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European agricultural policy and the promotion of biofuel technologies

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Outline



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1. EU biofuels policy – impacts on agriculture
2. Land use for biofuel feedstocks
3. CAP support for energy crops
4. "Health check" of the Common Agricultural policy



EU Policy for biofuels



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- ❖ **Part of an integrated energy and climate policy**
- ❖ **Main objectives**
 - Reduce GHG emissions from transport
 - Reduce dependency on oil in transport
- ❖ **Additional benefits**
 - Innovation and technological development
 - Employment and new opportunities for rural areas
 - Opportunities for developing countries



10% of biofuel Impact on agriculture



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In 2020:

❖ Use of agricultural land:

- **15% of EU-27 arable land (17.5 Mio ha)**

❖ Prices of agricultural commodities

- **Cereals: +3-6%**
- **Rapeseed: +8-10%**
- **Sunseed: +15%**
- **Oil-meals: -25-40% (chaper feed!)**

Land use for biofuels	Area (Mio ha)
Oilseeds for biodiesel	2.9
Cereals for bioethanol	12.3
Sugar beet for bioethanol	0,6
Short rotation coppice & straw (BTL)	1.7
Total area for biofuel production	17.5
Non-biofuel arable production	91.6
Idle arable land	4.7
Total arable land	113.8
Share of imports	20%
Share 2nd generation	30%

