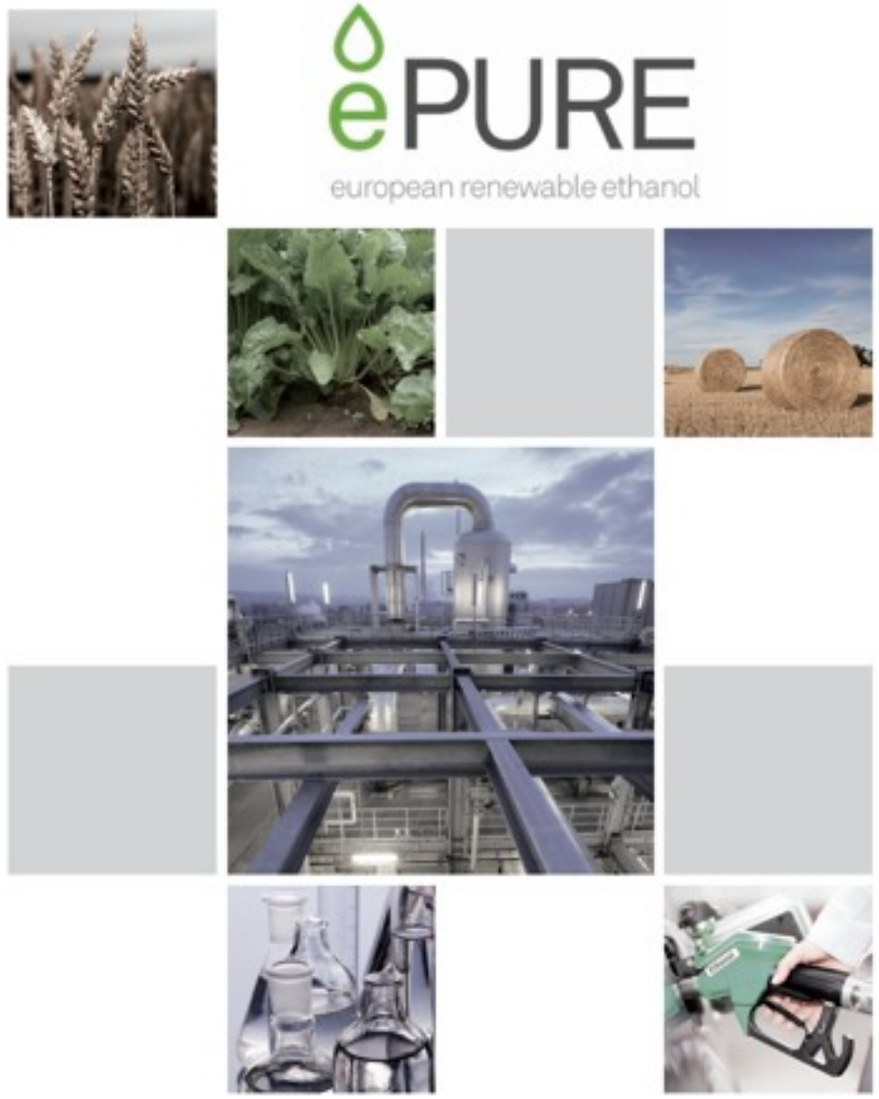

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european renewable ethanol

Biofuels Market in the EU and the EU Political agenda on biofuels

Gloria Gaupmann

Deputy Secretary-General

ePURE

4th International Conference on Biofuels Standards: Current Issues, Future Trends

Gaithersburg, Maryland, U.S.A.

