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Bio-Fuels

Read-out from Fuels of the Future Congress in Berlin

2008

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Report Highlights:

The hot topics of the 6th "Fuels of the Future Congress" in Berlin included the proposed changes in the German biofuels laws, sustainability criteria for biofuels, and the food-versus-fuel debate. German biofuels organizations criticized the proposed reduction of German biofuels mandates. The German Oilseeds Producers welcomed the proposed exclusion of state-supported B99 from the German biofuel support system. Various speakers stressed the need for internationally agreed sustainability criteria and certification systems.

Includes PSD Changes: No
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On December 01/02, 2008, the German Bio Energy Association (BBE) and the Union for Promoting Oil and Protein Plants (UFOP) held the 6th "Fuels of the Future Congress" in Berlin. The congress included a mixture of political and technical sessions. Some of the papers (some in English language) are posted on the internet (URL: <http://www.bioenergie.de/kraftstoffe-der-zukunft/programm.htm>). The next congress is scheduled for November 26/27, 2009. The call for papers is already open.

The audience included 600 participants from 35 countries; however, the majority of attendants were Germans. The drop in participation (last year attendance amounted to about 800) clearly shows that the hype about biofuels has somewhat waned to a more realistic approach. Some companies attended with fewer people than last year. Other companies that had been looking at investing in the sector have realized that the business is not as easy as they had assumed. However, the fact that participation did not drop further speaks for the importance of this event within the German biofuels scene.

The hot topics discussed in the more political sessions as well as among participants during the coffee breaks included:

- changes in the German biofuels laws¹ / sustainability criteria
- food versus fuel

Changes in the German biofuel law/ sustainability criteria

Clemens Neumann, Director-General for biofuels in the German Federal Ministry for Consumer Protection, Food, and Agriculture (BMELV) emphasized in his speech that the reduction in the biofuels mandates as foreseen by the current draft legislation does not contradict the German government commitment to biofuels. He explained that the original mandates had been proposed under the assumption that the E10 blend would be introduced on the German market. For reasons relating to car technology and standardization issues this introduction did not materialize, thus the mandates needed to be adjusted.

Regarding the proposed exclusion of soybean oil and palm oil from the German tax benefits and mandates, Neumann contended that the industry should have known that a cut off date was coming and thus had time to adjust. (Comment: In a conversation with FAS an industry representative strongly rejected this statement.) Neumann re-iterated that the public demands that bioenergy be produced in a sustainable way and that this also pertains to imported biofuels. Neumann contended that until an EU-wide certification system is implemented, the draft EU legislation will allow EU member states to decide for themselves how to ensure compliance with the sustainability criteria. This could include bilateral agreements as well as shipment by shipment audits. Details could only be discussed after the EU passes the criteria, which in his opinion would occur on December 16.

Regarding the standards themselves he pressed for the inclusion of by-products in the calculation of GHG savings. [Comment: This would be in favor of crops such as rapeseed and soybeans whose by-products are used as animal feed. The current calculation method puts these products at a disadvantage compared to products from perennial plants such as palm oil.]

Andries Piebalgs, EU Commissioner for Transport and Energy, explained the history of sustainability criteria and contended that the European Commission (COM) in 2003 [when they adopted the first indicative biofuel goals] had underestimated the public interest in how biofuels are produced. The COM feels sustainability criteria are necessary to keep the momentum for biofuels especially in the current financial crisis. The three areas covered are greenhouse gas savings, "no-go" areas (areas with high

¹ For details on the proposed changes please refer to report GM8047

carbon stock or high biodiversity), and – introduced by the European Parliament – indirect land use change. He emphasized the importance of working together internationally on “convergence” on sustainability criteria as well as on the procedures to verify compliance with these criteria. He underlined the importance of first generation biofuels as 2nd generation fuels are still a long way down the road.

He stressed that even if the contribution of 1st generation biofuels to the transport sector is small they provide some additional choice and independence. He deemed this particularly important because the EU imports 98 % of its total transport fuel needs.

In the Q&A session, several participants questioned why fossil fuel are not subject to sustainability criteria despite the fact that difference exist between crude oil from the gulf and from Canadian oil sands.

Dr. Klaus Kliem, Chairman of the Union for Promoting Oil and Protein Plants (UFOP) stressed the need that sustainability criteria also apply to imports and called for international certification criteria that would prevent “environment- or wage-dumping”. He also demanded that documentation requirements must not lead to a dominance of a few large companies.

He welcomed that the proposed changes in the German biofuels laws exclude imported U.S. B99 that benefitted from the blender’s credit from the German support system. He also pointed out that another distortion of trade exists with Argentina and its differential export taxes for soybean oil and biodiesel.

Kliem (UFOP) and **Johannes Lackmann of the German Biofuels Industry Association (VDB)** and various participants claimed that given the current low crude oil prices the implementation of the next step in the gradual tax increase in Germany will suffocate the domestic B100 market. They demanded that the tax increase should be suspended until 2014. They also criticized the proposed reduction in the German biofuels mandates.

Food versus Fuel

While this topic has moved from the front pages to further back in the newspapers, it is still an important aspect in shaping the public opinion. It surfaced one way or the other in many of the speeches and discussions.

While many speakers re-iterated the well-known arguments of both sides (increasing share of crop production going into biofuels; impact is positive for agricultural producers but negative for developing countries with a large urban population; contribution of biofuels to price hike is largely overstated) **Dr. Hamimu Hongo of Felisa Co Ltd, Tanzania**, shared a refreshing well balanced view on the topic. He stressed the positive impact biofuel production has for his countries (job creation, melioration of degraded land through jatropha plantations, currency savings) without neglecting the down sides (in some instances people were moved from their original land). He criticized the often one-sided assessments of biofuels only looking at the environment or only looking at prices and demanded a more holistic approach and closed by stressing that biofuels have in fact improved food security in his country.

Related Reports:

Report number	Title	Date released
GM8047	German Government Modifies Biofuel Laws http://www.fas.usda.gov/gainfiles/200810/146296202.pdf	10/23/2008
E48140	EU Member States Revise Biofuel Targets http://www.fas.usda.gov/gainfiles/200812/146306731.pdf	12/03/2008
E48063	EU Biofuels Annual Report http://www.fas.usda.gov/gainfiles/200812/146306731.pdf	05/30/2008