

*BIKE is a Horizon 2020 project whose objective is to support uptake of the low ILUC-risk concept for biofuel feedstocks. This series of Briefing Notes seeks to explore issues in the EU policy sphere which may impact low ILUC-risk value chains, and identify opportunities for fostering an enabling policy environment.*

## Policy to support low ILUC-risk agriculture



Harvesting of Castor bean in Sardinia (Italy).

The underlying concept for low ILUC-risk biofuel production is that by developing new systems to expand agricultural production, it is possible to deliver biofuel feedstock without impacting existing food and feed markets. Low ILUC-risk production systems fall into three main categories: growing a crop on land that is unused (for instance that has been abandoned or become degraded); increasing production of an existing crop; or adding an additional intermediate crop (for instance a productive winter cover crop or an intercrop) to an existing system.

The language of “low ILUC-risk” comes directly from the dialogue around biofuels and land use change, and the only EU directive in which low ILUC-risk status is explicitly recognised is the Renewable Energy Directive (RED). But considering that the goal of low ILUC-risk agriculture is to sustainably increase the productivity of agricultural land, there are clear resonances with policy objectives far beyond energy policy.

No single example could represent the diversity of possible low ILUC-risk approaches, but there are some common characteristics that many low ILUC-risk options share. These include a focus on accumulating soil carbon, a focus on developing novel crops, and a focus on increasing crop diversity. Agricultural models developed with a focus on biofuel feedstock under the RED may grow to become an important part of Europe’s broader agricultural landscape if a more holistic and nurturing policy environment can be developed.

## Existing support for low ILUC-risk systems

In the 2018 Renewable Energy Directive, low ILUC-risk certification is given a clear role as a basis to supply biofuels that would otherwise fall into the “high ILUC-risk” category and be subjected to limits on the available public support. In practice, because palm oil is the only feedstock that the European Commission has currently identified as high ILUC-risk, this role is only relevant for low ILUC-risk projects on palm oil plantations, and therefore is not applicable to projects producing feedstocks traditionally grown within the EU. Outside of the palm oil industry the RED currently provides no clear value proposition for low ILUC-risk systems, and the RED definition of low ILUC-risk certification excludes projects involving biomass energy crops for cellulosic biofuel production.

Some low ILUC-risk production models that are based on producing intermediate crops may find a market niche by falling outside of the EU’s cap on the use of food and feed crops for biofuel production. Low ILUC-risk projects that deliver enhanced soil carbon or rehabilitate degraded land may achieve better carbon saving scores, and thus deliver added value in Member States like Germany where public support is proportional to reported carbon savings.

One opportunity provided by the current RED is for Member States to offer additional support in their national biofuel mandates. Article 26(1) of the RED allows Member States to distinguish between biofuels based on the best available evidence on the associated ILUC emissions; low ILUC-risk certification could be used to demonstrate that ILUC emissions have been avoided, which would entitle Member States to give certified low ILUC-risk fuels a privileged status, for example by making low ILUC-risk fuels eligible for some form of multiple counting.

## Coherence with non-energy goals

Many of the types of production system that can be certified as low ILUC-risk are also well aligned to goals elsewhere in EU agricultural policy. For example, the Common Agricultural Policy states that Europe will provide support to prevent the abandonment of land facing ‘natural or other specific constraints’ to farming. Developing low ILUC-risk biofuels on abandoned agricultural land clearly supports this objective. The Farm to Fork Strategy and the Communication on Sustainable Carbon Cycles identify ‘carbon farming’ – that is, agricultural models that maximise the formation of persistent soil carbon – as a priority. This could be delivered by low ILUC-risk projects that involve the addition of appropriate cover crops to existing rotations and/or that involve the application of biochar.

At present, the low ILUC-risk terminology is exclusive to energy policy. If a common language can be developed to link low ILUC-risk projects with projects to deliver additional agricultural production at minimal sustainability risk more generally, this could allow low ILUC-risk to become a vehicle to demonstrate and implement agricultural ideas that will become important in the wider agricultural economy and will bring additional benefits to the biofuels sector as well.

## Institutions

Low ILUC-risk ideas span several policy areas, and therefore enter the purview of several Directorates General of the European Commission (and similarly several ministries/departments of national governments at a Member State level). Low ILUC-risk as a source of feedstock for bioenergy is the province of DG Energy; low ILUC-risk as a mechanism to reduce land abandonment contributes to the goals of DG Agriculture and Rural Development; low ILUC-risk as a context to deliver carbon sequestration through soil enhancement helps with targets at DG Climate Action; and low ILUC-risk agriculture which improves ecological performance overlaps with the objectives of DG Environment.

This cross-cutting relevance is part of the appeal of low ILUC-risk systems as an important plank of both the energy and the agricultural transition, but calls for a degree of coordination across policy areas that can be challenging to deliver. Recognising the potential for low ILUC-risk agricultural models to deliver across multiple policy areas would allow the full potential of these ideas to be realised.

## Finance

Delivering on the promise of low ILUC-risk will require finance. Finance can be enabled by policy – clarifying the value signal for low ILUC-risk projects outside of the palm oil industry is a necessary precondition for project developers to be able to use low ILUC-risk certification as part of their business platform. Beyond this, increasing the recognition of the low ILUC-risk concept by financial institutions and funding programmes has the potential to accelerate the adoption of these practices. Low ILUC-risk certification is already recognised as a basis to demonstrate sustainability for biomass used by projects applying to the EU Innovation Fund. Further harmonising the concept into the funding and management criteria of, e.g., the LIFE Programme or European Agricultural Fund for Rural Development would help to foster an enabling environment, while



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