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COVER NOTE

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

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To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
the European Union

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Subject: COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY
OF THE IMPACT ASSESSMENT Sustainability of Bioenergy
Accompanying the document Proposal for a Directive of the European
Parliament and of the Council on the promotion of the use of energy from
renewable sources (recast)

Delegations will find attached document SWD(2016) 419 final - PART 2/2.

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PART 2/2

COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Sustainability of Bioenergy

Accompanying the document

**Proposal for a Directive of the European Parliament and of the Council on the
promotion of the use of energy from renewable sources (recast)**

{COM(2016) 767 final}
{SWD(2016) 418 final}

Executive Summary Sheet

Impact assessment on the sustainability of bioenergy

A. Need for action

Why? What is the problem being addressed?

While increased production of bioenergy plays a key role towards meeting the climate and energy objectives of the EU, there are a number of problems and potential risks linked to its increasing use in the heat and power sector. The public consultation has also illustrated that the public opinion about benefits and risks of bioenergy is mixed, which can undermine investments in this sector, notably in the absence of a sound public policy framework.

On the basis of stakeholder inputs, studies and other scientific evidence, the Commission services have identified three key problems or potential risks linked to using solid biomass for heat and power: **i)** The climate performance of bioenergy. **ii)** Environmental impacts on biodiversity, soil and air quality. **iii)** Increasing combustion of large volumes of biomass in low-efficient installations.

This Impact Assessment provides a complementary analysis to the Impact Assessment supporting the proposed revision of the Renewable Energy Directive, which looks at specific issues related to biofuels use in transport, in particular emissions from indirect land use change and the development of advanced biofuels.

What is this initiative expected to achieve?

The main purpose of the initiative is to ensure the sustainability of bioenergy production and use for heat and power. To this end, it is essential to address the above mentioned problems and risks through a clear policy framework, where any new actions efficiently complement the already existing policies and measures both at the EU and national levels.

The initiative aims to deliver benefits in terms of climate action, environmental protection, resource efficiency and functioning of the internal market, while keeping the action proportionate to the size of the problems and risks. The initiative should also deliver on overarching objectives of the Commission, notably through promoting i) growth, jobs and investments and ii) the EU leadership in renewable energies.

What is the value added of action at the EU level?

The targets on climate mitigation and renewable energy targets are set at the EU level, and in particular the renewable energy target has driven the increase in biomass consumption for energy in the EU over the past decade. It is therefore necessary to ensure at the EU level that the use of bioenergy to fulfil renewable energy targets is supporting the overall climate objective as well. Some of the sustainability risks linked to the development of bioenergy have a cross border dimension and hence can be more efficiently addressed at EU level. This is in particular the case for environmental impacts such as climate change, biodiversity or air pollution. Market-mediated effects can also occur across borders, as is the case for example for competition issues for biomass feedstocks.

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

The following dilemma arose in the course of the consultation process and examination of evidence :

- On the one hand, many stakeholders consider that the future development of bioenergy, important for replacing fossil fuels, is hampered by public doubts about environmental benefits of certain biomass uses for energy;
- At the same time, it is clear from the scientific evidence that the overall impacts of using biomass for energy on greenhouse gas emissions and biodiversity are based on too many variables and cannot be assessed or ensured with general prescriptions, but rather should be examined on a case by case and site-specific basis.

It is therefore not possible to reliably distinguish, at the EU-wide level, between 'sustainable' and 'unsustainable' sources of bioenergy for the heat and power sectors and set out this distinction in legislation. Instead, one non-regulatory and four regulatory options aim to address the drivers of the problems and risks as identified above. The baseline (option 1) is based on mainstreaming the solutions into other elements of the 2030 climate and energy framework as well as other existing policies. The sizeable effects of these policies without additional specific regulation, would make this option the most efficient approach in terms of balance between results and the administrative burden; but it does not provide any legislative safeguards in case practices that exacerbate the problems would develop more strongly than identified in the modelling work. This is relevant in view of the

level of uncertainty on future biomass development, including trade patterns and feedstock choice. The additional four policy options propose a range of safeguards against the risks identified, although the particular issue of climate impacts of biomass ('biogenic carbon') is particularly difficult to tackle. Against this background, Commission Services were not in the position to identify a policy option that would be clearly preferable over the others.

Who supports which option?

In the stakeholder consultation, 35% of respondents considered that current EU and national policies are sufficient to address the issues at stake, while 59 % called for a new policy instrument is at the EU level. The option 2, which would formalise the sustainability requirements that have currently status of a Commission's recommendation, did not receive any clear sizeable support. Option 3 was supported by a number of bioenergy producers and users and by several Member States Addressing conversion efficiency (option 4) would be welcome by a number of non-energy wood-based industries and civil society organizations. The latter group would also largely support an overall cap on bioenergy.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise main ones)?

The analysis suggests that under the conditions projected by the models, the policy options identified would only have a limited – although positive - effects on the problems identified. They would rather act as "safeguards" in case practices that exacerbate the problems develop more strongly than shown in the model projections.

While bioenergy is crucial for attaining the objective of 27% of renewable energy in the EU energy mix by 2030, a marginally higher share of bioenergy versus other renewable sources will result in a marginally lower incentive for emerging technologies. The options that contain constraints for bioenergy use (1, 3, 4 and 5) will therefore indirectly stimulate focus of the energy sector on other renewable energy sources and hence trigger additional investments and jobs in the renewable energy sector. Since all of the options have a rather limited quantified effect on the future amounts of bioenergy, the effects on growth and jobs are also small.

What are the costs of the preferred option (if any, otherwise main ones)?

Additional administrative costs would occur for producers of agricultural biomass, forest owners and the wood value chain, and bioenergy plants as a consequence of new legal requirements in options 2-5. According to the estimates, these would range between 63 and 150 million EUR in one off costs and between 31 and 51 million EUR in recurring annual costs (cumulatively for all operators). This extra cost is likely to be either passed on the final consumer (if there is no public subsidy) or on the wider society (if subsidies are applied) or combination of both. As described above, the options would overall have a small economic benefit linked to the marginal shift to other renewable energy sources.

How will businesses, SMEs and micro-enterprises be affected?

SMEs and micro-enterprises are widely represented in bioenergy production and use chain through, in particular, small forest owners and small bioenergy installations. The latter group, however, would only be affected depending on the minimum size of installations that become subject to sustainability requirement (1-5MW, 5-10MW, 10-20MW or more than 20MW). Small forest owners could be affected by the policy options considered, but less so in the case of a risk-based approach (option 3).

Will there be significant impacts on national budgets and administrations?

There would be only limited administrative costs for national authorities linked to implementation of the legislation and the respective reporting, monitoring and verification tasks. These costs include one-off costs in the range of 60.000 to 200.000 € as well as recurring yearly costs between 400.000 to 1 million EUR.

Will there be other significant impacts?

No.

D. Follow up

When will the policy be reviewed?

The policy will be regularly reviewed in the context of the Energy Union governance framework, where in particular monitoring of the overall quantities of biomass used for energy as well as the type of biomass, type of feedstock, its geographical origin and final use will be important to assess the development of problems and risks identified in the Impact Assessment. No particular review clause is foreseen