Up in smoke: Europe's cars driving deforestation in South East Asia

Diesel cars burn more than half of palm oil imported into Europe - 2017 figures

June 2018

Summary

More than half of the palm oil imported into the EU is used to make biodiesel for cars and trucks. Palm oil used for biodiesel has increased sharply over the last years while food consumption of palm oil is declining. Almost all the growth (87%) in the use of palm oil in 2017 was due to biodiesel which is driven by an EU law that obliges governments to blend vegetable oils in diesel. Palm oil is the most harmful type of crop biofuel with triple the emissions of fossil diesel. The renewable energy directive, the law that is responsible for the spectacular growth in palm oil biodiesel since 2009, is currently being reviewed. The European Parliament has voted to stop subsidising palm oil biodiesel but the European Commission, with the support of the former Italian and Spanish governments has blocked the proposed phase out of palm oil biodiesel. Final negotiations on the biofuels law will take place this and next week.

Background and introduction

This briefing provides an update on the EU crop biodiesel market and the use of palm oil for diesel, with new data for the year 2017. This new information is very relevant in the context of the ongoing negotiations on the Renewable Energy Directive recast (REDII).

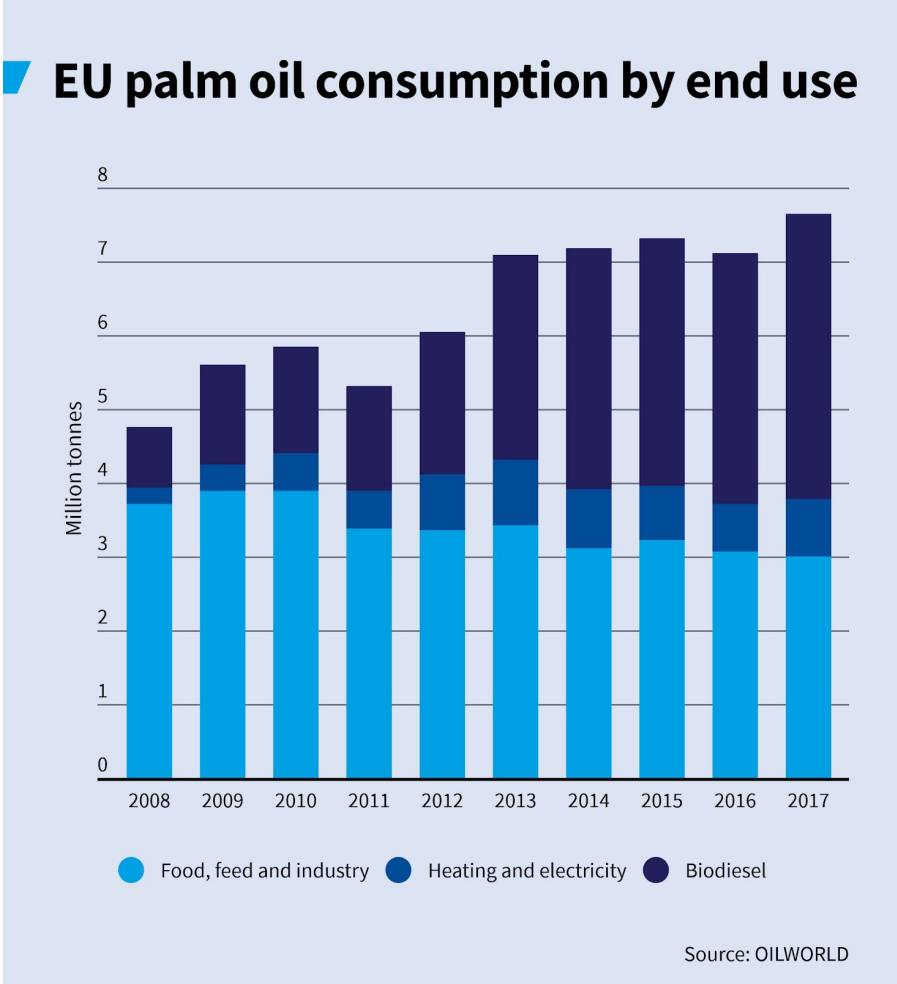
The data used in this report originates from OILWORLD[1], the industry's reference publication for vegetable oils markets. This note provides a description of the most recent data on vegetable oils and their end use in Europe. This report is an update of previous T&E reports on the subject in 2016 and 2017.