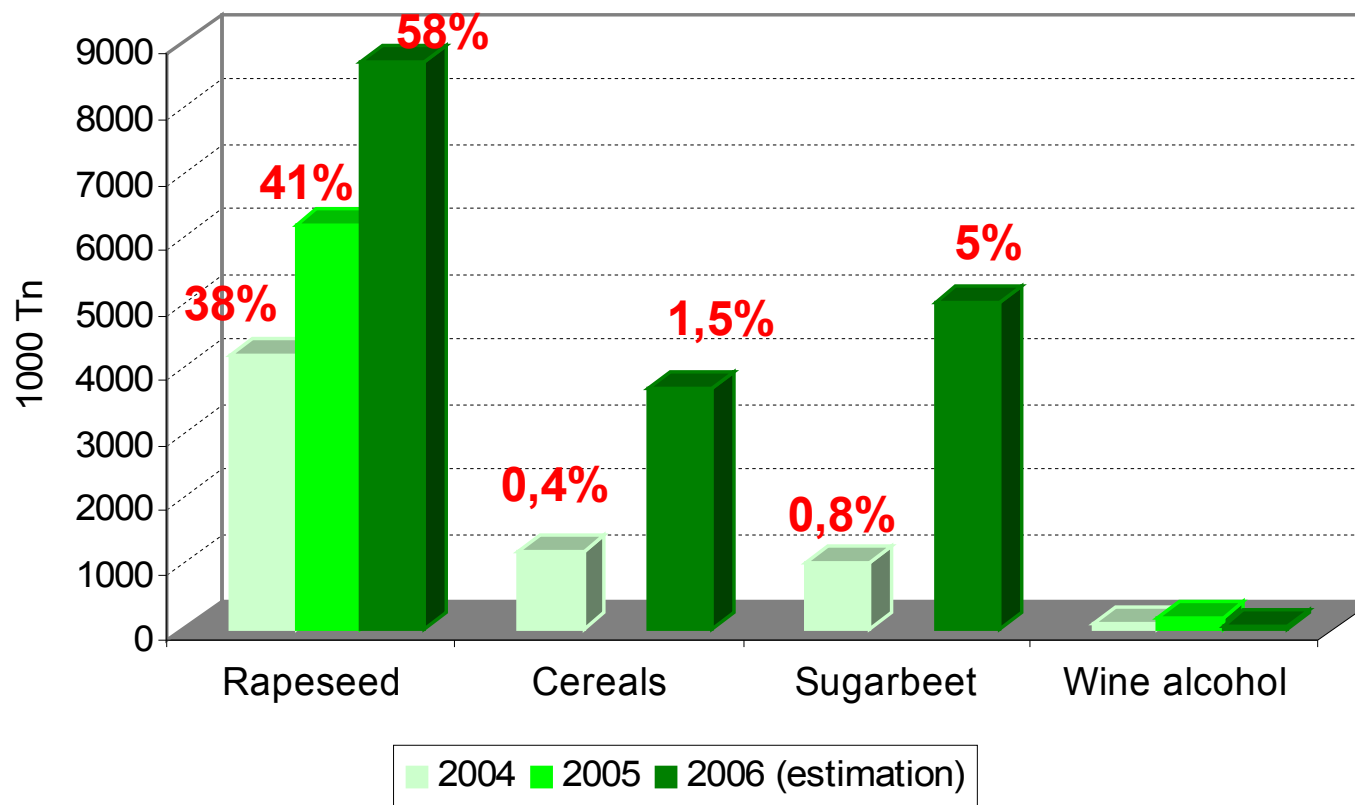


Are biofuels responsible for high prices?



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Feedstocks used for biofuels production in the EU





Current land use for energy in the EU



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(Million hectares)	2004(EU-25)	2006 (EU-25)
On set-aside area	0.6	1.0
With energy crop premium	0.3	1.3
Without specific support (estimated)	0.5	1.4-1.6
Total area	1.4	3.7-3.9

Of which	%
Rapeseed	75
Wheat	3
Other cereals	5
Sunflower	2
SRC	1
Grasses	2
Other	12
Total	100

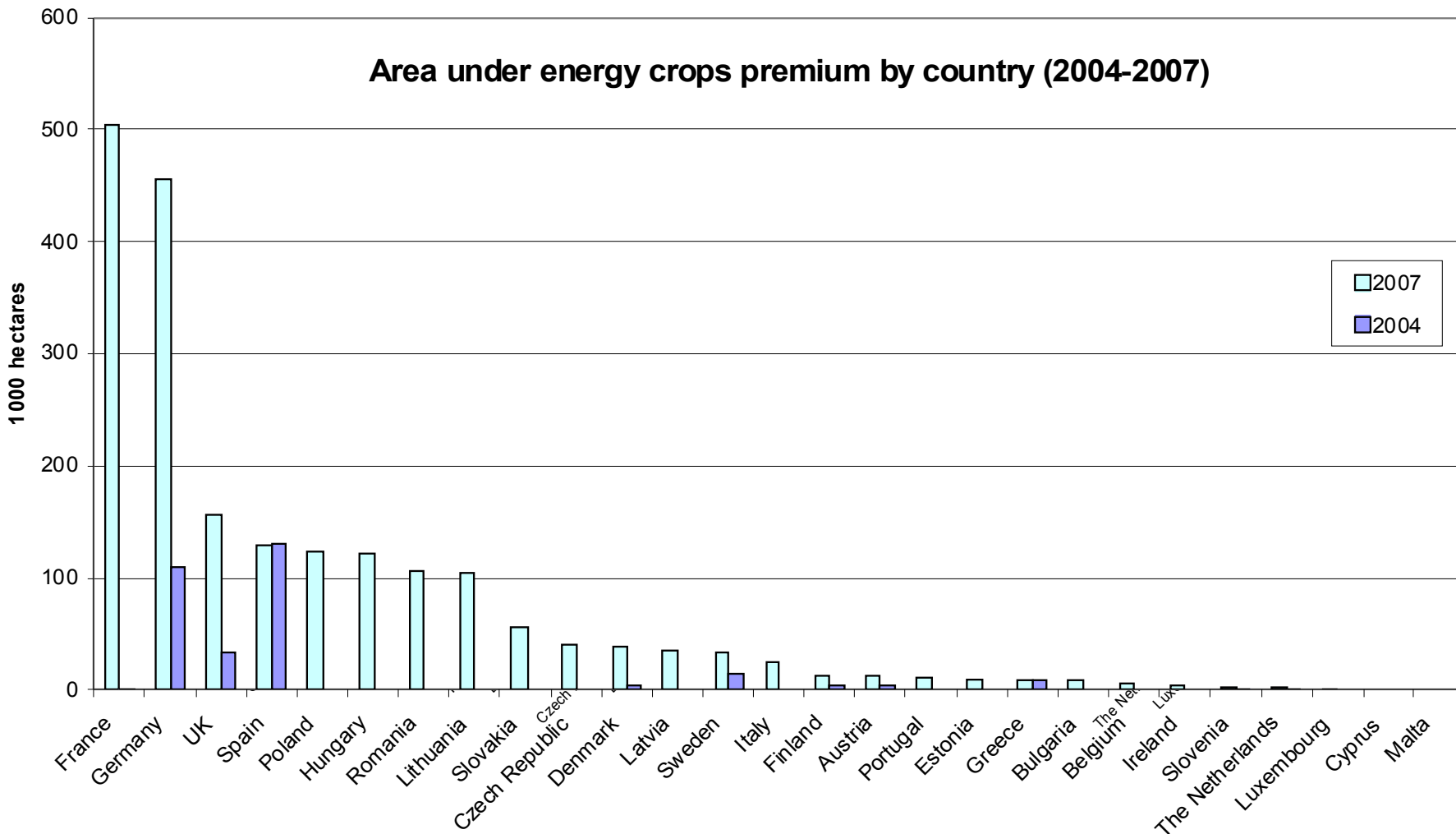
► Energy crops : 3 - 4% of the EU-25 arable area



