

## **High and low Indirect Land-Use Change (ILUC) - risks biofuels, bioliquids and biomass fuels**

These comments are submitted jointly by Biofuelwatch and the Global Forest Coalition (GFC). Biofuelwatch is an environmental NGO based in the UK and US, but working on relevant international, including EU policy issues. It has been providing research, education and advocacy around the impacts of large-scale bioenergy since 2006. GFC is an international coalition of currently 99 NGOs and Indigenous Peoples' Organisations, founded in 2000 to defend social justice and the rights of forest peoples in forest policies. It has undertaken extensive research and joint work on issues that are of high relevance to this consultation and has a significant number of EU-based member groups that also work on many of the issues discussed here.

We are deeply concerned that the European Commission's proposed Delegated Act regarding high-ILUC (indirect land use change) biofuels is so weak that it will not prevent even the most damaging types of biofuels, namely those from palm oil and soybean oil, from counting towards renewable energy targets and being incentivised by Member States.

We believe that all biofuels made from palm oil or soya must be classified as high-ILUC biofuels.

### Background:

Prior to the current EU Renewable Energy Directive being approved in 2009, we were part of an international network of civil society groups that campaigned against biofuel (i.e. renewable energy for transport) targets and warned about the severe impacts those would have on forests and biodiversity, on communities, and on the climate, due to direct and indirect land use change. Sadly, those predictions turned out to have been accurate.

In 2010, when the Directive was first implemented, the EU-27 imported 4.9 million tonnes of palm oil, and by 2018, this had grown to 6.5 million tonnes – an increase of 1.6 million tonnes, according to US Department of Agriculture data.<sup>1</sup> According to Oilworld data, those figures are an underestimate, with EU palm oil imports reaching around 7.8 million tonnes in 2017.<sup>2</sup> 61% of EU palm oil imports are now for biofuels for transport and bioliquids for heat and power combined (54% and 10% respectively). Between 2016 and 2017 alone, EU palm oil imports grew by 7%, and 87% of the increase was due to biofuel demand.<sup>3</sup>

We were disappointed that the EU Renewable Energy Directive II failed to exclude all land-based biofuels, including palm oil and soya, from being incentivised, despite the strong evidence about adverse Indirect Land Use Change impacts. However, we were hopeful that the decision to cap and phase out particularly high-ILUC biofuels would at least ensure the phase out of the two most harmful EU biofuel feedstocks by 2030.

Instead, the proposed Delegated Act would, if adopted, allow even more palm oil and more biofuels being used in future.

### Palm oil:

The GLOBIOM study commissioned by the EC and published in 2015 found that the ILUC emissions associated with palm oil biofuels are around three times as high as the emissions from burning equivalent amounts of fossil fuels.<sup>4</sup>

The Commission's draft Report "on the status of production expansion of relevant food and feed crops worldwide" acknowledges: "*palm oil... qualifies as high ILUC-risk feedstock for which a significant expansion into land with high-carbon stock is observed.*"<sup>5</sup> Yet it proposed loopholes which are not justified by the evidence about palm oil and land use change. Small holdings of up to 5 hectares and palm oil produced on supposedly 'unused' land are to be classified as not resulting in high-ILUC.

The basic principle of ILUC is that increasing the demand for an agricultural commodity raises prices and incentives for expanding cultivation of that commodity elsewhere. Even if small holdings were not responsible for deforestation and peat drainage for palm oil (which is not backed by the evidence either), this would only reduce the risk of direct land use change, not that of ILUC. And direct land use change involving deforestation and peat drainage is already meant to be addressed by existing sustainability standards, even though their effectiveness has never been convincingly proven and is put into question by several studies. Provisions in REDII about high-ILUC biofuels are meant to go beyond existing sustainability standards.

In this context, we would like to point out that there is strong evidence that existing EU biofuel standards are not effective. For example, a study about EU biofuel sustainability criteria and land acquisitions in Africa concluded: "the EU sustainability criteria seem to be ineffective in guaranteeing and verifying the sustainability of the European land investments in Africa".<sup>6</sup> And a study about biofuel governance found: "an increasingly stringent sustainability framework, the hybrid EU governance arrangements resulted in a proliferation of relatively lax, industry-driven, sustainability standards, even as the notion of 'sustainable biofuels' remained contested in public and political debate".<sup>7</sup>

In order for the high-ILUC biofuel criteria to be effective, it is vital to ensure that it follows the science and applies to types of feedstock, rather than seeking to replicate existing sustainability standards which are poorly enforced if at all, and which focus exclusively on direct land use change.

Palm oil '**small holders**' are very often contract farmers, tied into having to produce and deliver palm oil to palm mills owned by large plantation companies and traders. In Indonesia, for example, government policies previously supported the 'nucleus estate' system whereby land owned by a plantation company was surrounded by contract farmers who supplied the plantation company and carried all of the economic risks. Now, policies reportedly favour contract farmers who, together, have a 20% share in plantations and are virtually indistinguishable from other plantation workers.<sup>8</sup> Suggesting that such arrangements mitigate against high ILUC emissions is absurd.