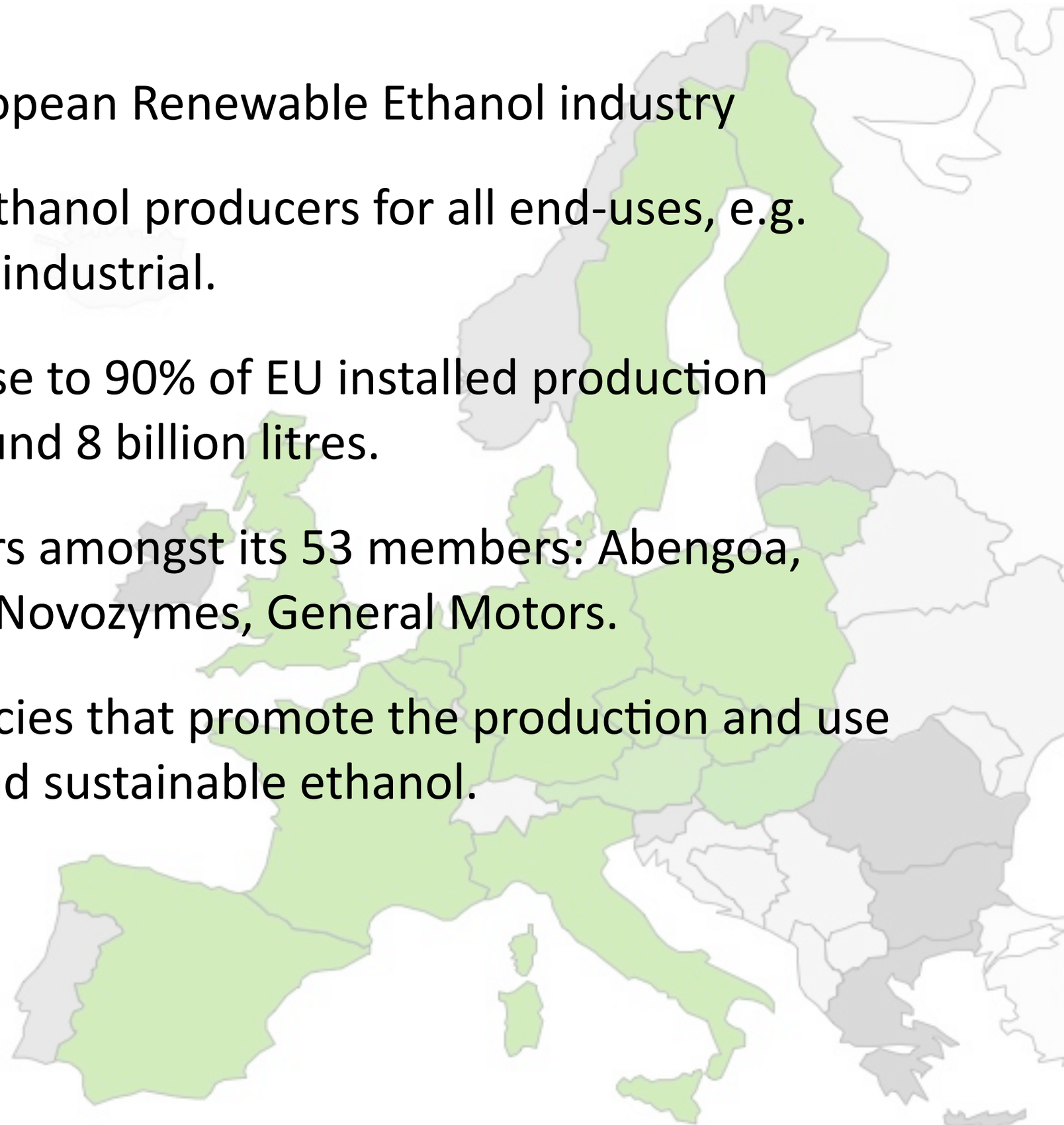
November 13-16, 2012

Outline

- About ePURE
- Some facts about the EU ethanol industry
- The changing policy framework
- Challenges ahead
- Summary

About ePURE

- Voice of the European Renewable Ethanol industry
- Represents EU ethanol producers for all end-uses, e.g. energy, potable, industrial.
- Accounts for close to 90% of EU installed production capacity i.e. around 8 billion litres.
- Has world leaders amongst its 53 members: Abengoa, Tereos, DuPont, Novozymes, General Motors.
- Ensuring EU policies that promote the production and use of renewable and sustainable ethanol.



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Tereos
crop. energies — creative regeneration of power
ABENGOA BIOENERGY
BRITISH SUGAR
CRISTAL UNION
fuel 21 — Member of Nordzucker Group
ensus
Cargill
ENVIRAL — AKCIOVÁ SPOLOČNOSŤ
ROQUETTE
KWST
AGRANA
CLARIANT
alcobiofuel — power of nature
ALTIA — YOUR 1ST CHOICE —
Pannonia Ethanol
Lantmännen Agroetanol
SVS
Inbicon
DUPONT
novozymes — Rethink Tomorrow
AZUCARERA DEL GUADALFEO
SUIKER UNIE
vivergofuels
PRAJ
GM
snpaa
MITSUI & CO. DEUTSCHLAND GMBH
VOGELBUSCH Biocommodities
hveiti — refining life
BIOETAN
vineol — good biofuels
IOI — the energy of innovation
BUNGE
VetterTec — A Moret Industries Company
JZL
bse engineering — Betriebsplaner - Bauplaner
CAL WEST ENERGY EU — Renewable Energy to the World
LALLEMAND ETHANOL TECHNOLOGY
INEOS Bio
U.N.G.D.A
FERMENTIS
KATZEN INTERNATIONAL, INC.
AssoDistil
SVEBIO
BetaTec — hop products
TARKIM
BÜHLER
AkzoNobel — Tomorrow's Answers Today

