ICTSD-IPC Platform

EU-CAP Reform and Climate Change

F. Fischler

Salzburg, 12. May 2009
Outline

• The European Goals
• Biofuel Policy
• CAP Reform post 2013
The European Goals
European Goals

Keep global warming below 2° C

(European Council 2005)

By 2020:

- CO₂ emissions - 20% (-30%)
- Renewable energy sources 20%
- Biofuels 10%

(European council 2007)
# Legally-binding Targets for Member States

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targets 2020</td>
<td>Reduction target in sectors not covered by the EU ETS compared to 2005</td>
<td>Share Renewables in the final energy demand by 2020</td>
</tr>
<tr>
<td>AT</td>
<td>-16,0%</td>
<td>34%</td>
</tr>
<tr>
<td>FR</td>
<td>-14,0%</td>
<td>23%</td>
</tr>
<tr>
<td>DE</td>
<td>-14,0%</td>
<td>18%</td>
</tr>
<tr>
<td>IT</td>
<td>-13,0%</td>
<td>17%</td>
</tr>
<tr>
<td>PL</td>
<td>14,0%</td>
<td>15%</td>
</tr>
<tr>
<td>ES</td>
<td>-10,0%</td>
<td>20%</td>
</tr>
<tr>
<td>SE</td>
<td>-17,0%</td>
<td>49%</td>
</tr>
<tr>
<td>UK</td>
<td>-16,0%</td>
<td>15%</td>
</tr>
</tbody>
</table>
Biofuel Policy
Biofuel

European Goals:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>5.75 %</td>
<td>of total consumption</td>
</tr>
<tr>
<td>2020</td>
<td>10.0 %</td>
<td>of total consumption</td>
</tr>
</tbody>
</table>
### Bioethanol and Biodiesel

#### Production Capacity 2007 (in mio. t):

<table>
<thead>
<tr>
<th></th>
<th>Bioethanol</th>
<th>Biodiesel</th>
</tr>
</thead>
<tbody>
<tr>
<td>global</td>
<td>35</td>
<td>9</td>
</tr>
<tr>
<td>thereof: Brasil</td>
<td>14,5</td>
<td>0,7</td>
</tr>
<tr>
<td>USA</td>
<td>14,5</td>
<td>1,9</td>
</tr>
<tr>
<td>EU-27</td>
<td>3,0</td>
<td>6,1</td>
</tr>
<tr>
<td>thereof: GER</td>
<td>0,6</td>
<td>3,0</td>
</tr>
<tr>
<td>FRA</td>
<td>0,5</td>
<td>0,6</td>
</tr>
<tr>
<td>ITA</td>
<td>-</td>
<td>0,5</td>
</tr>
</tbody>
</table>

(Source: Ch. Bickert, DLG-News)
Bioethanol and Biodiesel

Land Resource for the Production of Biofuels:

<table>
<thead>
<tr>
<th></th>
<th>Brasil</th>
<th>USA</th>
<th>EU15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of Biofuels 2004</td>
<td>21,6 %</td>
<td>1,6 %</td>
<td>0,8 %</td>
</tr>
<tr>
<td>Land needed in % of Cereals-, Oilseeds- &amp; Sugararea 2004</td>
<td>8</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Goals set for Biofuels</td>
<td>10 %</td>
<td>10 %</td>
<td>10 %</td>
</tr>
<tr>
<td>Land needed in % of Cereals-, Oilseeds- &amp; Sugararea 2004</td>
<td>3</td>
<td>30</td>
<td>52</td>
</tr>
</tbody>
</table>

(Source: St. Tangermann, M. Lampe)
Oilseeds: Production Costs\(^1\) \(2002\)

1) without land costs

The production of Bioethanol in the EU 2005 - 2007

- World production share 7%
- Cereal consumption for bioethanol production
  - 2005: 2.7 Mio to
  - 2006: 2.5 Mio to
  - 2007: 1.9 Mio to
  (equ. 0.75 % of EU cereal production)
Figure 2.5. Sensitivity of projected world prices to changes in five key assumptions, percentage difference from baseline values, 2017

- Scenario 1: Biofuel production constant at 2007 level
- Scenario 2: Scenario 1 and Oil price constant at 2007 level (72$)
- Scenario 3: Scenario 2 and Lower income growth in EE5 countries (half annual growth rate)
- Scenario 4: Scenario 3 and Progressive appreciation of the USD exchange rates to reach 10% higher rates in 2017
- Scenario 5: Scenario 4 and yields for wheat, oilseeds and coarse grains 5% higher than over the projection period

Source: OECD and FAO Secretariats.
Consequences for the European Biofuel Policy

- Get the priorities right
  Food – Feed – Fuel
- 10 % target without the availability of the 2nd generation not achievable
- Increase R&D
- Develop sustainability standards based on GHG avoidance
CAP-Reform 2013
Market organisations light

- Phasing out of intervention and export subsidisation
- Abolition of most of the production quotas

New instruments?
- Safety nets
- Advanced crop insurance schemes
- Export promotion
- Future markets
Direct payments

Possible development of the 1st pillar

- Modulation and financial discipline e.g. 20%
- 2002 fixed ceiling
- French and Irish hope
- German estimate
- British vision
Development of CAP expenditures and CAP reform
Development of CAP share of EU budget...

CAP Costs 1992

CAP Costs 2007

[Bar charts showing the comparison of CAP Expenditure (CAP Expend.) and EU Budget (EU Budget) for 1992 and 2007 in Mrd €.]

Salzburg, May 2009
…and different views of CAP costs…
Relevant CAP-reform measures in relation to climate change

- R&D
- Regional Product designations (food miles)
- Investment support to steer the production of renewables
- Investment support of carbon sequestration
  - Extensive and organic farming
  - Low or no tillage practices
- Support of adaptation measures
  - Water management and irrigation
  - Support of investments for plant growing
  - Animal welfare measures
Thank you for your attention!