SRA and SDD –
A View from the EU Member States

Dr. Andreas Dorda
Chairman of the Mirror Group
of the Biofuels Technology Platform

Biofuels Technology Platform

Goal:

- 20% of motor fuel consumption by new and alternative fuels as well as a 10% biofuel share in 2020

Need:

- Speed up market introduction of biofuels to accomplish ambitious targets

Accomplishments by 2005:

- Only 2 Member States achieved market share of more than 2%
- 80% of total EU ethanol produced by 4 Member States
- 80% of total EU biodiesel produced by 3 Member States

Perceptions:

- Structural and climatic differences between Member States implies that different support instruments might be appropriate
- Involved industries require long-term predictable policy framework in order to ensure investment security
- Biofuels still need public support for becoming competitive under present conditions

Feedstock subsidies:

Pros:

- Direct support to farmers
- Can be used to influence which and how crops are grown (environmental impact)

Cons:

- Loss of revenue for government
- Only complementary measure (negligible impact on biodiesel and bioethanol costs)
- Limited success so far

Investment subsidies:

Pros:

- Can be major drive for 2nd generation biofuels
- Can steer investment

Cons:

- Only complementary to mandate/tax exemptions for 1st generation as limited impact on fuel price

Fuel quality standards:

Pros:

- Clear framework for industry, confidence for user

Cons:

- Limiting restriction from fossil standards

Tax exemption on biofuels:

Pros:

- Well suited to initiate an 'infant' market
- Easy to implement (if harmonised on EU level)
- Incentive to innovation
- Low market risks
- Can be differentiated to e.g. account for the environmental efficiency
- Suitable to bring pure/high blends into the market

Cons:

- Losses in revenues for governments
- Risk of over- and undercompensation
- Insufficient to reach high shares of biofuels, depending on tax level and oil price
- Complicated system in tax exemption in EU

Obligation for a certain biofuel share:

Pros:

- Improves likelihood that target will be met (depending on the penalty)
- No revenue losses for government
- Efficient polluter pays principle reduces transport demand
- Predictable framework and higher investment security
- Efficient tool to achieve high biofuel shares
- No overcompensation by subsidies possible

Cons:

- More difficult to implement (additional costs for producer and consumer)
- Market risks for producers
- Likely to favour cheaper options like low-blends, imports
- No overachievement of targets makes target setting crucial
- Fewer incentives for innovation
- Risk of technology lock-in
- Limited experiences so far
- Not suitable for high blends

Member states recommendations reflecting SRA & SDD:

- R&D is the key to bring costs down and to multiply the biofuel yield per acreage in order to avoid competition with food production.
- Social acceptance is crucial taking ethical considerations and environmental consequences into account. A certification system is needed to guarantee sustainability standards as foreseen in EU directive.
- Predictable framework conditions needed to establish confidence of investors to implement capital-intensive innovative technologies.
- Efficient information system needed to avoid data misinterpretation.
- Even if national policies are different due to structural and climatic differences member states are united by the common goal of a sustainable transport and energy system and the targets