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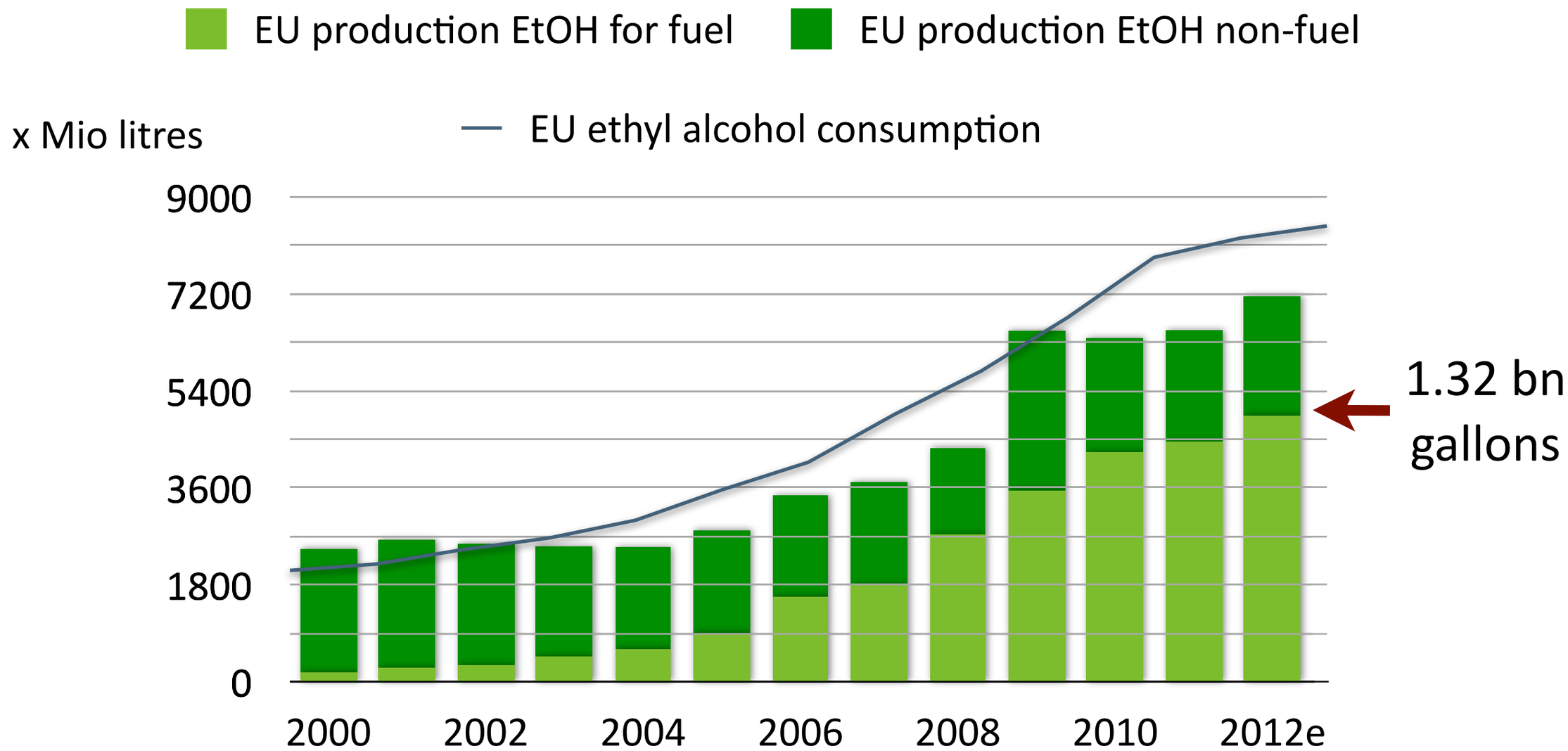
