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Bio-Fuels

EU Member States revise their biofuels policy

2008

Approved by:

Steve Huete
U.S. Embassy The Hague

Prepared by:

Bob Flach

Report Highlights:

In Directive 2003/30 the European Commission (EC) set indicative non binding goals for biofuels consumption in the European Union (EU). Since the high food prices during the summer 2007, the use of biofuels have been widely under discussion in the EU. Several EU Member State governments also question the sustainability of biofuels production. In this report the policy situation per Member State is summarized.

Includes PSD Changes: No
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This report was a group effort of the following FAS analysts:

Karin Bendz	USEU/FAS Brussels
Mila Boshnakova	FAS/Sofia covering Bulgaria
Bettina Dahlbacka	FAS/Stockholm covering Sweden and Finland
Bob Flach	FAS/The Hague covering the Benelux Countries
Michael Hanley	FAS/Dublin covering Ireland
Marie-Cecile Henard	FAS/Paris covering France
Ioana Ionescu	FAS/Bucharest covering Romania
Roswitha Krautgartner	FAS/Vienna covering Austria
Hasse Kristensen	FAS/Copenhagen covering Denmark
Sabine Lieberz	FAS/Berlin covering Germany
Arantxa Medina	FAS/Madrid covering Spain and Portugal
Jana Mikulasova	FAS/Prague covering the Czech Republic
Ferenc Nemes	FAS/Budapest covering Hungary
Sandro Perini	FAS/Rome covering Italy
Piotr Rucinski	FAS/Warsaw covering Poland, Latvia, and Lithuania
Stamatis Sekliziotis	FAS/Athens covering Greece
Jennifer Wilson	FAS/London covering the U.K.

Introduction

In the European Union (EU), the biofuels market largely depends on mandates and incentives. The main emphasis of these measures is clearly on the consumption side of the balance. Direct production incentives do exist on the Member State (MS) level but are in the minority. In Directive 2003/30 the European Commission (EC) set indicative non-binding goals for biofuel consumption in the EU. The directive sets a goal of 5.75 percent in 2010 for the use of biofuels as transportation fuel, calculated on the basis of energy content, of all gasoline and diesel for transport purposes placed on the EU market. It is left to the MS' discretion which measures they take to achieve the goals. See GAIN report E48063 for more information.

Since the high food prices during the summer of 2007, there have been wide-ranging discussions on the use of biofuels in the EU. Several EU MS governments also want to ensure the sustainability of biofuels production, and demand sustainability criteria such as the achieved greenhouse gas savings and the effect on natural habitats. In the table and text below the policy situation in each MS is summarized.

On 23 January 2008, the EC put forth a proposal for Climate Action. This includes a directive that sets an overall binding target of 20 percent renewable energy by 2020 and a 10 percent minimum target for the market share of biofuels by 2020, to be observed by all MS. In order to put pressure on the MS, the EC proposed to set binding targets instead of voluntary targets previously laid down in Directive 2003/30. The Commission proposal also specifies that biofuels that are used to reach the 10-percent target must comply with certain sustainability criteria. This proposal is currently being discussed between the Council and the Parliament. The Parliament is expected to have a first reading and the Council is expected to make a political decision before the end of the year.

EU Member States goals for the use of biofuels as transportation fuel (% of total fuel use)			
	2008	2009	2010
Austria	5.75	5.75	5.75
Belgium	-	-	5.75
Bulgaria	2.00	3.50	5.75
Cyprus	N.a.	N.a.	N.a.
Czech Republic	2.45	3.43	5.75
Denmark	-	-	5.75
Estonia	-	-	5.75
Finland	2.00	4.00	5.75
France	5.75	6.25	7.00
Germany	-	(6.25) 5.25 ^a	(6.75) 6.25 ^a
Greece	4.00	(5.00) 2.50 ^a	(5.75) 3.00 ^a
Hungary	-	4.50 ^b	5.75
Ireland	2.24	-	3.20
Italy	2.00	3.00	5.75
Latvia	4.25	5.00	5.75
Lithuania	-	-	5.75
Luxembourg	-	-	5.75
Malta	N.a.	N.a.	N.a.
The Netherlands	-	-	(5.75) 4.00 ^a
Poland	-	4.60	5.75
Portugal	5.75	5.75	5.75
Romania	3.00 ^c	4.00	5.75
Slovakia	4.00	4.90	5.75
Slovenia	3.00	4.00	5.00
Spain	1.90	3.40	5.83
Sweden	-	-	5.75
UK	2.50 ^b	(3.75) 3.00 ^{ab}	(5.00) 3.50 ^{ab}
EU	-	-	5.75

(a) Updated or proposed mandate, previous mandate bracketed, (b) Volume based (c) Biodiesel only.
(N.a.) Not available (-) No target laid down

Austria

The target for the percentage of substitution of fossil energy is one object of the current coalition talks between the Austrian socialists (SPOe) and the conservatives (OeVP). The former government's goal of 10 percent substitution of fossil energy by renewable energy (including electricity generation) in 2010 will be reduced most likely.