The **concept of 'unused land'**, meantime, is not just unscientific but offensive: All land is used in some way, even land that isn't used by humans. There is a long history of land grabbing being justified with claims that customary and other community lands which may be used by small farmers, pastoralists, Indigenous and other forest-dependent peoples, etc. are 'abandoned'. Biofuel blenders and importers will not be able to trace what can be a complicated supply chain and identify previous land use. Furthermore, there are no social criteria included in EU biofuel 'sustainability standards' and certification schemes do not even claim to certify 'unused land'.

The proposed loopholes are therefore an open invitation allow unlimited amounts of palm oil, regardless of its indirect land use change impacts, to be used and supported under the RED II. This is contrary to the position of the European Parliament, amongst others.

## Soya:

So far, biofuel refiners and blenders have favoured palm oil over soya, presumably because palm oil remains the cheapest type of vegetable oil available on a large scale. However, if palm oil alone was excluded from incentives under the Renewable Energy Directive II, we would expect soybean oil use in biodiesel to greatly increase because this remains cheaper than sunflower oil or rapeseed oil, the most important alternatives.<sup>9</sup>

The GLOBIOM study found that ILUC emissions from soya biodiesel are approximately twice the carbon emissions from equivalent amounts of fossil fuels. The European Commission's draft report appears to heavily rely on submissions by Agroicone, a Brazilian industry institute set up by trade negotiators and provides services to agribusiness organisations.<sup>10</sup> We do not consider this to be a reliable source.

We note that the draft report acknowledges that most of the soya expansion in Paraguay and Bolivia between 2008 and 2017 has been at the expense of forest. However, we are deeply concerned about the low figures suggested for deforestation linked to soya in the Brazilian Cerrado. A study published in 2018 shows that the reduction of soya-related deforestation in the Amazon directly correlated with increased land conversion in the Cerrado.<sup>11</sup> Natural Cerrado vegetation includes both dense forests, wooded and open savannah. It is considered to be the world's most biodiverse savannah and we are deeply concerned that the European Commission bases its view that soya is not a high-ILUC biofuels feedstock to a large part on the (questionable) assumption that most of the Cerrado that is being destroyed for soy is not classified as 'forest', even when it is savannah that is rich in carbon and harbours many of the regions 10,000 different plant species.<sup>12</sup> Furthermore, no attention is paid to the most likely future areas of soy expansion, nor to the displacement of other crops into forests.

It is widely recognised that soya is one of the four commodities that are the biggest drivers for deforestation worldwide (together with palm oil, beef and wood products). The European Commission claim that its impact on deforestation and indirect land use change is minor, is clearly unfounded and not substantiated by any scientific research.<sup>13</sup>

Lastly, we would like to highlight that the above-mentioned concerns regarding the qualification of "unused land" and the overall concern that there will always be ILUC when the production of a major commodity increase are highly relevant for soya and other biofuel feedstocks as well.

- 1 <https://www.indexmundi.com/agriculture/?commodity=palm-oil&graph=imports-growth-rate>
- 2 <https://www.transportenvironment.org/publications/seven-facts-about-palm-oil-biodiesel>
- 3 <https://www.transportenvironment.org/sites/te/files/Europe%E2%80%99s%20cars%20driving%20deforestation%20in%20South%20East%20Asia.pdf>
- 4 [https://ec.europa.eu/energy/sites/ener/files/documents/Final%20Report\\_GLOBIOM\\_publication.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/Final%20Report_GLOBIOM_publication.pdf)
- 5 [https://ec.europa.eu/energy/sites/ener/files/20190212\\_draft\\_report\\_-\\_post-isc\\_final.pdf](https://ec.europa.eu/energy/sites/ener/files/20190212_draft_report_-_post-isc_final.pdf)
- 6 Effectiveness of EU biofuels sustainability criteria in the context of land acquisitions in Africa, Stefania Bracco, Renewable and Sustainable Energy Reviews 50 (2015)
- 7 Toward Sustainable Biofuels in the European Union? Lessons from a Decade of Hybrid Biofuel Governance, Sarah L. Stattman et.al., Sustainability 10 (2018)
- 8 <https://theconversation.com/palm-oil-politics-impede-sustainability-in-southeast-asia-57647>
- 9 See for example <https://cereals.ahdb.org.uk/markets/market-news/2017/february/16/prospects-what-factors-could-affect-rapeseed-oil-market-going-into-201718.aspx>
- 10 <http://www.agroicone.com.br/default.asp>
- 11 Spillover effect offsets the conservation effort in the Amazon, Dou, Y., da Silva, R.F.B., Yang, H. et al. J. Geogr. Sci. (2018)
- 12 [http://wwf.panda.org/knowledge\\_hub/where\\_we\\_work/cerrado/](http://wwf.panda.org/knowledge_hub/where_we_work/cerrado/)
- 13 <https://www.ucsusa.org/global-warming/stop-deforestation/whats-driving-deforestation>