



New Regulative Framework in the EU (RED II) – Opportunities for Latin America

The RED II was approved by the European Parliament in November and came into effect on 24 December 2018

RED II (Directive 2018/2001)	
Energy from Renewable Sources	32% (at EU level)
Renewables in the Transport Sector	14% obligation for fuel suppliers until 2030
Blending Obligation for Low-Emission and Renewable Fuel	The 14% obligation can be translated to energy, volume or by GHG reduction
Cap on Food/ Feed Crop Based Biofuels	2020 consumption level for each MS within a 7% limit, with 1% flexibility
Target for Annex IX Part A (advanced)	0.2% (2022), 1% (2025), 3.5% (2030)
Limit for Annex IX Part B (UCO, animal fat)	Limit of 1.7%, which can be modified by MS if approved by Commission
New GHG emission saving thresholds	50% for old installations 60% for new installations after 5 October 2015 65% for installations starting operation after 1 January 2021 70% for renewable fuels from non-biolog. origin after 1 January 2021
New fossil fuel comparator	94 instead of 83.8 gCO ₂ eq/MJ

Sustainability certification under RED II



Biofuels in the European Union: RED II

Transport



- RE overall target: **32% in 2030**
- RE in transport at least **14%**
- **Cap on Food/ Feed Crop:** 2020 consumption level, within a 7% limit
- Double counting for **Annex IX**
- **Target for Annex IX, A (advanced):** 0.2% (2022), 1% (2025), 3.5% (2030)
- **Limit for Annex IX, B:** limit of 1.7%

Aviation / Maritime



- **Multiplier of 1.2** for aviation and maritime (not for food/feed crops)

Gaseous / solid biomass



- **Mandatory sustainability criteria** for gaseous and solid biomass, such as wood pellets, under specific requirements
- Specific criteria for forest biomass regarding **monitoring and enforcement systems in place**
- **Operational guidance** to be provided

Additional fuel categories will be introduced by **RED II**. New categories in RED II will also require sustainability certification

Advanced biofuels

- Annex IX of RED II (Part A), mainly based on waste and residues

High iLUC risk biofuels

- Produced from feedstocks with significant production expansion into areas with high carbon stock

Low iLUC risk biofuels

- Produced with schemes avoiding displacement effects of food/feed crops (e.g. double cropping, use of degraded land, yield increase)

Renewable fuels of non-biological origin

- E.g. hydrogen

Recycled carbon fuels

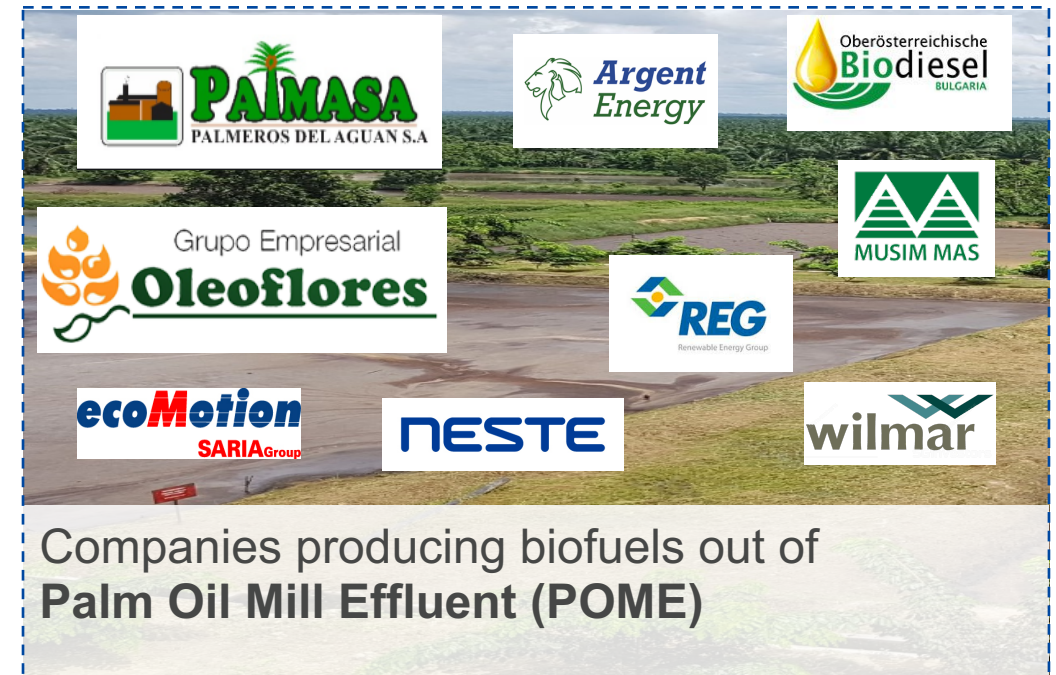
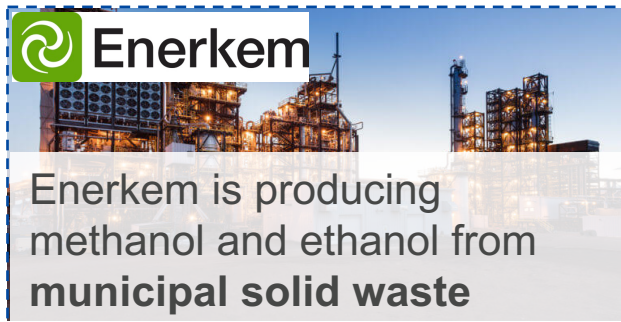
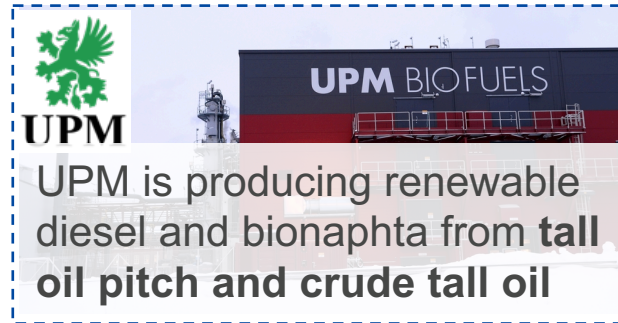
- Fuels produced from e.g. plastics, waste processing gases, exhaust gases

