BRAZILIAN SUGARCANE INDUSTRY ASSOCIATION

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FUELS AND ENERGY FROM RENEWABLE SOURCES:
TRANSITION TO BIOFUELS TO DELIVER GHG SAVINGS
ENVI COMMITTEE – 2012/0288 (COD)
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UNICA Position on European Union Efforts to Amend the RED/FQD and to Account for the Indirect Effects of Biofuels

Summary

Brazilian sugarcane ethanol (BSCE) ticks all the key boxes when it comes to the important environmental and renewable energy issues that are top priorities of the European Union. For such reasons, **BSCE is classified as an advanced biofuel** by the U.S. Environmental Protection Agency (EPA) and by California Air Resources Board (CARB), even when ILUC effects are taken into account.

Although BSCE comprises less than 1% of all ethanol used in Europe today, the product has among the following critical and beneficial characteristics that can help the EU meet its important 2020 climate abatement and energy security objectives:

- It does not contribute to deforestation, as it is grown mostly on degraded pasture land and grown almost entirely in the south-central part of Brazil, far away from the Amazon rainforest;
- It achieves among the highest greenhouse gas (GHG) emission savings (over 70% relative to fossil fuel alternatives, according to the default values in the EU Renewable Energy Directive, and more than 55% when estimated ILUC emissions are accounted for) of all biofuels produced at scale because of its relatively low indirect impacts and the resource efficiency of its production;
- It has a minimal role in the food versus fuel debate.

With the sustainability characteristics of its sugarcane and ethanol industry, the Brazilian Sugarcane Industry Association (UNICA) welcomes European Union policymakers' diligence and efforts in pushing for the consumption of biofuels that have the highest environmental credentials and technical performance.

There are areas though where the European Commission's proposal and the European Parliament Environment Committee's opinion on the Commission's proposal can be optimized to ensure the longer-term durability of the EU's climate abatement and energy security goals. **UNICA makes two overarching recommendations:**

1. **Promote a more nuanced and selective alternative to the current thinking of putting a cap on all conventional biofuels;**
2. **Suggest a better incentive system for stimulating the production and consumption of advanced biofuels, such as advocating a sub-target for advanced biofuels.**

1. Brazilian sugarcane delivers superior, EU-compliant, GHG savings even when ILUC emissions are accounted for and should, therefore, not be capped.

UNICA believes the Commission proposal for a 5% cap on first generation biofuels ignores important differences between conventional biofuels' environmental performance. Further, the Commission proposal wrongly assumes – despite rising scientific evidence – that advanced biofuels, as they are defined by the Commission, are free of ILUC risk and indirect impacts. With its black and white approach, the proposal does not acknowledge the sound environmental performance and sustainability of certain conventional biofuels, like **Brazilian sugarcane ethanol**, and fails to promote their use even when they **have superior environmental credentials when all emissions and environmental factors are taken into account.**

The Commission's 5% cap is also at risk of being discriminatory given the proposal's defined list of advanced biofuels, which are mainly produced in developed regions like Europe. Moreover, the 5% cap ignores other options for reaching the objective of mitigating potential ILUC effects and has the consequence of being **potentially trade-restrictive** to non-EU produced biofuels. Thus, the Commission **proposal is at risk of being *de facto* discriminatory according to origin and vulnerable to breaching WTO rules.**

2. New generation of biofuels should be promoted through well-functioning instruments.

UNICA strongly supports and shares the Commission's goal to encourage the development of new biofuels technologies. However, we consider that the proposed tools, like double and quadruple counting of certain feedstocks, such as waste and residue products, will fall short of this objective. **Experience suggests that double counting has failed to promote the development of innovative technologies and has created market distortions** because the system has been regularly abused and negatively impacted by fraudulent practices. Multiple counting is an artificial accounting mechanism, as senior Commission officials themselves have said, that in practice volumetrically reduces the EU's 10% renewables-in-transport target; consequently and ironically, this perversity leads to more fossil fuel demand because of the fictitiously reduced 10% target.

Moreover, the Commission's list of and definitions of advanced biofuels are arbitrarily drawn, restrictive and fail to provide any sustainability mechanisms to counter the indirect effects that can be caused by the increased use of certain feedstocks that already have other uses, as recent scientific evidence has shown.

The new generation of biofuels should follow *all* of the sustainability criteria mandated for conventional biofuels in Article 17 of the RED and Article 7 of the FQD. This is necessary to ensure a level playing field, technology neutrality and to avoid creating new indirect impacts – a key goal of the Commission's proposal. Negative effects can arise from multiple counting by creating a new market for some feedstock, thereby stimulating demand that can incur land use change and other unwanted impacts. One area of focus should be on those products that simultaneously produce multiple outputs whose responsible utilization has negligible secondary environmental effects.

Two-thirds of the sugarcane energy is stored in the fiber residue known as bagasse and in the leaves. In Brazil, part of these leftovers is currently converted into bioelectricity, but the surplus can be used to produce cellulosic ethanol; such usage is an example of the type of resource and environmental efficiency the EU should encourage.

Moreover, rather than multiple counting, a more environmentally sound policy option is **a dedicated target for a new generation of biofuels of at least 2% by 2020**.

About the Brazilian Sugarcane Industry Association – UNICA

UNICA is the leading trade association for the sugarcane industry in Brazil, representing 60% of the country's sugarcane production and processing. UNICA's priorities include serving as a source for credible information and analysis about the efficiency and sustainability of sugarcane products, particularly ethanol and bioelectricity. The association works to encourage the continuous advancement of sustainable practices throughout the sugarcane industry and to promote sugarcane-based biofuels as a clean, reliable alternative to fossil fuels.

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