



For Immediate Release

Kuala Lumpur, 18 January 2018.

EU's Revised Renewable Energy Directive and Its Impact on Palm Oil

On 17 January, the plenary of the European Parliament (EP) voted (1st reading) on the revision of the Renewable Energy Directive (RED). The EP seeks that the contribution from biofuels and bio liquids produced from palm oil shall be 0 % from 2021 for the purpose of calculating Member States' gross final consumption of energy from renewable energy sources.

The vote of the European Parliament does not represent the final outcome of the legislative process. It is part of the ordinary legislative procedure and only sets the EP position of the coming negotiations with the Council of Ministers and the European Commission.

The text can still undergo significant changes. Work will continue towards achieving an agreement with no discrimination among biofuels, as proposed by the European Commission and supported by the Council of Ministers.

Why the EU wants to reduce the part of biofuels in its count towards the renewable energy targets?

The exclusion of conventional biofuels reflects the growing evidence that conventional biofuels do not contribute towards achieving greenhouse gas emission savings due to the issue of indirect land use change (ILUC).

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, wetlands and peat land causing massive greenhouse gas emissions eliminating the direct emission savings of crop-based biofuels.

The vote by the European Parliament does not mean that the European Union has adopted a final decision on its position. It is one step in a complex legislative procedure.

"The vote of the European Parliament is a step in a complex legislative procedure. It does not constitute a final decision by the EU.

It aims at progressively replacing food based biofuels by more advanced ones for the purpose of accounting progress towards our domestic renewable energy targets.

Work will continue now towards eliminating discrimination amongst biofuels as proposed by the European Commission and supported by the Council of Ministers.

We will also continue to engage with the relevant Malaysian authorities throughout this process. The EU remains open to Malaysian palm oil and is its second largest market".

**María Castillo Fernández
Ambassador of the
European Union to
Malaysia.**

The EP has not voted in favour of a ban of palm oil-based biodiesel. Instead it has voted in favour of excluding biofuels produced from palm oil from being accounted towards the EU Renewable Energy targets. This would by no means limit the amount of biofuels from palm oil that can be produced or imported and consumed in the EU.

The European Union appreciates the importance of the palm oil sector as a source of growth and employment in Malaysia, including for smallholders. It recognises the efforts made by Malaysia to strengthen sustainability through its national certification scheme (MSPO) and acknowledges Malaysia's objective to ensure that palm oil is treated in a non-discriminatory manner. At the same time, we have a common interest in addressing environmental and social impacts that the production of palm oil can have by ensuring that it happens in a sustainable manner.

The European Union will continue to cooperate with Malaysia in strengthening the sustainability of palm oil and to engage with Malaysia throughout this process.

On 30 November 2016, the European Commission proposed to recast (revise) **the Renewable Energy Directive** to reduce the carbon footprint of the transport sector. In that text, the Commission proposed that:

- The share of crop-based biofuels that could account towards the EU renewable energy target would gradually decrease to 3.8% in 2030. This limitation by no means restricts the amount of fuels that can be produced or consumed. A gradual reduction of conventional crop-based biofuels and increase of advanced biofuels will promote the development and deployment of innovative advanced renewable fuels and at the same time will provide farmers and producers of conventional crop-based biofuels with sufficient time to adjust.
- All crop-based biofuels be treated equally: No discrimination against palm oil.
- Waste and residue use in biofuel production is incentivised. The palm oil industry would benefit from that as palm oil mill effluents and empty palm fruit bunches (both residues from processing palm oil) are included in the list of products to count as advanced biofuels in the RED revision proposal.

EU continues to be the second export market for Malaysian Palm Oil

- EU palm oil imports from Malaysia are stabilised at around 2 million tonnes, making the European Union the second biggest importer of Malaysian palm oil after India.
- EU tariffs are low in comparison with other export markets
- There are no trade barriers or discriminatory legislation towards palm oil.

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