Annex IX (A) defines advanced feedstocks and fuels. Can be updated by the European Commission

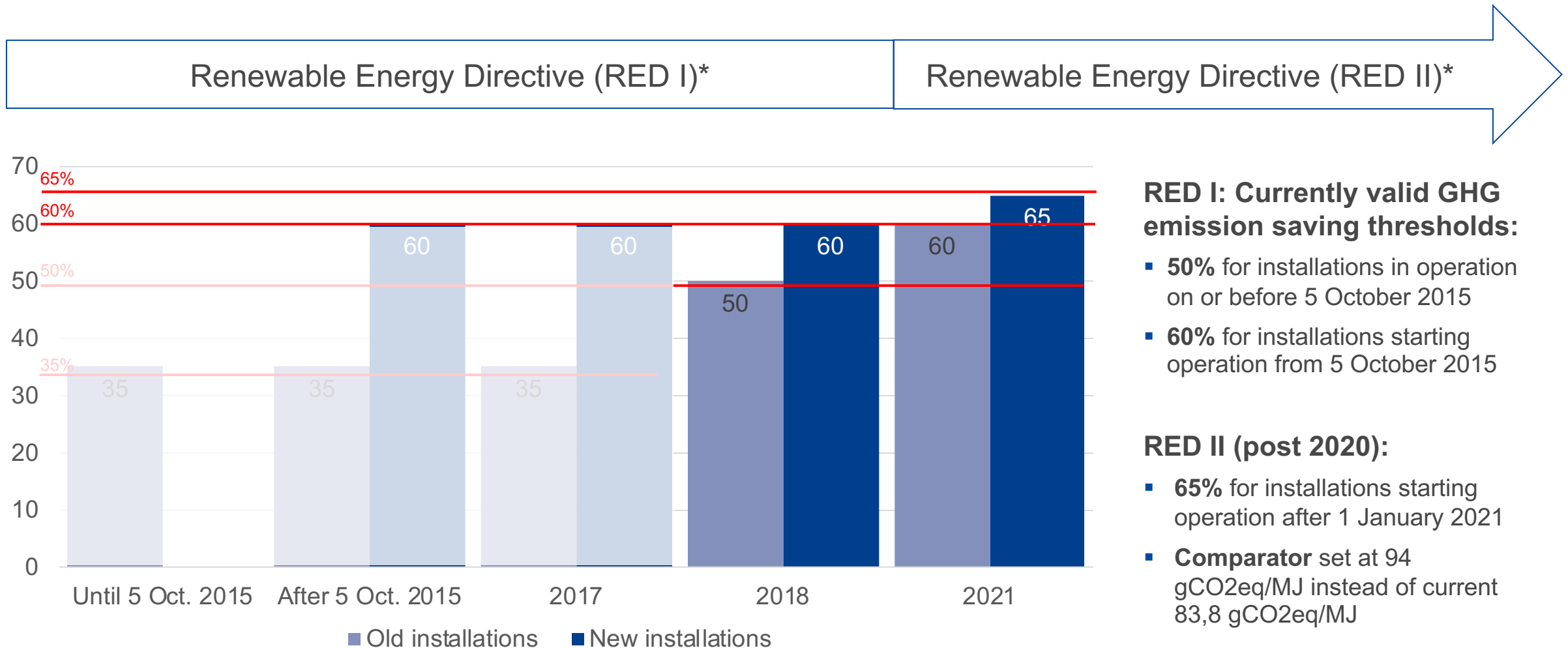
Annex IX	
Part A (“Advanced”) targets: at least 0.2% in 2022, 1% in 2025 and 3.5% in 2030	
<ul style="list-style-type: none">• Algae if cultivated on land in ponds or photobioreactors• Biomass fraction of mixed municipal waste but not separated household waste subject to recycling targets• Bio-waste as defined in Article 3(4) of Directive 2008/98/EC from private households subject to separate collection• Biomass fraction of industrial waste not fit for use in the food/feed chain, including material from retail/ wholesale and the agro-food and fish and aquaculture industry, excluding feedstocks listed in part B• Straw• Animal manure and sewage sludge• Palm oil mill effluent and empty palm fruit bunches• Tall oil pitch	<ul style="list-style-type: none">• Crude glycerine• Bagasse• Grape marcs and wine lees• Nut shells• Husks• Cobs cleaned of kernels of corn• Biomass fraction of wastes and residues from forestry and forest-based industries, i.e. bark, branches, pre-commercial thinnings, leaves, needles, tree tops, saw dust, cutter shavings, black liquor, brown liquor, fibre sludge, lignin and tall oil• Other non-food cellulosic material• Other ligno-cellulosic material (...) except saw logs and veneer logs
Part B (Not considered as “advanced”) capped to 1.7% but exemption possible	
<ul style="list-style-type: none">• Used Cooking Oil (UCO)	<ul style="list-style-type: none">• Animal fats classified as categories 1 and 2 in accordance with Regulation (EC) No 1069/2009