[1] OILWORLD https://www.oilworld.biz/t/publications/annual

From Globiom[2] - the European Commission's most recent, and most advanced study on the greenhouse gas impacts of biofuels - we know that palm oil is three times worse for the climate than fossil diesel[3], mainly due to deforestation and peatland drainage. New research suggest that at least a third of new oil palm plantations require peat drainage[4].

Over half of palm oil used in EU is for diesel

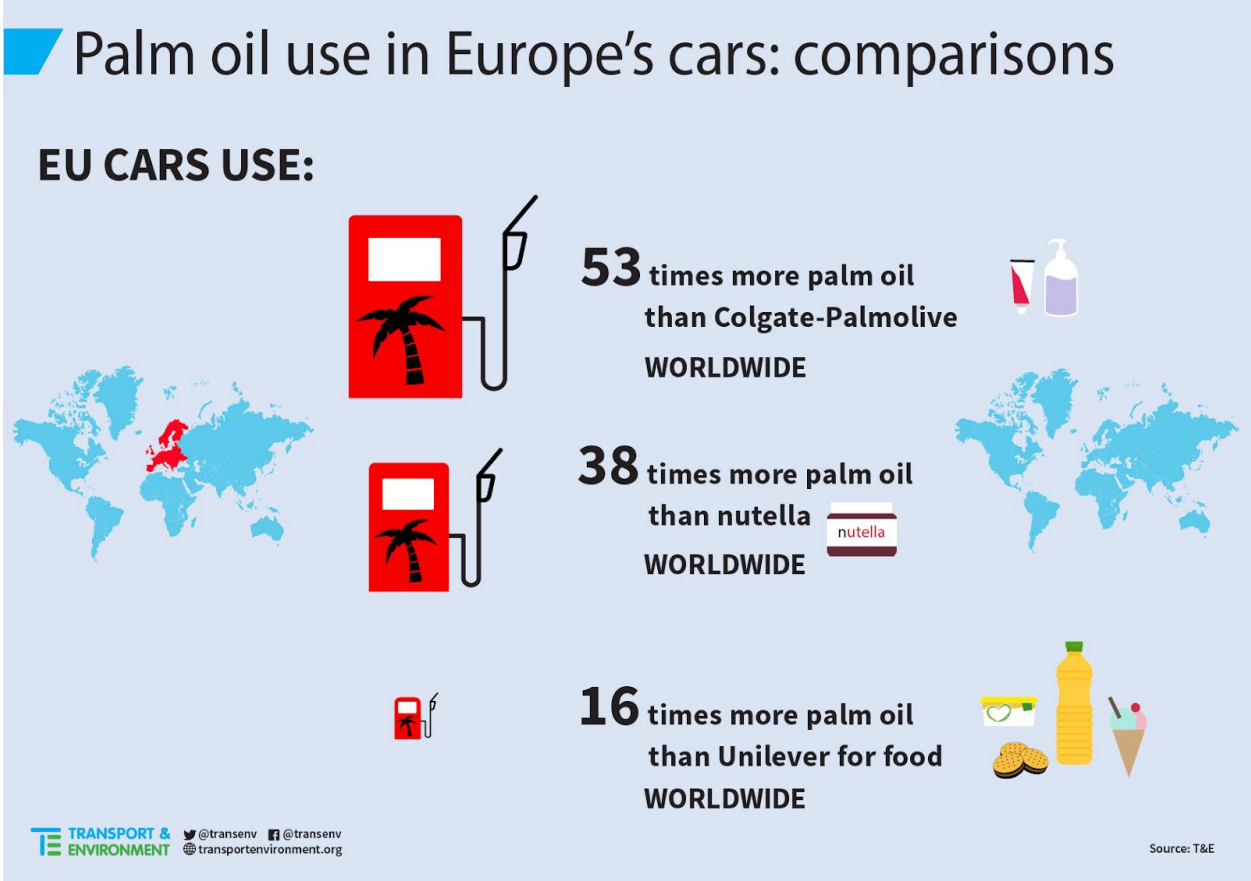
EU total palm oil consumption increased by 7% in 2017 compared to 2016. The growth primarily comes from biodiesel, which accounted for 87% of the increase. Since 2009, when the Renewable Energy Directive that promotes crop biofuels was enacted, palm oil use in biodiesel has grown steadily while the use of palm to make food has decreased. The proportionately higher growth in biodiesel use has led to the EU consuming 51% of all imported palm oil for biodiesel in 2017. On top of the biodiesel use, around 10% of palm oil imports was used for heating and electricity - so a total of 61% of palm oil imports was burned for energy. Only the remaining 39% was used for food, animal feed and other industrial uses such as cosmetics.



