increase in land use and therefore there is no ILUC effect.**
4. MVO advocates a policy that **offers long-term investment security for existing and new advanced biofuels** and that the use of these raw materials must not be limited to the proposed maximum of 1.7% of biofuels on the basis of waste materials and residues. The global availability of these raw materials must serve as the guiding principle. Furthermore, a limit does not attract investments in the collection of raw materials for advanced biofuels (such as used cooking oil) in regions where such collection does not at all or only barely take place.
5. MVO advocates **a level playing field for all raw materials for the production of renewable energy**. Due to the sustainability criteria to be met by raw materials, the European biofuels policy has made an important contribution to the sustainable development of agriculture in large parts of the world. Excluding certain raw materials gives the wrong signal to farmers who have invested effort in making their production sustainable. For certain raw materials, the production volume of sustainable certified raw materials is already higher than the international demand for these certified products. Excluding specific raw materials on the basis of criteria that are not applied to other (competing) raw materials results in a 'Technical Barrier to Trade (TBT)', a trade barrier that is

⁵ [Report of CENER, Wageningen UR and PBL with a systematic analysis of the latest available scientific research and the latest available scientific data concerning the greenhouse emissions of indirect changes to land use \(ILUC\) relating to the production of biofuels and liquid biomass, August 2017 \(presentation\).](#)

in conflict with the WTO rules. Finally, exclusion has a negative and a highly disruptive effect on the international oils and fats market. MVO therefore advocates the **elimination of multiplying factors**, such as the multiplying factor for electricity, due to the unfair competition and market disruption it creates.

6. The **promotion of fuels on the basis of recycled fossil carbon must be limited**, since these fuels do not meet the definition of renewable energy and limit the contribution of actual renewable fuels. In addition, the contribution to CO₂ reduction is unknown and it is unclear how it can be demonstrated that these fuels form part of the waste-based fossil fuels. Furthermore, the Dutch government estimates that due to the lack of a mass balance and sustainability criteria for this fuel stream, the probability of fraud during implementation is high. MVO therefore is calling for the waste-based fossil fuels to be excluded from RED II.