

## Position Paper: Indirect Land Use Change (iLUC)

All land use and land use change is associated with environmental and climate effects. This also applies to the production of biofuels. Therefore, it is of vital importance to provide frameworks for the production of biofuels, which in a cost-effective way ensures high GHG-reductions, while managing the environmental and social aspects of the production. This is true whether the production takes place in the EU or outside.

The Confederation of Danish Industry (DI) agrees with the intention of the European Commission's proposal for a revision of the Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD). All real climate and environmental effects must be taken into account, and a solid basis for the marketing of a wide range of sustainable biofuels must be created.

The Commission's proposal compares sustainable production of first generation biofuels with the un-sustainable production. This is unacceptable. The proposal undermines the commercial basis for sustainable production - regardless of feedstock. Instead there is a need for intelligent incentives. The Commission's proposal will not fundamentally change the structures that are causing indirect land use change.

Danish Bioenergy Association proposes the following changes:

**No accounting of iLUC-factors until the scientific base is in order**

1. *No reporting of iLUC values*

The current scientific basis for quantifying the indirect land use changes suffers from faulty assumptions and a methodological approach that does not take existing rules into account. As a consequence there is no basis for reporting of indirect emissions. Furthermore, there is no basis for evaluating existing rules and the current methodologies cannot be used to trace the effect of the proposed changes. This is unacceptable.

**Set a deadline for the development of a peer-reviewed methodology appropriate for regulating iLUC**

2. *Develop a peer-reviewed methodology*

The Council and Parliament must set a deadline for the Commission to present a peer-reviewed iLUC-methodology, correcting existing shortcomings, allowing for differentiation of iLUC values according to region, feedstock and crop rotation, proper assessment of the CO<sub>2</sub> displacement of by-products and changes in soil carbon stocks. The methodology must be able to take into account existing regulations and be able to evaluate the effect of changes.

**No quadruple counting**

3. *No quadruple counting*

A favourable price relation means that double counting has promoted the use of advanced biodiesel. This has, however, not been the case for bioethanol. Quadruple counting does not change this, meaning that there is no reason to introduce this. The current rules on double counting should be maintained.

**Allow targeted incentives for advanced biofuels**

4. *Allow targeted incentives for advanced biofuels*

Instead, double counting should be supplemented by other instruments, making it possible to promote advanced biofuels, where double counting in itself is insufficient. This includes:

- Specific blending mandates for advanced bioethanol.
- Target financial support for the development and market maturing of biofuels, which have a high CO<sub>2</sub> displacement and contribute positively to land use.

**Stop talking about generations and talk instead about sustainability**

5. *No fictive ceiling on first generation biofuels*

The ambition should be that all biofuels – regardless of "generation" - meet the agreed sustainability requirements - regardless of feedstock. In the long term, the misleading distinction between first and second generation should be repealed:

- The cap on 5 % first generation biofuels in the RED should be removed and replaced by a goal for the use of biofuels with "high GHG-savings".
- The GHG-savings threshold for new installations should be increased as proposed by the Commission.
- It should be analyzed to what extent and how this threshold could be increased gradually in the future.

**A targeted effort against iLUC**

6. *An active effort to alleviate ILUC*

We cannot solve all the world's problems in the context of two directives. Therefore, there is a need to supplement the directives with instruments that are appropriate in addressing the structural problems related to land scarcity, undesirable land use patterns and practices, production methods and governance structures within the EU as well as outside.

**A new programme to alleviate iLUC**

Therefore, a program targeted export and implementation of technologies in third countries should be established. A program that can improve sustainability, including resource efficient agriculture and forestry management, energy efficiency, water consumption, and other aspects related to ILUC.

**Policy coherence**

Finally, it should be analyzed how other policy areas - including the common agricultural policy, trade and development policy - can help mitigate ILUC.