Energy crop premium: area by Member State



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Biofuel feedstocks: support from Common Agricultural Policy



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- **CAP – “1st pillar”**
 - ▶ Decoupled income support since 2003 reform
 - ▶ **Reduced scope for steering production**
 - ▶ Non-food (energy) crops on set-aside areas
 - ▶ Energy crop premium (45 €/ha)
 - ▶ Sugar reform (2005): sugar beet for industry and energy eligible for both regimes and exempt from quotas

- **“2nd pillar”: Rural development policy (2007-2013)**
 - ▶ Menu of measures to support renewable energies, e.g., biomass supply chains, biofuels processing capacity on/near farms



Rural Development: possibilities to support biofuels



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Axis/objective	Examples of possible actions
I. Competitiveness	<p>Farm modernisation, added value of agricultural products, forestry</p> <ul style="list-style-type: none">▪ Investments in on-farm production of renewable energy (biogas, oilseed crushing)▪ Plantation of multi-annual energy crops▪ Support for biofuels processing▪ Small scale processing of wood▪ Forestry measures (f.ex. species composition)
II. Agricultural environment	<p>Afforestation for <u>environmental purposes</u> (does not exclude sustainable use/harvesting of forest materials)</p>
III. Diversification and quality of life	<p>Diversification to non-agricultural activities, business creation, basic services</p> <ul style="list-style-type: none">▪ Installations/ infrastructure/ logistics for renewable fuels from agricultural/forest biomass



CAP Health Check



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- **Communication from the Commission 20.11.2008; legislative proposals mid-2008**
- **Purpose: fine-tune the 2003 reform (→2009-2012); contribute to discussion on future priorities**
- **Main policy questions:**
 - **How to respond to new challenges?**
 - **Climate change, biofuels, water scarcity, risk management**
 - **How to simplify the Single Payment Scheme**
 - **towards full decoupling**
 - **How to adjust to new market opportunities?**
 - **Mandatory set-a-side, dairy quotas**
- **Public consultation open at http://ec.europa.eu/agriculture/healthcheck/index_en.htm**



CAP Health Check: meeting new challenges (1)



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Rural development

- The best way to provide **targeted support**
- Need to increase funds for rural development
- Increased *modulation*: reduction of direct payments and transfer of money to the RD budget
- **Renewable energy and climate change are Community priorities for 2007-2013**
 - obligation for Member States to take them into account in their programming



CAP Health Check: meeting new challenges (2)



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CAP « 1st pillar » instruments

- **Production based (coupled) instruments still needed ?**
- **Energy crop scheme**
 - **Mandatory targets will stimulate demand**
 - **Supply side measures: low effectiveness**
 - **Support rather to 2G than 1G biofuels**
- **Obligatory set-a-side**
 - **A tool for managing (limiting) supply**
 - **Original purpose has lost its relevance**
 - **Environmental benefits must be preserved**



Summary



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- ▶ Renewable energy is a **key element of a sustainable future**
 - reduction of GHG emissions, security of supply
 - new opportunities for rural economies,
 - the EU has great **potential for increased production** of biomass
 - targets can be met without disrupting food and food markets
- ▶ Production of biomass is **demand-driven**
 - Decoupled CAP income support: farmers respond to market signals,
 - CAP health check: further decoupling, (even) less market regulation,
 - Rural development: positive incentives for renewable energy development in rural areas
- ▶ **Research and technological development**: more advanced and more cost-efficient biomass production and transformation technologies



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Thank you for your attention