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France - Limiting First-Generation Biofuels - TTIP Sensitive Issue

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Approved By:

David G. Salmon

Prepared By:

Marie-Cecile Henard

Report Highlights:

An intense discussion is currently taking place among industry stakeholders and policy makers on whether to limit first-generation biofuels, and if so, by how much, in reaction to the European Commission's proposition to reduce the food-based biofuels blending target from 10 to 5 percent by 2020. France's bioethanol industry favors an eight percent target, while the Ministry of Environment favors taking Indirect Land Use Change into consideration, based on recent studies made in France. In addition, French bioethanol producers expressed that the EU biofuels industry will not be able to stand trade liberalization under the Transatlantic Trade and Investment Partnership (TTIP) negotiations launched this year.

General Information:

With 20 percent of the European Union's (EU) production and consumption of biofuels in transportation, France continues to play a major role in the European biofuels industry and policy. In the March 27, [2013 renewable energy progress report](#) prepared by the European Commission, France is identified as one of the five Member States dominating biofuels production and consumption, together with Germany, Italy, Spain and the United Kingdom. According to the report, the share of national cropland dedicated to crops for biofuels, at six percent, is also higher in France than in most Member States. Finally, biofuels' blending rate into transportation fuels in France is higher than the average blending in the EU, and amounted to 7.2 percent in 2011 (see [GAIN report FR9118, dated October 5, 2012](#))

To Limit or Not To Limit First-Generation Biofuels?

In France, stakeholders and policy makers are currently torn between those who would like to slow down the first-generation biofuels industry, questioning their environmental impact and favoring the development of advanced biofuels, and those who argue that the first-generation biofuels industry is competitive, generates significant quantities of animal feed products and creates jobs across the country, and therefore needs to be protected.

The October 2012 proposition of the European Commission to reduce food-based biofuels blending from 10 to 5 percent by 2020 and take into account Indirect Land Use Change (ILUC) has caused a number of reactions in France, which is a leading Member State in the biofuels economy accounting for 20 percent of the EU's production and consumption.

France's Agricultural First-Step Processing Industry (IPTA), including the National Millers Association (ANMF), the National Federation of the Oil Industry (FNCG), the National Syndicate Sugar Processors (SNFS), and the Starch Industry Syndicate (USIPA), released a press communiqué on March 6, 2013, titled "The European Commission's Proposition is Unacceptable." IPTA considers that Indirect Land Use Change (ILUC) factors are not reliable and not science-based, as they vary considerably depending on the calculation models used. IPTA also opposes the reduction from 10 to 5 percent of first-generation biofuels in transportation, in order to protect investments conducted by this industry and allow sustainable biofuels expansion. IPTA favors incorporation targets specific to advanced biofuels, rather than the current system in place which allows multiple-counting of what they consider as "virtual quantities."

The National Union of Agricultural-Based Ethanol Producers (SNPAA) favors an eight percent blending target for first-generation biofuels in transportation fuels, as a compromise between the current national average blending rate of seven percent in France and the initial objective of 10 percent under

the Renewable Energy Directive. At their General Assembly of April 16, 2013, SNPAA specifically indicated that the proposed eight percent blending target would only apply to first-generation biofuels, so that advanced biofuels blend would come on top of this level.

On the other hand, the Ministry of Environment's Sustainable Development Directorate (CGDD) published a [report](#) in March 2013 named "Biofuels Carbon Balance: Taking ILUC into Consideration." The report concludes that, from an environmental perspective, it is necessary to take into consideration ILUC impacts in biofuel policy frameworks, despite methodology issues encountered to quantify them. The CGDD report bases its conclusions on the studies used by the European Commission¹ but also on two other studies published in March 2012 and conducted by French organizations: [one](#) (in English) by the Agency for Environment and Energy Control (ADEME), and the [other](#) (summary in English) by ADEME and the National Research Institute in Agriculture (INRA).

Biofuels: A Sensitive Issue Under the U.S./EU TTIP Negotiations

Of particular interest, SNPAA pointed what they called "the United States circumventing strategy" to export bioethanol to the European Union under HS code 3824 rather than HS code 2207, to benefit from lower import duties, in 2010, 2011 and in the first half of 2012. SNPAA underlined the fact that U.S. bioethanol production is almost ten times as high as the EU production and has the potential to fulfill the EU demand.

U.S. exports trends to the EU is nevertheless slowing down, as a result of a [Council Regulation](#) dated February 18, 2013, imposing a definitive anti-dumping duty on imports of bioethanol originating in the United States. This resulted from a complaint from the European bioethanol industry (ePURE).

French bioethanol producers welcomed the anti-dumping action taken by the European Commission, expressed that the EU biofuels industry will not be able to stand trade liberalization under the Transatlantic Trade and Investment Partnership (TTIP) negotiations launched this year.

Launching of National Biogas Program

To date, France has not been a proponent of biogas production in the European Union, whether farm- or non-farm based, unlike Germany which is, by far, the leading producer of farm-based biogas in the EU.

On March 29, 2013, the Ministers of Ecology and Agriculture launched a new series of incentives to

¹ IFPRI : http://trade.ec.europa.eu/doclib/docs/2011/october/tradoc_148289.pdf
JRC : http://iet.jrc.ec.europa.eu/sites/default/files/Technical_Note_EU24817.pdf
Ecofys : http://www.ecofys.com/files/files/ecofys_2012_grandfathering%20iluc.pdf

boost biogas production and consumption, named “[Energy Methanization Autonomy Nitrogen Program](#).” The objective is to increase the number of farm-based biogas units from 90 currently (versus 7,000 in Germany) to 1,000 by 2020, representing investments of 2 billion euros and the creation of 2,000 jobs, according to the Government of France. The program includes various levers, such as more attractive prices for electricity produced from biogas, simplified paperwork, and public support to organize and structure an emerging industry. These measures arise after direct injection of biomethane was allowed in November 2012 in the natural gas national network, in various decrees published in the Official Journal.

The measures favoring the development of farm-based biogas production aim to increase France’s production of renewable energies, reduce farms dependence on mineral nitrogen with its substitution with organic nitrogen from animal waste, and provide an additional source of income for farmers. However, the development of biogas production is expected to be hampered by high costs of initial investments and lack of tax incentives.