

**Answer to consultation on prolonging state aid rules, with specific reference to the Guidelines for environmental protection and energy**

From Svebio, Swedish Bioenergy Association

Svebio represents 250 companies active in the whole bioenergy supply chain in Sweden. Among our members are some 60 companies working with biofuels for transport: producers and users of biofuels as well as producers of vehicles. Sweden has an ambitious target to reduce emissions from the transport sector with 70% between 2010 and 2030. Both first and second generation biofuels are essential to reach this target. Svebio's transparency registry ID is **826982520594-95**.

**Main argument**

When the state aid regulation is prolonged until 2022, it is logical to extend also the possibility to have the flexibility to support first generation biofuels to 2022, as regulated in points 113 and 121 in the Guidelines on State aid for environmental protection and energy 2014-2020.

The question of using crop-based biofuels for transport needs to be further analysed before the state aid regulation for 2022 – 2030 is adopted. In our opinion, both first and second-generation biofuels are needed to decarbonise the transport sector. This was also the outcome of the negotiations on RED II, where the phase-out of first generation biofuels until 2030 was rejected by the member states and the European Parliament, and member states are allowed to use these fuels at levels attained by 2019 until 2030. This clear decision and statement by the EU law-makers should guide the state aid regulation. It would be against logics for the Commission to take another principal stand than the law-makers on this matter.

Also, we understand that the discussions on the future EU agricultural policy will give higher priority to using land for energy production.

Based on these developments, we think it is essential to keep options open until 2022.

Suggested amendment of article 113 and 121:

Article 113 from “[...] be granted until 2020” to “[...] be granted until to **2022**” and from “[...] no later than 2020” to “[...] no later than **2022**”.

Article 121 from “[...] should be limited to 2020” to “[...] should be limited to **2022**”.

In coming regulation after 2022, these articles should be erased.

## Further supportive arguments

Sweden today has tax exemption for high blend and pure biofuels (FAME100, HVO100, E85 and ED95). These fuels make up a large part of the Swedish biofuel consumption, and also account for much of the greenhouse gas reduction in the transport sector. These sustainable and climate-friendly fuels are to a large extent based on agricultural crops, like rapeseed and grains.

Tax exemption from carbon tax and energy tax is considered as operating aid by the EU Commission. The Swedish carbon tax exemption has been in use since 1991 and it has been and still is the main reason to the Swedish success in phasing out fossil fuels and decreasing the CO<sub>2</sub> emissions massively during the last decades. The carbon tax policy is a major reason why Sweden has the highest RED targets for and use of renewable energy in EU. In 2018 the share of renewable energy in Sweden was 54 %. In the transport sector the use of biofuels has reached a level of 21 % (32% including double-counting), the second highest in the world, and the more or less only instrument to reach this high level has been the tax exemption for biofuels, including first generation biofuels.

If the state aid rules suddenly terminate the support to these fuels in 2020, the consequences will be quite drastic:

- . The price will increase to a level that make the fuels totally uncompetitive on the market. The fuels will disappear directly from the market and production units will be closed down.
- . The companies offering these fuels will disappear from the market, which will lead to higher concentration and less competition on the fuel market in general.
- . The CO<sub>2</sub> emissions will increase by 1.2 million tonnes, according to our calculations, based on sales in 2018: 950 000 tonnes from reduced sales of HVO100, 220 000 tonnes from reduced sales of B100 (FAME), and 65 000 tonnes from reduced sales of E85.
- . The network of 1,700 E85 pumps at filling stations, as well as pumps for HVO100 and B100 will have to be closed down. This infrastructure will be lost for the foreseeable future. Consequently, vehicles designated for high-blend biofuels will be useless and be replaced by vehicles running on diesel or petrol. The economic loss for the vehicle owners is difficult to estimate, but it will definitely be a massive loss.
- . Developers of cars and trucks for pure or high-blend fuels will make losses as the market for these vehicles will disappear. Car companies selling flexifuel cars will also loose their market, at a time when this market is taking off in other countries, like France. Another example is Scania's trucks designed to run on only ED95 (95% ethanol and 5% additives), which is a very sustainable transport solution that can decrease the CO<sub>2</sub> emissions by 90% compared to a conventional diesel engine. If the possibilities to use high-blend biofuels (ED95) is blocked, the R&D investments are lost and the EU market for this sustainable transport solution probably closed.
- . Many local communities, cities and regions have converted their local car and bus fleets from fossil fuels to pure or high blend biofuels. The public buses in Sweden today run on renewable fuels to more than 87 per cent. The most common fuels are biodiesel, bioethanol and biogas.