Consumers are increasingly aware of the use of palm oil food products. Amongst the best known palm oil users are chocolate and hazelnut spreads such as Nutella. However, the volumes of palm oil burned as diesel dwarf Nutella's use globally. European drivers burn 4.3 million tonnes of palm oil annually, 38 times more than the global volumes used in Nutella (around

[2]Valin et al. (2015). The land use change impact of biofuels consumed in the EU. https://ec.europa.eu/energy/sites/ener/files/documents/Final%20Report_GLOBIOM_publication.pdf
[3] https://www.transportenvironment.org/publications/globiom-basis-biofuel-policy-post-2020
[4] Malins (2017) For Peat's sake http://www.cerulogy.com/wp-content/uploads/2017/06/Cerulogy_For-peats-sake_Climate-implications-of-palm_May2017.pdf

110,000 tonnes).[5] The world's largest palm oil user in the food industry, Unilever[6], uses 0.27 million tonnes of crude palm oil, 16 times less than EU biofuels use. Similarly Colgate-Palmolive[7] uses 0.08 tonnes, or 53 times less than EU drivers.



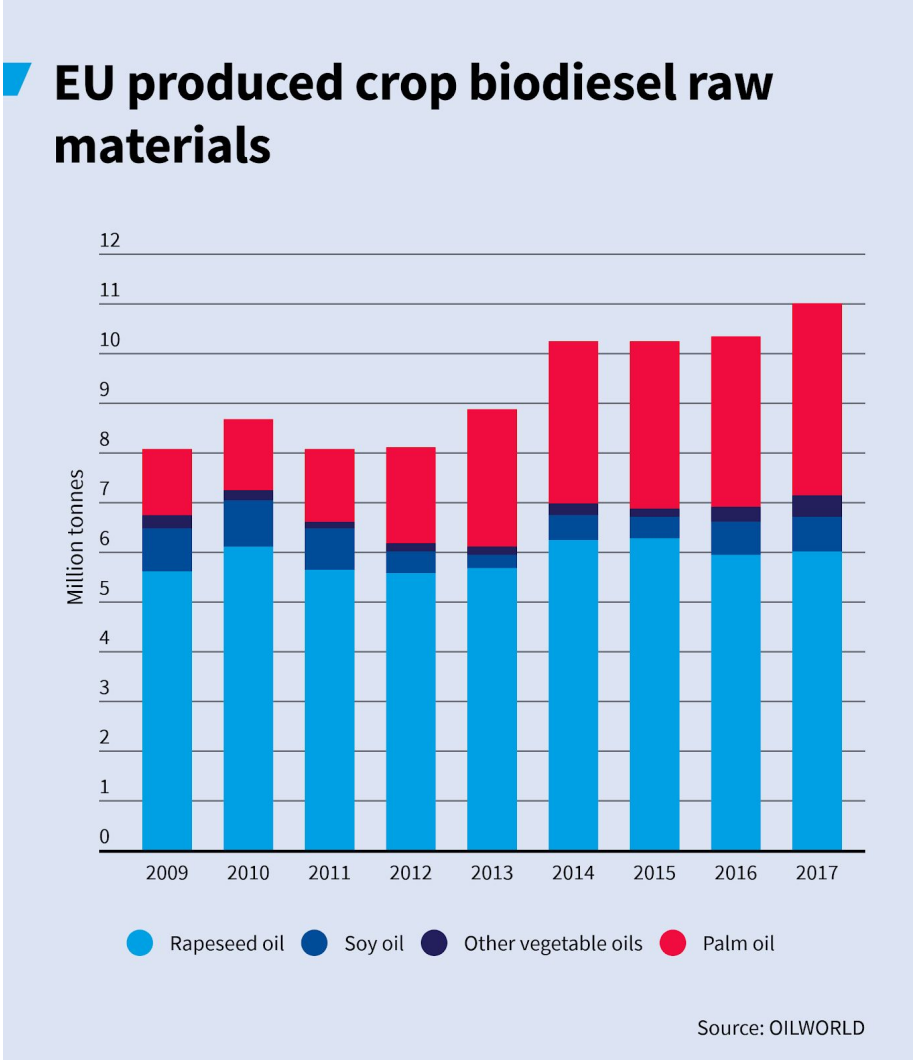
Most of the growth in EU biodiesel production comes from imported palm oil

