

**Speech by Holger Standertskjold  
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Ladies and Gentlemen,

Thank you for inviting me here this morning to present the European Commission's climate action and renewable energy package. Let me start by placing it where it rightly belongs, namely in the international context.

The EU's top priority is to get a comprehensive and ambitious new international agreement on climate change by the end of 2009, as agreed in Bali at the end of last year. Europe alone cannot solve climate change; this is a global problem which requires collective action with broader international participation. The agreement reached in Bali was an important breakthrough. All countries, including the US, are now on board for negotiations, and we have a roadmap for the key issues to be discussed.

A key element of the challenge ahead of us will be to mobilise additional funding for the battle against climate change. How can we step up and green finance, investment and trade streams to support access to clean technologies, to adapt to the unavoidable impacts of climate change and to tackle deforestation? The use of public/private partnerships as well as the contribution from the private sector to these challenges and in particular to the urgent deployment of climate friendly technologies will need further consideration.

To succeed in this, I believe it is crucial that the EU continues to show leadership, and we are determined to lead by example. In March 2007, EU leaders committed to two targets for reducing EU emissions from 1990 levels by 2020. A cut of 30%, conditional on other developed countries agreeing to comparable efforts under the future global agreement, and a reduction of at least 20%, independently of what other countries do, in order to continue the transition to an energy efficient, low-carbon economy in Europe.

In January of this year, the European Commission issued a package of climate action and renewable energy proposals that allow both the 20% independent target and the 30% target if there is an international agreement to be met.

The package includes proposals for a wide set of measures that will enable the EU to achieve sharp cuts in greenhouse gas emissions and a major increase in renewable energy by a combination of cost-effective action through the carbon market, the EU Emissions Trading Scheme and a fair effort-sharing between Member States.

It ensures that our 2020 targets will be met, by setting legally binding targets for each Member State to reduce greenhouse gases in sectors not covered by the EU-wide Emissions Trading System, and to increase the share of renewables in energy consumption so that across the EU this reaches 20% by 2020.

And it will do so at a manageable macro-economic cost of just some 0.45% of GDP in 2020, which is far less than the most optimistic estimates of the cost of letting climate change simply happen. For example, the Stern review estimates the potential long-term costs of climate impacts, if no action is taken, at between 5 percent and as much as 20 percent of annual GDP.

I will not go into the detailed contents of the package – there are thousands of pages of legal and explanatory text on our website. Instead I would like to focus on the important principles underlying our proposals and the contribution they will make to strengthening climate action globally. In addition, I will tackle some of the questions that have been posed to me about the impact that the EU's proposals will have on Asia and on the sustainability criteria for bio fuels.

The European Commission's far-reaching package of proposals demonstrate that the targets agreed last year are technologically and economically possible and provide a unique business opportunity. These measures will dramatically increase the use of renewable energy in each country and set legally enforceable targets for governments to achieve them.

All major CO<sub>2</sub> emitters will be given an incentive to develop clean production technologies through a thorough reform of the Emissions Trading System (ETS) that will impose an EU-wide cap on emissions.

The package targets the European Union to reduce greenhouse gases by at least 20%, and increases to 20%, the share of renewable energies in the energy consumption by 2020, as agreed by EU leaders in March 2007. The emissions reduction will be increased to 30% by 2020 when a new global climate change agreement is reached.

With the significant rise in oil prices and the growing concern about stable, secure and environmentally-friendly energy supplies, the promotion of biofuels use in transport, is a priority on the European political agenda. Today, biofuels are the only way to significantly reduce oil dependence in the transport sector. As part of its Energy Policy for Europe, the Commission is committed to encouraging the production and use of biofuels by proposing to set a binding minimum target for biofuels of 10% of vehicle fuel by 2020.

Bio fuels will help us to reduce our CO<sub>2</sub> emissions, strengthen our security of supply and develop jobs and growth in a high tech developing sector. We believe that if we make the effort now, Europe will be the leader in the race towards the low carbon economy that the planet so desperately needs.

There has been much discussion in the media and environmental groups about the possible negative impact that biofuels might have on the environment. The Commission's package requires bio fuel production to be environmentally sustainable and provides incentives to encourage sustainable production. This is where you come in. The incentives apply to EU Member States as well as to countries outside the EU. The directive also includes criteria and calculation methods.

The sustainability criteria must be met in order to obtain the incentives proposed under this scheme, which is based on international science and norms. It is also non-discriminatory and hence cannot be accused of being protectionist. In fact, it is WTO compliant.

Biofuels (both domestically produced and imported) must comply with the sustainability criteria in order to count towards the 10% target, to count towards any national obligation and to receive financial support.

So what is the sustainability criteria? There are 3 main ones that I will cover now. First, it must meet a minimum level of greenhouse gas savings compared to fossil fuels of 35%. Producers can use either default values as set out in an annex to the directive or provide their own data.

This means that palm oil biodiesel (without proper waste management, leading to methane emissions) will not fulfil the criterion, as it saves, on average, 32% greenhouse gas compared to fossil fuel. However, with proper waste management, the average savings are 57% and hence would be able to fulfill and exceed the criteria.

Second, it must NOT come from raw material obtained from land with recognized high biodiversity value such as undisturbed forests or high biodiversity grassland or areas under natural protection orders.

Third, it does not allow the conversion of high carbon stock areas to obtain raw materials. These include wetlands and continuously forested areas.

This criteria on land-use change will also affect palm oil biodiesel which is produced on recently deforested areas.

The 10% biofuels target in the EU will open new market opportunities for Asian biofuels producers but only if they are sustainably produced.

The criteria have been designed to maximize environmental effectiveness while minimizing trade distortions. I am aware that there are some who refer to these measures as green protectionism. The sustainability scheme addresses only genuine and indisputable environmental sustainability concerns as expressed by EU citizens and at the global level. It has been designed in such a way as to avoid any possible discrimination towards our trading partners. It is not intended

as a barrier to trade. This cannot be the case as the directive itself recognizes the importance of both domestic production and imports to achieve the 10% target.

More information on the EU's policy is available on these websites. I'd like to wrap up my summary of the sustainability criteria by adding that we are aware that this is an evolving area of understanding and clearly we must be ready to adapt the policy and the framework conditions to our evolving knowledge. However, short term market prices will not distract us from our stated objectives.

Ladies and Gentlemen,

Climate change is a reality - it's both a global challenge and an opportunity for all. Europe's climate debate has been driven by three major considerations:

First by early acceptance of the ever-strengthening scientific evidence of change.

Second, by the conviction that a shift to an energy-efficient, low carbon economy is the key to Europe's future economic wellbeing. A clear and ambitious climate policy will give Europe a first mover advantage in an increasingly carbon-constrained world.

And thirdly, more than anything, we need an effective global response. Europe's approach is very much one of leading by example, to encourage others to act.

EU leaders have committed to transforming Europe into a highly energy-efficient, low-carbon economy. This is an opportunity also for Asia. In an era of high energy prices and increasing global competition for fossil-based energy resources, meeting this ambition is essential for improving our energy security and strengthening our competitiveness – the keys to our future prosperity.

Thank you for your attention.