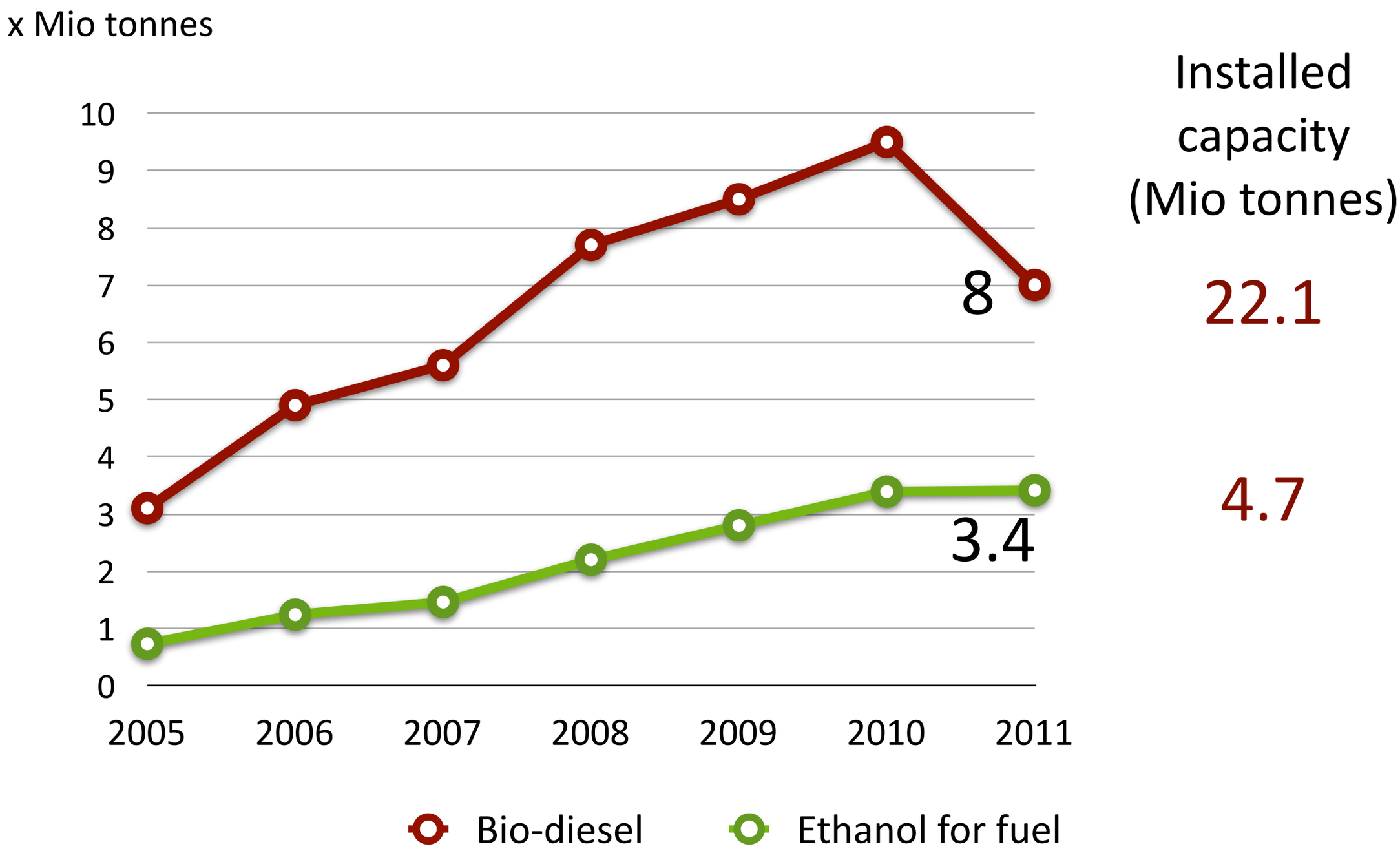
Ethanol production and consumption in the EU (2000-2012e)