Source: RED II (Directive 2018/2001)

ISCC certifies several companies using Annex IX A feedstock for the production of low carbon fuels. Potentials in LATAM not fully used yet



Biofuel producers selling their products for the EU transportation fuel market need to achieve GHG emission savings thresholds

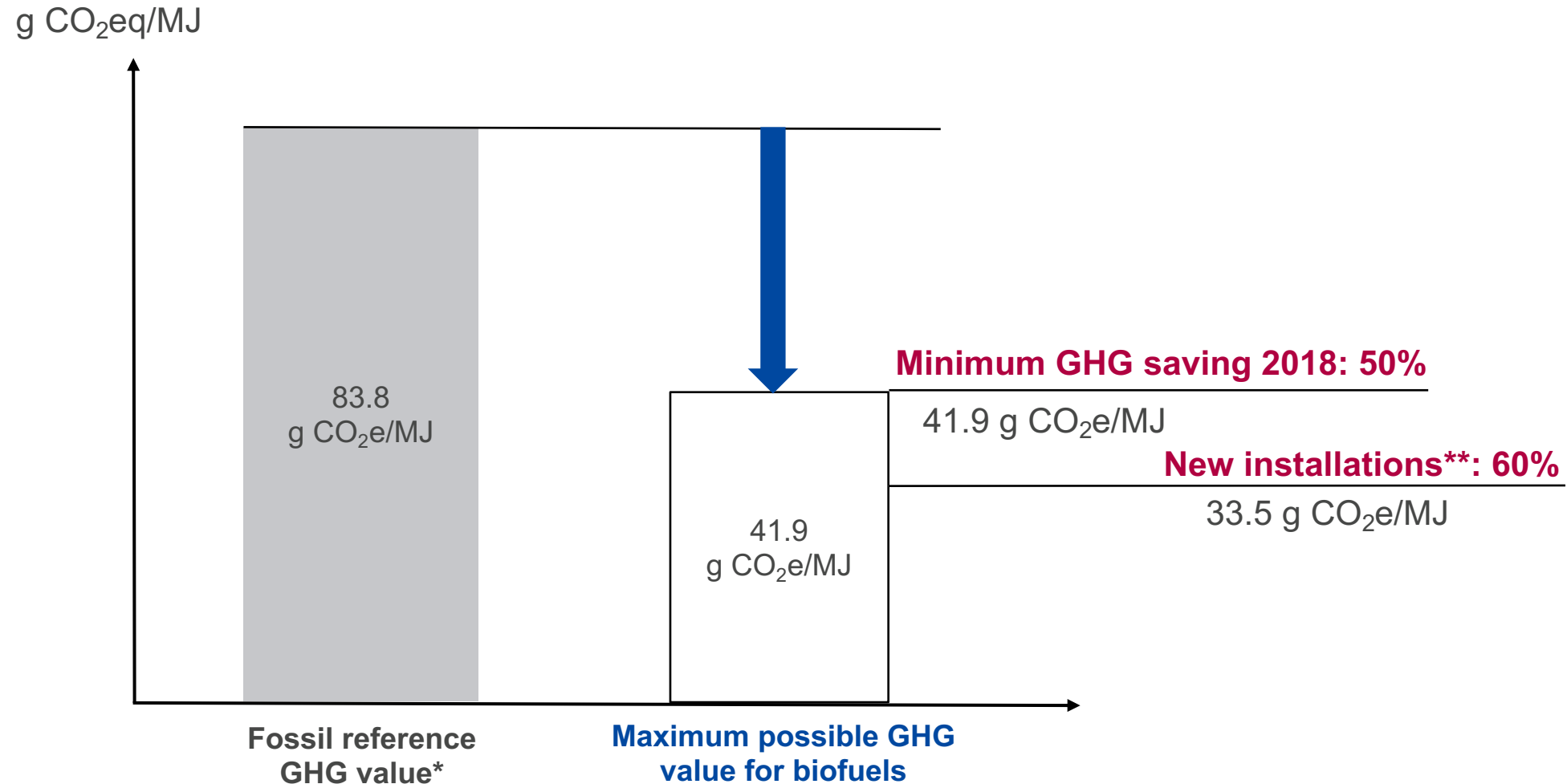


* RED I – 2009/28/EC lately amended by 2015/1513/EC from October 2015

** RED II – Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018

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RED I: A maximum GHG emission of 41.9 g CO₂e/MJ of biofuel is possible to reach the 50% GHG saving threshold