According to OILWORLD data, palm biodiesel production in the EU grew 13.5% from 2016 to 2017. In 2017 the EU used 3.9 million tonnes of crude palm oil to make biodiesel, almost half a million tonnes more than in the previous year. Spain, Italy and The Netherlands, the three largest palm biodiesel producers, accounted for 83% of all EU palm oil production in 2017.

Two thirds of crop biodiesel growth in 2017 was from palm oil. This continues the historic trend which started in 2009: palm oil biodiesel production accounted for most of the growth in EU crop biodiesel production, while domestic EU vegetable oil biodiesel remained stable. EU produced crop biodiesel is

[5] Assuming annual Nutella consumption of 0.365 Million tonnes and a palm oil content of 31%, the same as the fat content. EU motorists consumed a total of 4.3 million tonnes of palm oil, when both domestic biodiesel production (OILWORLD) and imported biodiesel is considered (eurostat).
[6] http://palmoilscorecard.panda.org/check-the-scores/manufacturers/unilever
[7] http://palmoilscorecard.panda.org/check-the-scores/manufacturers/colgate-palmolive

composed of 55% rapeseed, 35% palm oil, 6% soy oil and 4% sunflower in 2017. The RED biofuels policy has not led to any meaningful increase in the demand for EU produced vegetable oil feedstocks.



The EU needs around 1.2 million hectares of tropical land for its palm oil biofuel consumption[8]. Based on satellite imagery data, around 1 million hectares of oil palm plantations have been established on Malaysian and Indonesian peatlands since 2010, proving expansion on peatland is continuing[9].

