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UNCLAS SECTION 01 OF 02 THE HAGUE 000820

SENSITIVE

SIPDIS

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SUBJECT: NETHERLANDS: BULLISH ON EU BIOFUELS SUSTAINABILITY
CRITERIA

REF: A. STATE 99217

B. BRUSSELS 1439

SENSITIVE BUT UNCLASSIFIED; PLEASE PROTECT ACCORDINGLY.

1. (SBU) SUMMARY: The Dutch coordinators for biofuels policy have "no real concerns" with the biofuels proposals in Brussels and are anxious for the EU climate and energy package to move forward. If anything, the Dutch position on biofuels is closer to the European Parliament's view than the European Commission's proposal. They favor earlier, higher greenhouse gas (GHG) savings thresholds for biofuels. END SUMMARY.

DUTCH GOVERNMENT PLAYERS ON BIOFUELS

2. (SBU) EconOff met September 23 with Steven Wonink and Nienke Smeets from the Ministry of Housing, Spatial Planning, and the Environment (VROM), which has the lead in coordinating the Dutch government's position on biofuels

policy. The Ministries of Foreign Affairs (MFA), Finance (MoF), Economic Affairs (MEA), and Agriculture all contribute to the intra-governmental dialogue on this issue. Smeets said all the ministries are "on the same page" when it comes to biofuels sustainability criteria, despite their different constituencies. (Note: The official who represents the Netherlands in Brussels on climate and energy is seconded from VROM. End note.)

SUPPORT FOR RENEWABLE ENERGY DIRECTIVE

3. (SBU) Wonink said the interim review clause for the target of 10% alternative fuels in transport by 2020 was still under discussion in Brussels. He said the Netherlands supported an interim target of at least 5% by around 2014, and that the Dutch leadership had officially signed off on this position in a recent cabinet meeting. He added that about half of the EU, including the Netherlands, wanted an interim review date of 2014 at the latest.

SUSTAINABILITY CRITERIA: GHG SAVINGS THRESHOLD

4. (SBU) Smeets described the "ad hoc working party" on sustainability criteria now convened in Brussels as the Commission's way of ensuring that the Renewable Energy Directive and the Fuel Quality Directive have consistent criteria. She said the Netherlands ideally would like to see the 35% GHG emissions savings threshold rise to 50% by 2012 then 60% in 2015, along the lines of the European Parliament's thinking. However, she added the Dutch would support a plan with the threshold rising to 50% in 2015 as the second step.

5. (SBU) Wonink explained the political sensitivity behind the 35% threshold. He does not think the European Parliament will succeed in raising the initial minimum level to 45%. The agreed GHG savings from rapeseed-derived biofuel is 36%. Therefore, top EU rapeseed producers such as France and Germany would suffer from a higher threshold and will block that from happening. Smeets said she did not know when formal talks would begin between the European Parliament, Council, and Commission to reach a compromise.

SUSTAINABILITY CRITERIA: SOCIAL ISSUES

6. (SBU) Wonink said the original sustainability criteria proposal for biofuels production included a "cross-compliance" requirement that third countries would have to meet EU standards. The Dutch feared this requirement would be incompatible with WTO rules and welcomed its Qwould be incompatible with WTO rules and welcomed its

removal. Instead, the Netherlands wants to include a reporting obligation for biofuels operators. Companies will have to report on local environmental and social issues in production areas (e.g., Brazilian sugar cane plantations), but with no threat of penalties initially. The Commission would then evaluate the reporting in a few years time to determine whether the operators had submitted adequate information. Smeets said the Dutch had not intended to devise criteria that prevented Brazilian ethanol or others biofuel products from qualifying for the Renewable Energy THE HAGUE 00000820 002 OF 002

Directive's targets at this stage.

7. (SBU) Smeets said one key policy problem remained to be worked out: How to handle the issue of "indirect land use change." Some have floated the idea of granting a bonus GHG savings value to biofuels produced on degraded lands, but the Dutch consider that idea unsatisfactory. She noted there is not enough data yet on the actual indirect effects of biofuel production. She is interested in hearing any ideas U.S. experts or policymakers have to address this issue.

COMMENT

8. (SBU) The Dutch are in the EU's vanguard in promoting an aggressive climate and energy agenda. However, we take claims that the government is completely united on biofuel policy with a grain of salt. Foreign Ministry contacts have told us separately that they often serve as an "honest broker" between VROM (pro-environmental regulation) and MEA (more industry-friendly) on issues where they do not see eye-to-eye. This schism is evident when VROM Minister Jacqueline Cramer (of the Labor Party, PvdA) and MEA Minister Maria van der Hoeven (of the Christian-Democratic Party, CDA) spar in the media over nuclear energy. That said, Cramer and van der Hoeven have not disagreed publicly on biofuels policy. END COMMENT.
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