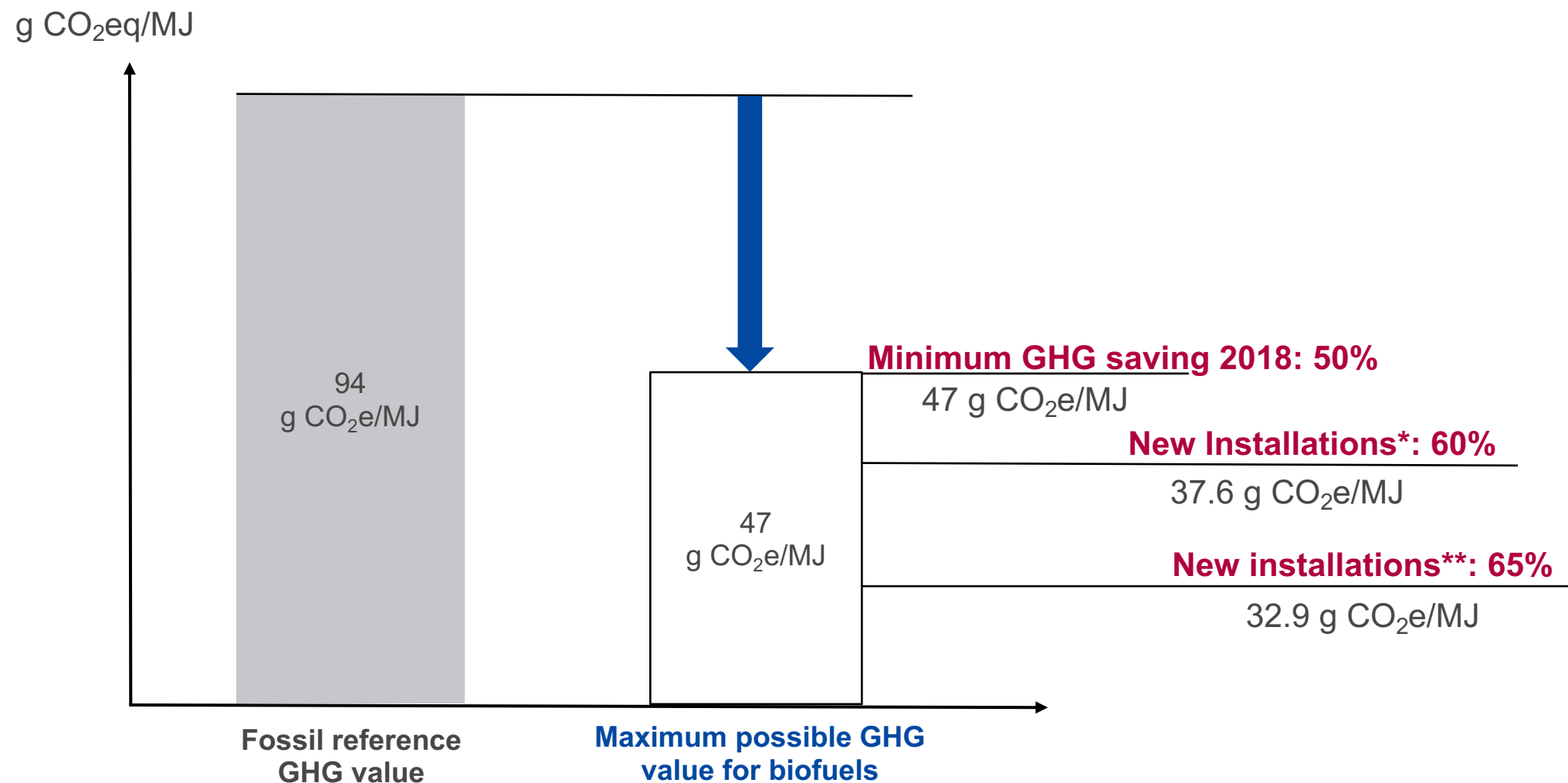


* Value comes from the Renewable Energy Directive (RED). Currently no other value