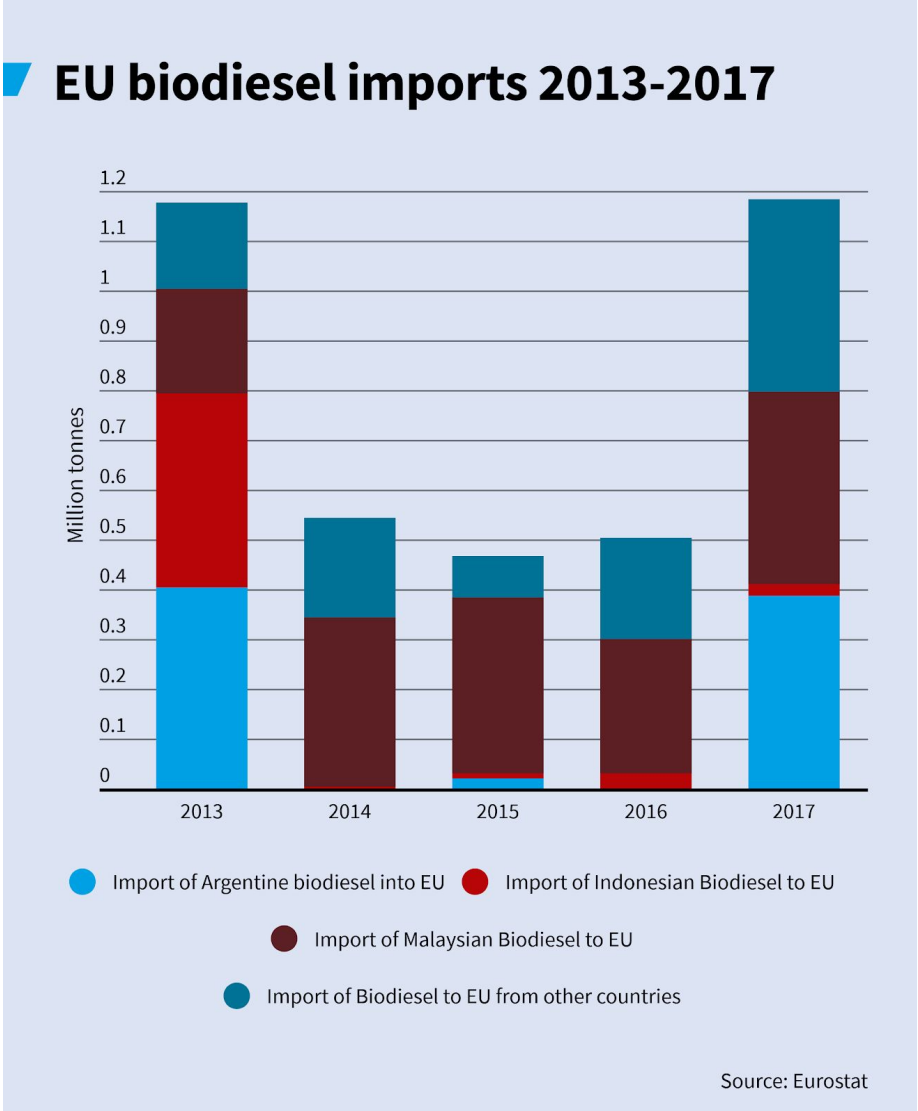
Biodiesel imports

[8] Assuming the 2015 average yield of 3.61 t/ha/a from OILWORLD

[9] J. Miettinen, C. Shi, and S. C. Liew, "Land cover distribution in the peatlands of Peninsular Malaysia, Sumatra and Borneo in 2015 with changes since 1990," Glob. Ecol. Conserv., vol. 6, pp. 67–78, 2016 https://www.sciencedirect.com/science/article/pii/S2351989415300470

The EU refines imported crude palm oil to make biodiesel, but also imports refined palm oil biodiesel mainly from Malaysia. In 2017, 400 thousand tonnes of palm oil biodiesel[10] was imported to the EU[11].

The EU imposed anti-dumping duties on imports of biodiesel from Argentina and Indonesia in 2013, but faced a series of legal challenges at the European Court of Justice and the World Trade Organization. Both bodies ruled against the EU measures.



[10] Trade data does not specify the raw material for the biodiesel, but it is safe to assume Indonesia and Malaysia export palm oil based biodiesel, and Argentina export biodiesel based on soy oil, because these are the main commodities used in biodiesel in these countries.

[11] Eurostat trade data http://trade.ec.europa.eu/tradehelp/statistics

Biodiesel imports from Argentina increased rapidly after the EU was forced to lower anti-dumping tariffs on Argentinian soy biodiesel due to the September 2017 WTO decision.[12] Indonesia has a similar claim to the WTO and when the Indonesian biodiesel anti-dumping tariffs are recalculated this year, it is highly likely to see a similar surge on biodiesel imports from Indonesia.

Regulatory state of play - why the EU can and must act now

The EU is renegotiating the law that lies at the basis of the biodiesel and palm oil problems: the renewable energy directive (RED). It's the 10% "green" energy target for transport set in the RED that has driven biofuel and palm oil demand since 2009. The EU is now renegotiating the renewable energy directive with talks entering their final phase in the coming two weeks.

The European Parliament proposes to freeze the share of food based biofuels that are allowed to count towards the renewable energy targets and demands the phase out of palm oil, as per its vote in January 2018. The European Commission opposes Parliament's plans while the picture in the Council, which represents EU governments, is more mixed. For instance, the Visegrad countries support the Parliament decision. The main countries blocking the end of palm oil biodiesel are France, Spain and Italy but these positions now appear to be shifting.

The French environment minister Nicolas Hulot recently said he'll take a strong position in Europe to organise the phase out of support to palm oil biodiesel. The Italian and Spanish governments that opposed the plan are no longer in office. The position of the German government is not known.

The European Commission opposes the plan to no longer count palm oil biodiesel as green transport fuels. It defends its own proposal which is a tighter cap on food based biofuels (3.8%), which include palm oil, and the possibility for member states to set lower limits on some biofuels, but does not currently support a phase out of the dirtiest type of biodiesel at EU level.

Government ministers are meeting on 11 June and the final negotiations between the three negotiating parties will take place on 13 June.

Further information

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[12] https://www.transportenvironment.org/newsroom/blog/eu-trade-tools-unable-contain-unsustainable-biodiesel-imports