



Commissioner Connie Hedegaard
The European Commission
200 Rue de la Loi
1049 Brussels

25th March 2011

RE: ETS and sustainability standards for bioenergy

Dear Commissioner Hedegaard,

We write to highlight an urgent opportunity to ensure that sustainability standards for bioenergy in the Renewable Energy Directive (RED) and Fuel Quality Directive (FQD) apply as well to the EU Emissions Trading Scheme (ETS).

Before the end of the year the Commission will have to adopt a new Regulation on the monitoring of and reporting of greenhouse gas emissions under the EU ETS. Currently no sustainability criteria apply for bioenergy in the ETS. This leads to the anomalous situation that bioliquids and biofuels deemed unsustainable under the RED and FQD could nevertheless still qualify for emissions reductions under the ETS. Aviation biofuels and bioliquids used in powerplants would be two examples. This inconsistency would compound further if the EU would include the effects of indirect land use change in the sustainability criteria, or adopt binding criteria for biomass.

We believe the Commission should use this opportunity to make sustainability standards for bioenergy present in the RED and FQD apply to the ETS as well.

Whilst such a move would close a very important loophole, a truly sustainable application of bioenergy under the ETS also requires a more fundamental policy change. Annex IV of the ETS directive currently rates all bioenergy as zero carbon, which does not reflect reality. The annex to this letter describes how Annex IV could be changed so that ETS reductions would depend on the climate performance of bioenergy. This would also imply that biomass-only installations would come under the scope of the ETS, which is currently not the case.

We urge you to take our views into account and show leadership on this issue.

We have sent the same letter to Commissioner Guenther Oettinger.

Yours sincerely,

Tony Long, WWF

On behalf of:

Jos Dings, Director, Transport & Environment

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Annex – How to close the loophole on biomass in the EU ETS?

There are two opportunities to integrate the sustainability criteria for biofuels and biomass in the EU ETS and to end the zero accounting of biomass under this system. The regulation on monitoring and reporting due to be developed by 31 December 2011 under Article 14 of the ETS Directive offers an opportunity to introduce the sustainability criteria for biofuels and bioliquids that have been developed or under development under the RED and FQD.

Moreover, the zero accounting of biomass under the ETS in Annex IV and the exclusion from the Directive in Annex 1 of installations exclusively using biomass should be ended by the Regulation as technical improvements which would amend non-essential elements of the Directive. This would reflect the requirement in Article 14(2), that the monitoring and reporting Regulation takes account of the most accurate and up-to-date scientific evidence available.

For this reason the following actions are required:

- **Introduce a clear reference to mandatory sustainability criteria for biofuels and bioliquids under RED and FQD in the Regulation referred to in Article 14 of the EU ETS Directive.** These criteria already exist in the framework of the Renewable Energy and Fuel Quality Directives and cover the fuels used in road transport. It would be a straightforward step to include a reference to these criteria in the upcoming Regulation on monitoring and reporting. This would ensure a level playing field between different industries and prevent a potential two-tank policy arising in which sustainable biofuels are used in road transport while unsustainable biofuels and bioliquids are used in aviation or power plants. It should be possible to update these criteria to include future changes, such as the effects of indirect land use change;
- **Introduce sustainability criteria for solid and gaseous biomass in line with actions taken under the RED.** The introduction of sustainability criteria for solid and gaseous biomass is currently under discussion within the RED. The signatory institutions believe that these criteria should include a greenhouse gas reduction requirement for the use of biomass, a criterion against direct and indirect land conversion, criteria for sustainable agriculture and forest management and social criteria. The ETS will provide a substantial incentive for the use of biomass, therefore it is important that the right signal be sent to industry now such that only sustainable biomass can be rewarded used within sectors included in the ETS. If biofuels or biomass do not meet these criteria, their emissions should be accounted the same as fossil fuels.
- **End the zero accounting for biomass in Annex IV of the EU ETS Directive.** Currently biomass counts as zero emissions in EU ETS Directive, which is based on the UNFCCC, providing perverse incentives to use biomass regardless of its real climate impacts. It also leads to an unacceptable mismatch between 'declared' and real GHG savings under ETS. Although introducing sustainability criteria offers an early opportunity to end this accounting fallacy,

the new Regulation on monitoring and reporting referred to in Article 14 of the EU ETS Directive should amend non-essential elements of the EU ETS Directive by abolishing the misplaced notion in Annex IV that ‘the emission factor for biomass shall be zero’. A necessary step in the right direction would be to initially align the GHG reductions that can count in the ETS to the GHG savings threshold that is already part of the RED and FQD (i.e. 35% GHG emissions savings increasing to 50% in 2017).

- **Amend Annex I of the EU ETS Directive to ensure that those installations exclusively using biomass are covered by the Directive.** The Regulation on monitoring and reporting to be adopted under Article 14 of the EU ETS Directive should amend this point in Annex I as an amendment of a non-essential element in line with the comitology procedure anticipated under Article 24(3) of the Directive for a similar amendment. For reasons of internal consistency, changes to the biomass emissions factor require that all installations using biomass even if exclusively using biomass fall within the scope of the Directive.