can be applied.

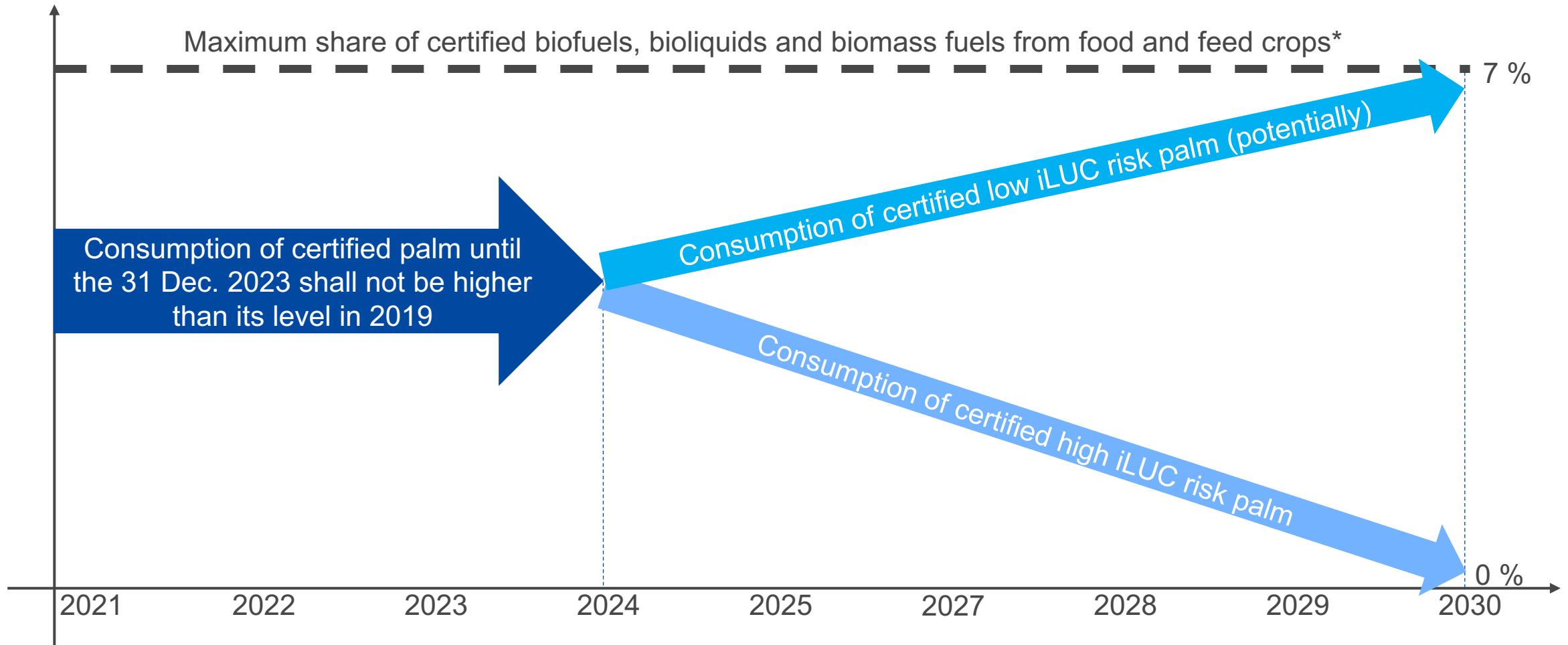
** for installations starting operation after 5 October 2015