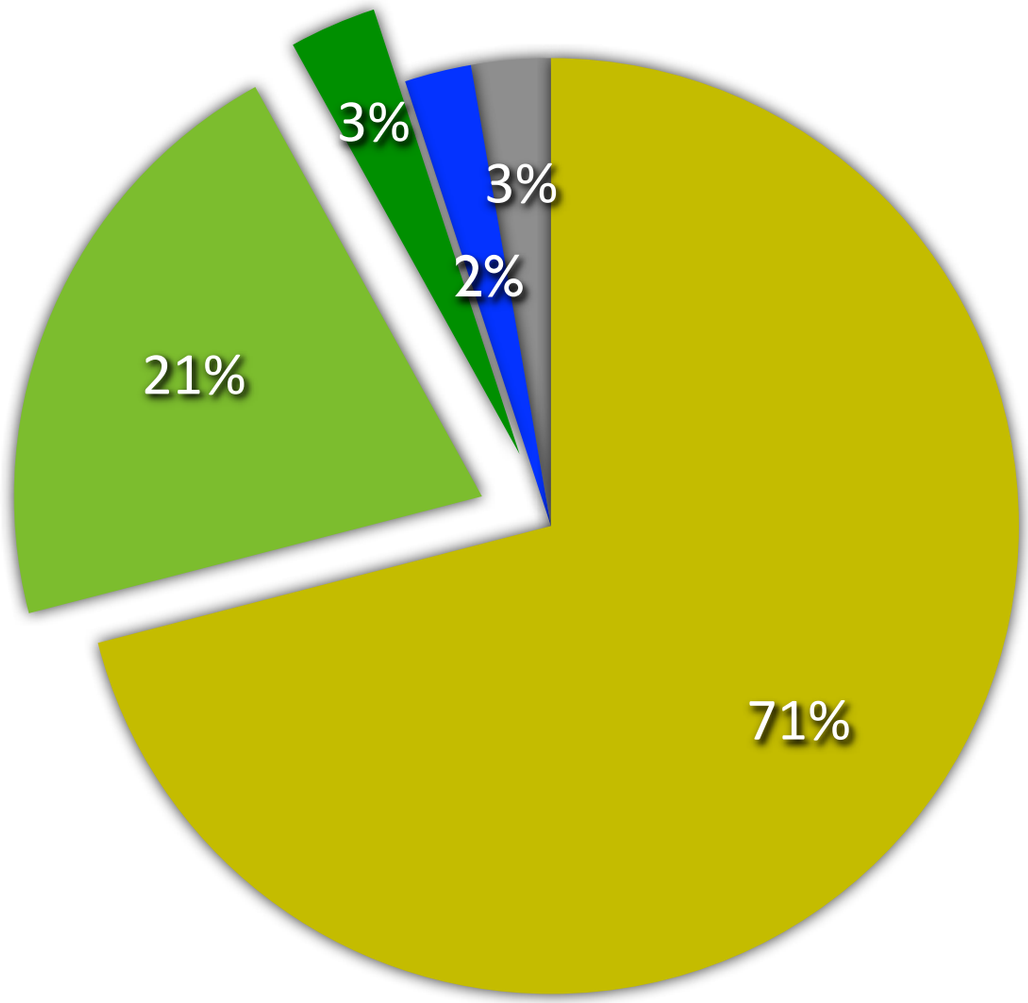
Sources: F.O.Licht's, UEPA, eBIO, ePURE

EU biodiesel and ethanol production for fuel (2005-2011)



Source: ePURE, EBB

Outlook to 2020 for the EU



Biodiesel
Ethanol
Art. 21 (2) biofuel
RES-Electricity
Others

<u>Key conclusions from the Member State's projection:</u>

- Close to 14 billion litres of ethanol needed in 2020
- Predominance of biodiesel
- Hardly any electro mobility or 2G biofuels

Source: NREAP

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The biofuels policy framework (04/2009)

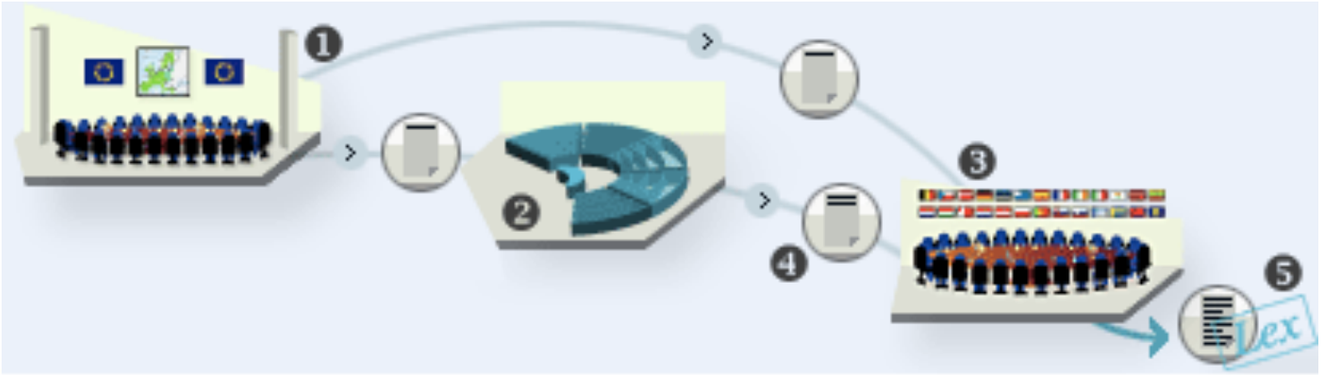
- Mandatory targets for renewable energy shares, including a minimum 10% e/e renewables in transport target in 2020
- Only those biofuels can be used, which generate a clear and net GHG saving (compared to fossil fuel) and that have no negative impact on biodiversity and land use
- The most comprehensive and advanced binding sustainability scheme of its kind in the world
- Biofuels from wastes and residues are rewarded (double counting)
- Fuel Suppliers are obliged to reduce the GHG intensity of their fuels by 6% in 2020

