

# EU's Renewable Energy Directive & its impact on Palm Oil



PO-02

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## Fact Sheet

In 2018, the EU decided that the contribution from a "high indirect land-use change (ILUC) risk" biofuels, bioliquids and biomass fuels (BBBF) shall be phased out between 2024 and 2030 for the purpose of calculating Member State's financial incentives and gross final consumption of energy from renewable energy sources. It is important to stress that this policy **does not create any negative incentives** but rather **reconsiders pre-existing positive incentives** for certain categories of BBBF.

### **Why does the EU want to reduce the proportion of biofuels in its count towards the renewable energy targets?**

The exclusion of conventional (i.e. food-based) biofuels reflects the growing evidence that they do not contribute enough towards achieving greenhouse gas emission savings due to the issue of indirect land-use change (ILUC). It is part of a broader and longer term transition towards more advanced BBBF (like waste-based), or alternative transport modalities (like electric or hydrogen powered vehicles).

ILUC occurs when the cultivation of crops for biofuels displaces traditional production of crops for food and feed purposes. This additional demand increases the pressure on land and can lead to the extension of agricultural land into sensitive areas such as forests or peatlands, causing massive greenhouse gas emissions eliminating the direct emission savings of crop-based biofuels.

### **What does the RED2 mean for Indonesia?**

The EU has reviewed its legislation on renewable energy (RED2).

The increased demand for all biofuels feedstocks may drive undesirable land-use change, affecting e.g. peatlands and/or tree cover.

Palm oil was identified as a "high indirect land-use change (ILUC) risk" feedstock, i.e. for which a significant expansion of the production into land with high carbon stock was observed between 2008 and 2015.

The EU has also adopted certification criteria (to be met by Member States national or Voluntary Schemes) that could still allow a fraction of palm-based 'biofuels, bio liquids and biomass fuels' (BBBF) to remain eligible to positive climate EU incentives between 2024 and 2030. These would be reviewed by 2023 but currently require:

1. BBBF to comply with sustainability and GHG saving criteria;
2. evidence is duly collected and thoroughly documented, and;
3. BBBF have been produced from additional feedstock, i.e. from new measures that become financially attractive thanks to RED2, from abandoned or severely degraded land, or from certain smallholders.

*"Palm oil cultivation has been identified as having had a major impact on greenhouse emissions. EU will continue to work towards achieving an agreement with no discrimination among BBBF feedstocks.*

*We acknowledge steady progress has been made between 2015 and 2018 in Indonesia, palm oil production is becoming more sustainable, but protecting and restoring world's forests requires deeper and lasting cooperation between responsible producers, and responsible buyers and investors, lest the progress achieved gets compromised again by short-sighted policies and aggravated climate conditions.*

*Meanwhile, the EU market remains open to palm oil."*