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Under the RED II the new fossil reference value for GHG emissions will be 94 gCO₂eq/MJ

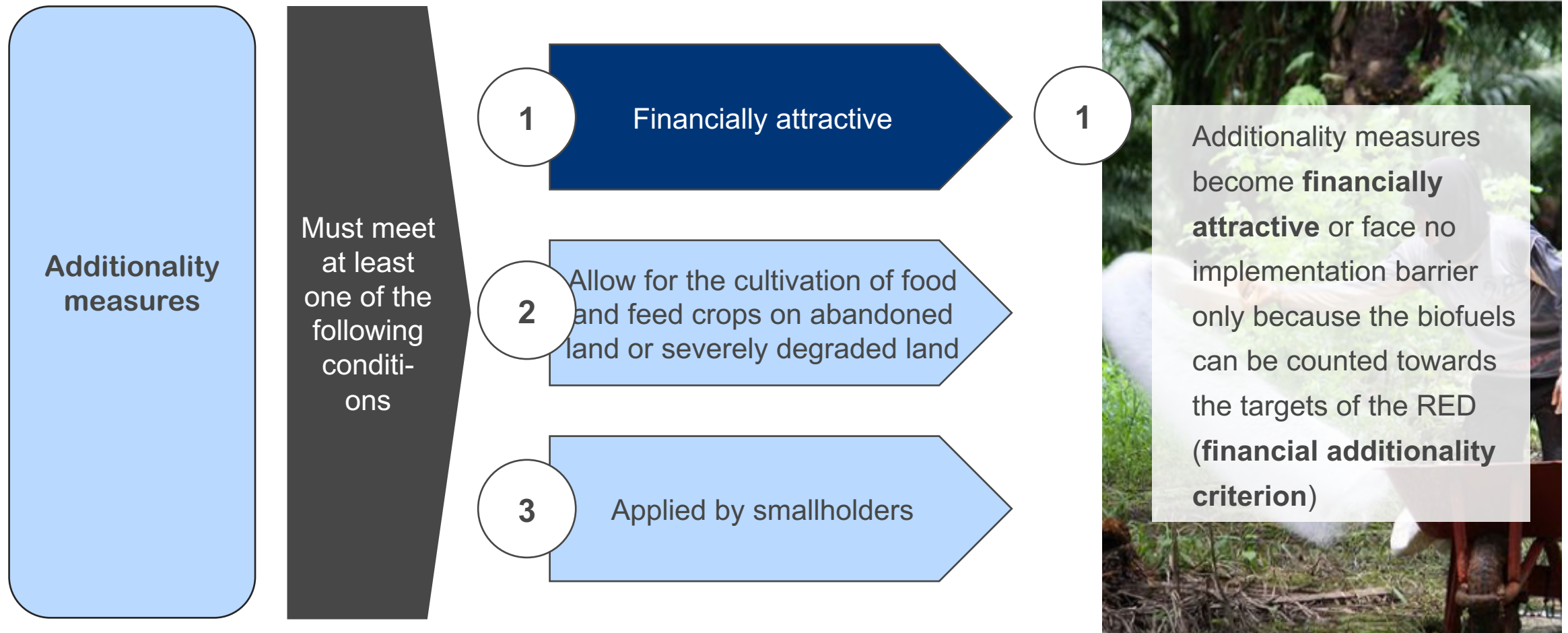


Potential of low iLUC risk palm oil certification still unclear

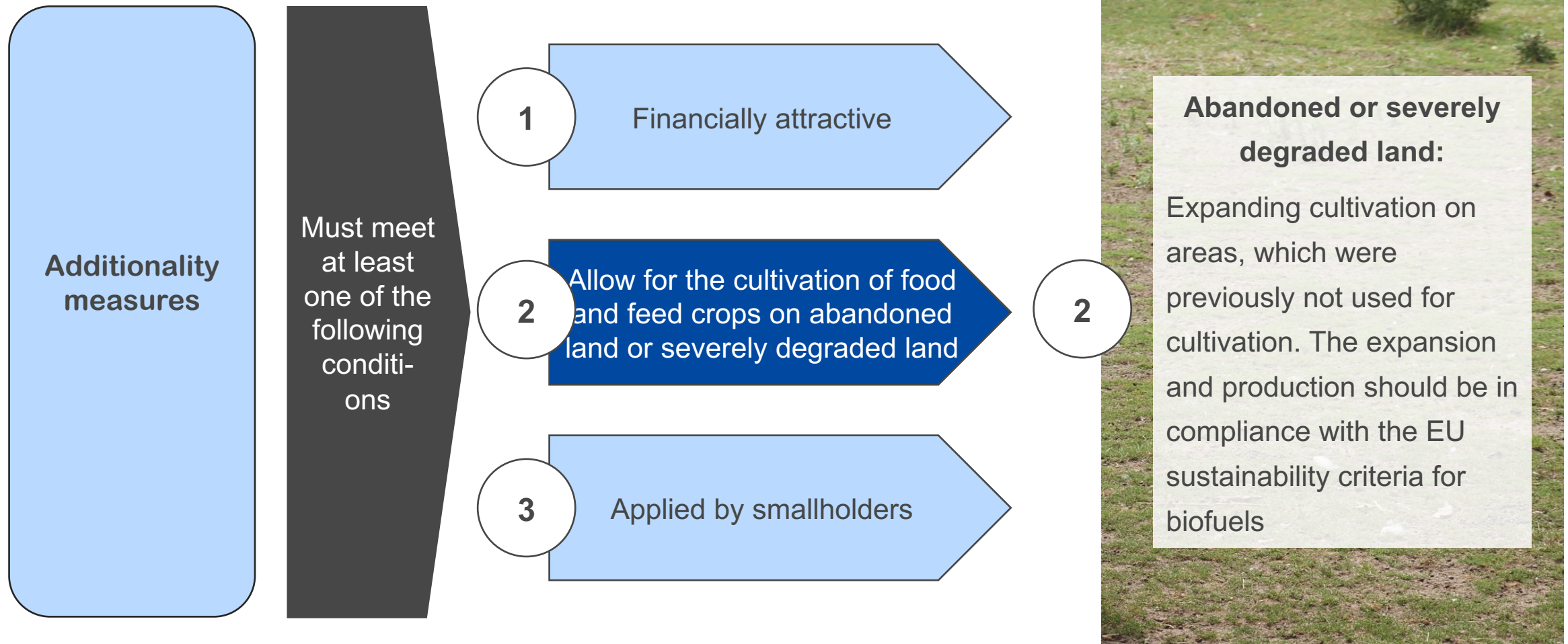