The ILUC proposal (10/2012)

- On 17 October the EC published its proposal on ILUC amending the existing legislation
- The 10% target for 2020 is kept BUT:
  - 5% cap on biofuels from food and feed crops
  - biofuels from wastes and residues count double or quadruple towards the target
  - ILUC factors as reporting requirement only: 55g CO2eq/MJ for oil crops, 12g for cereals, 13g for sugars
  - review in 2017 to possibly introduce ILUC factors into the GHG calculation
  - a phase out of support for conventional biofuels indicated post 2020

Next steps in the legislative process

- We are just at the beginning...
- European Parliament and the Council (member states) have to discuss the Commission's proposal and agree on a compromise
- Time constraint: Parliamentary elections in June 2014 --> first reading agreement
- A political agreement to be expected in 12 months from now
- Both Parliament and Council will amend the proposal and the final law will look different from the EC proposal



EC gave in

A worker holds up a handful of palm fruit at a South-east Asian plantation and mill supplying palm oil to Finnish biodiesel giant Neste Oil. (Munshi Ahmed/Bloomberg via Getty Images)

THE HUNGER GRAINS

The fight is on. Time to scrap EU biofuel mandates.

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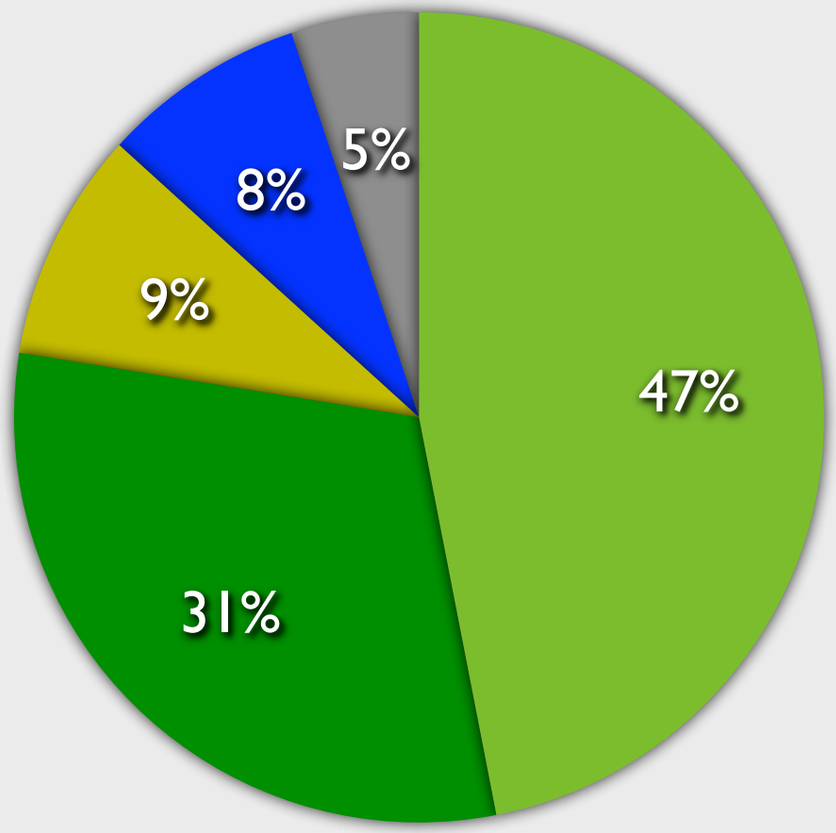
EU ethanol and food: Where is the problem?