Belgium

At the moment, the Belgium government is not planning to change their biofuel targets.

Czech Republic

At the moment, the Czech government is not planning to change their biofuel targets.

France

Although the French government recently confirmed its objective of a 7 percent incorporation rate of biofuels into transportation fuels by 2010, it is not likely to increase this target. Moreover, it is expected to reduce significantly, if not eliminate, the fiscal incentive for first generation biofuels by 2012. At the same time, second-generation biofuels are receiving increased attention. See GAIN report FR8020 for more information.

Finland

At the moment, the Finnish government is not planning to change their biofuel targets.

Germany

On October 22, 2008 the German Cabinet approved a proposal to change the support measures for biofuels. The law will reduce the increase in the biofuel mandates for bioethanol as well as the overall mandate for biofuels. Beginning in 2015, the calculation basis for the biofuels mandate will be switched from energy content to greenhouse gas emission savings. The effective increase in the energy tax on 2009 will also be reduced. Most critical for the U.S. is a provision that excludes biofuels made from soybean oil or palm oil from benefitting from the mandates and any tax incentives until the German sustainability criteria for biofuels will be in effect. In addition, biofuels that already received a subsidy – such as the blender's credit – will also be excluded from the German system of benefits. See GAIN report GM8047 for more information.

Greece

Lack of bioethanol and low domestic farm production of vegetable oils are the main causes for updating targets. Two-year long negotiations between the Greek government and foreign firms on bioethanol investments planned by the Hellenic Sugar Industry may be seriously affected by the current economic crisis and thus may experience further delays.

Hungary

If the French EU Presidency concludes new fuel standards with 7 percent biofuels (volume based), Hungary will use those.

Ireland

Ireland's target is 4 percent of volume by 2010 (which equates to 3.2 percent by energy). There is a public consultation paper out at the moment with a target of 6 percent by volume by 2012.

Italy

No changes are foreseen regarding Italy. On the other hand, the national target is 2 percent for 2008 and 3 percent for 2009, while the targets for the following years have not yet been established.

The Netherlands

On November 3, 2008, the Dutch government reduced the blending target for 2010 from 5.75 to 4 percent. The reason for this reduction is the uncertainty of the sustainability of

biofuels. With the reduction the government wants to pressure the biofuels industry to establish proper certification of sustainable biofuels.

Poland

At the moment, the Polish government is not planning to change their biofuel targets.

Sweden

At the moment, the Swedish government is not planning to change their biofuel targets.

UK

A UK government review (The Gallagher Review), published on July 7, 2008, recommended that the rate of increase of mandatory incorporation of biofuels in transport fuels be slowed to 0.5 per cent (by volume) per annum. Another option is to leave the existing targets for biofuel blending in place, and the third option is to freeze the mandatory incorporation rate at the current rate of 2.5 per cent by volume. The public comment period will end on December 17, 2008 and any changes to UK regulations following this exercise will be in place by April 2009. The UK government have publicly stated that the recommendation given in The Gallagher Review is their preferred option. See GAIN Report UK8013 for more information.

Report Number	Country	Title	Date Released
FR8020	France	Changes Proposed in French Biofuels Incentives	11/12/2008
GM8047	Germany	German Government Modifies Biofuel Laws	10/28/2008
FR8012	France	Biofuels Update	08/14/2008
UK8013	UK	Biofuels under fire	07/15/2008
SW8006	Sweden	Annual	07/14/2008
E48053	EU-27	Annual	06/24/2008
E48053	EU-27	EU Agriculture Commissioner's Message on Biofuels and Food Prices	05/14/2008
<p>These reports can be accessed through the USEU mission's website http://useu.usmission.gov/agri/ or through the FAS website http://www.fas.usda.gov/scriptsw/attacherep/default.asp.</p>			