* The maximum share should be calculated by each Member State dependent on their 2020 share plus 1% with a maximum of 7%

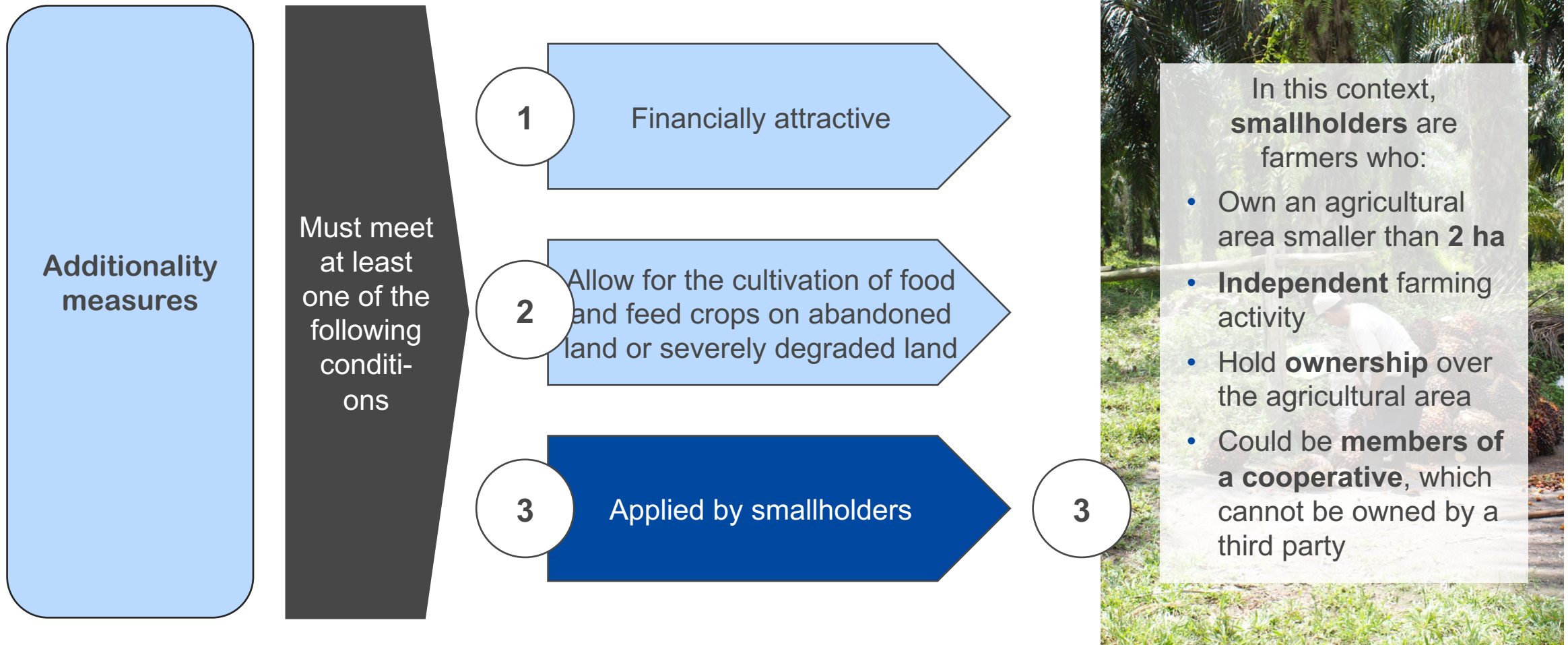
In order to fulfil the additionality criteria for low iLUC palm, producers must meet at least one of three conditions...