- Ethanol is made out of several feed grains and uses 2% of all grains in Europe (0.3% globally; net)
- 3 million tonnes “out of quota” (= industrial) sugar is used for ethanol (5% of EU sugar production)
- The animal feed co-product reduces the EU’s protein deficit: 80% of the livestock feed is currently imported
- Oxfam argues that the grains for EU ethanol could feed 127 million people. If globally applied a total of 15 billion people could be fed
- Farmers grow for real markets and not for virtual ones
- Idle land increases: Every year 0.5 mha arable land fall out of production. The EU plans to force farmers to additionally set-aside 8 mha

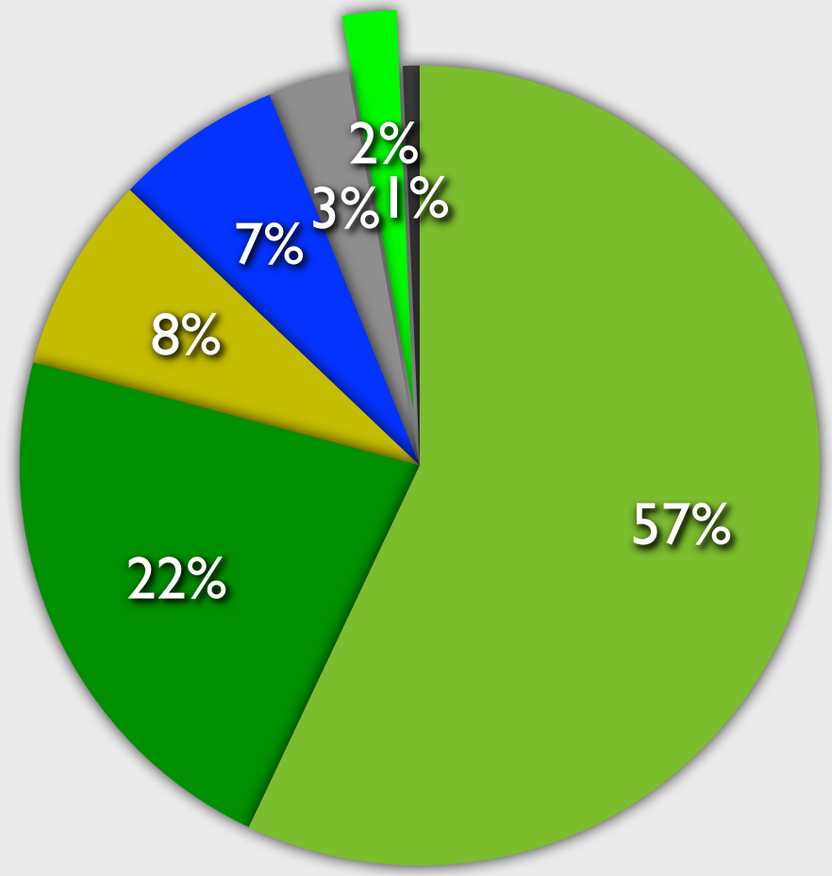
Cereals and ethanol production (2012/13)

Types of cereals used



- Wheat
- Barley
- Triticale
- Maize
- Rye

Uses of cereals



- Animal Feed
- Exports
- Seed
- Losses
- Food
- Industry
- Fuel ethanol

Source: European Commission

View of the EU ethanol industry

- The proposal is an irresponsible policy u-turn
- Double and quadruple counting is an accountancy trick that won't help truly advanced biofuels to come to the market
- The proposal stalls any further investments in the sector
- If adopted the proposal would increase GHG emissions, decrease energy security and end the EU's sustainability path
- ILUC studies show that ethanol is the better biofuel but the proposal does not reflect this
- The easy way out: Instead of resolving ILUC the EC limits conventional biofuels based on unsubstantiated concerns over food and fuel

