28 November 2022

Dear Member States' representatives,

Having read with great concern the latest draft Council Presidency compromise text on the ongoing revision of the EU Energy Taxation Directive (ETD), the **EU Biofuels Value Chain* and the European Biogas Association** would like to share the position on behalf of the EU biofuels and biogas value chain sectors.

We support the Commission's goal to align the ETD with the EU's revamped energy and climate ambitions, in view of the 55% emissions reduction target by 2030 and climate neutrality by 2050. Nevertheless, the proposal to set the same minimum tax rate for fossil fuels and sustainable crop-based biofuels alike is unacceptable.

To achieve the EU's climate goals, a transition to fossil free sustainable alternative fuels in transport should be encouraged. Taxation based on energy content would already represent a step forward compared to the current volume-based system, which *de facto* favours fossil fuels.

Nevertheless, the signatories of this letter are deeply concerned with the **unfair discrimination among different renewable fuels** within both the European Commission proposal and the draft Council Presidency compromise text, and consequent unpredictable and arbitrary energy taxation framework.

In light of the above, the cosignatory sectors propose the following elements for a successful ETD revision:

1. **Energy taxation should adequately reflect renewable fuels' sustainability and GHG savings compared to fossil fuel**

   To this end, sustainable crop-based biofuels and biogas should be included in the category of 'sustainable biofuels and biogas', if they meet the sustainability criteria laid under the EU Renewable Energy Directive (RED II). This would grant them a fixed favourable taxation level compared to fossil fuels, and reflect their superior environmental performance and GHG savings.

   Sustainable crop-based biofuels, such as renewable ethanol, biodiesel and biogas are today the biggest decarbonisation tool in the EU, and can immediately and cost-effectively reduce the EU's reliance on fossil fuels. They deliver significant GHG emissions savings compared to fossil diesel or petrol, which will unfortunately remain the main fuels for the existing fleet of hybrid cars, vans, trucks, and buses that will continue to predominate on Europe's roads until at least 2030 and possibly beyond.[1]

   The proposal to exclude sustainable crop-based biofuels and biogas from the categories of 'sustainable biofuels and biogas', and to increase their minimum taxation rate to the same level as fossil fuels in 2033 is not acceptable, as such discrimination ignores that:

[1] 2022 Report on the achievement of the 2020 renewable energy targets, DG ENER, 15 November 2022

- **All eventual concerns surrounding European crop-based biofuels and biogas have been addressed by the existing Renewable Energy Directive,** namely in the Delegated Act on High ILUC-Risk Biofuels expected to be reviewed in 2023.

- **The current and future EU legislation on renewables (RED II and RED III)** already sets clear and stringent sustainability criteria, including minimum GHG savings criteria, for all biofuels to count towards the renewable energy targets, limiting the phase-out only to high ILUC-risk biofuels and biogas. This approach was kept in the Commission's proposal for the revision of the RED II, which largely maintains the existing policy framework on crop-based biofuels and biogas.

2. Transition periods for sustainable crop-based biofuels and biogas should be rejected

Sustainable crop-based biofuels and biogas will be instrumental in delivering the EU's 2030 objectives and beyond, and stability and predictability of the legislative framework should be paramount. The draft Council Presidency compromise text's proposal to allow Member States to decide if sustainable crop-based biofuels and biogas would be subject to a 10-year transitional period is arbitrary and unfounded. Allowing Member States decide whether or not to grant a transitional period to these renewable fuels would create an arbitrary and fragmented fiscal framework, undermining the EU Single Market.

Therefore, the revised ETD should provide the same level of incentives for the continued use of sustainable, already available, and affordable alternatives to fossil fuels, including sustainable crop-based biofuels and biogas.

We hope the arguments above stated are taken under consideration in the upcoming discussions on the ETD in the Economic and Financial Affairs Council of 6 December 2022. We are fully available to provide further arguments if you deem it necessary.

Sincerely,

The Members of the EU Biofuels Value Chain* and the European Biogas Association

** The EU Biofuels Value Chain represent all actors from farming to biofuels production:*

- ***CEFS** – represents EU beet sugar manufacturers;*
- ***CEPM** – represents the maize chain: corn, maize silage, maize seed, and sweet corn;*
- ***C.I.B.E.** – represents the European sugar beet growers;*
- ***COCERAL** – represents trade in cereals, oilseeds, pulses, olive oil, oils and fats, animal feed and agrosupply;*
- ***Copa and Cogeca** – represent European farmers and agri-cooperatives;*
- ***European Biodiesel Board (EBB)** – represents the European biodiesel industry;*
- ***European Oilseed Alliance (EOA)** – represents European oilseed producing organisations;*
- ***European renewable ethanol association (ePURE)** represents the European renewable ethanol producers;*
- ***FEDIOL –** represents the interests of the European vegetable oil and protein meal industry.*