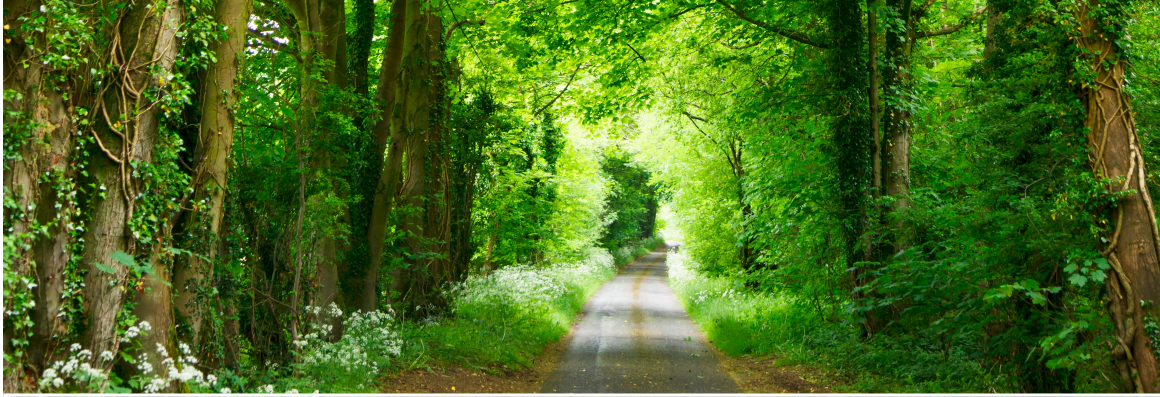
..., another condition is that palm is cultivated on abandoned or severely degraded land...



...or that palm is cultivated by smallholders



RED II: Implications for Latin America



Opportunities:

- Increased target for renewables in EU
- Advanced biofuels and Annex IX feedstocks
- RFNBO's and RCFs
- Low iLUC:
 - unused/degraded land
 - revision RED → smallholder definition?
- Non-RED Markets



Challenges

- 7% Cap on Food/ Feed Crop based biofuels
- iLUC risk biofuels
- Higher GHG emission savings thresholds
- End of double counting?
- Multipliers reduce market
- Less harmonized regulation



What's next?

- An **update of ISCC EU** is required to become recognized under the RED II, particularly to implement:
 - **Delegated acts on:**
 - Renewable fuels of non-biological origin and recycled carbon fuels (due in January 2021)
 - Co-processing (due in December 2021)
 - Update of Annex IX
 - Development of certification framework for low iLUC risk biofuels
- Transposition of RED II into national law **due by 30 June 2021**
- **Practical challenges require guidance from the EC:**
 - How to deal with a non-harmonized transposition by different MS (i.e. with respect to time and content)?
 - Transition periods (for schemes, operators, deliveries)?



Many thanks for your attention!

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