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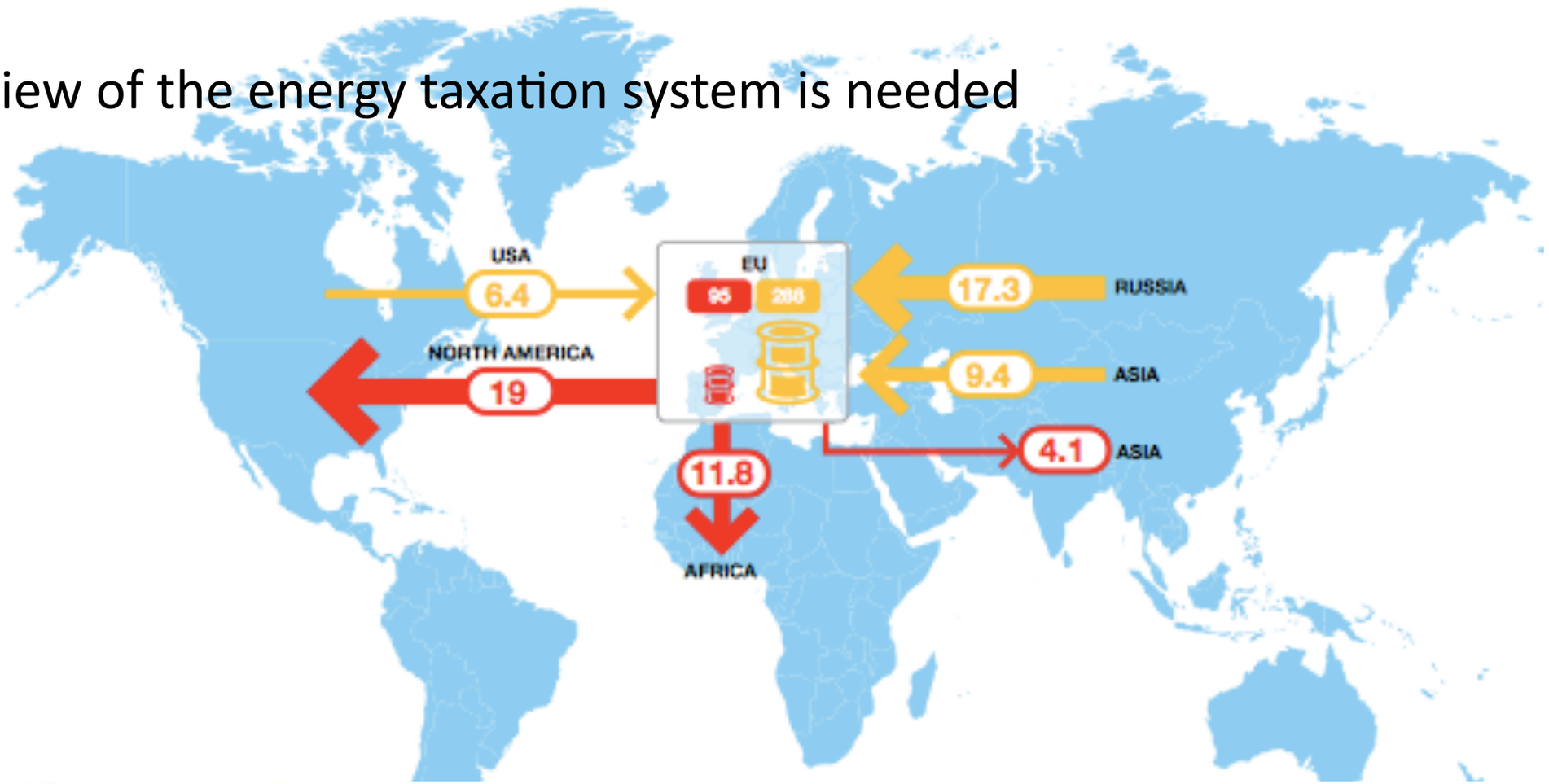
#1: Securing a mandate after 2020

- The major challenge in the next five years is to secure a mandate beyond 2020
- All the noise around biofuels (killing orang-utans, causing food price increase, depriving poor people from food, land grabbing in Africa, ILUC, water use) has made politicians nervous about biofuel mandates
- ILUC proposal first indication of where we might be heading towards
- The unholy alliance of big oil, big food and NGOs is gearing up to call for no new mandates

#2: Addressing dieselisation

- Fast growing diesel fleet in the EU leads to energy insecurity
- EU is short on diesel and long on petrol
- Dieselisation is economically and environmentally unsustainable
- review of the energy taxation system is needed



Source: Europia

#3: Introduce E10 across Europe

- France 2009: Reluctantly accepted by French oil industry but works well: Today 25% market share
- Germany 2011: Sabotaged by car and oil industry in Germany but today 20% market share
- Finland 2011: Today 50% of the market
- Preparing introduction in Sweden, Spain, UK and Austria

#4: Getting beyond E10 - breaking the blend wall

- EU standards do not allow more than 10% ethanol by volume in gasoline
- Considering the limitations on biodiesel use in cars, the adverse impact on the environment of biodiesel, more than E10 will be needed to achieve the targets in 2020
- E20 brings environmental and air quality benefits:
  - Less energy consumed per km driven compared to gasoline
  - helps to significantly reduce CO2 emissions
  - regulated and unregulated emissions are lowered (NOX, benzene, CO, HC, particulate matters)
- Standardisation work needs to start asap

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Summary

- EU ethanol production is still growing, but to grow further we need 3 things: stability, stability, stability
- EC's policy u-turn undermines investor's confidence in both 1G and 2G
- EU ethanol production does not negatively effect global food availability and must thus not be punished through a cap
- To create long term visibility, we need:
  - a post 2020 mandate
  - a level-playing field in terms of taxation
  - E10 in the whole of Europe
  - a roadmap for developing an E20/25 standard

Thank you for your attention!

gaupmann@epure.org

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