European Bioeconomy

For those who don’t know me a few words about my background. I’m not rally a politician. My genetic inheritance preordained me to be a journalist. In 2008 I left the Finnish Broadcasting Company as a happy pensioner. And started shortly thereafter a new life as a local politician in Helsinki. In the European elections 2009 I came in second on the list of the Swedish People’s Party and got a seat in the European Parliament in 2012 when my predecessor Carl Haglund became minister of defense. In 2014 I was reelected with roughly personal 30,000 votes - a record for SPP. During the very first weeks of the new mandate I got man hands on the ILUC-file.

I was a lucky man. The ILUC was a very messy issue. The first rapporteur didn’t succeed in getting a negotiating mandate from the parliament so my task was to a) understand what is was all about and b) steer it through committee, trilogues and parliament.

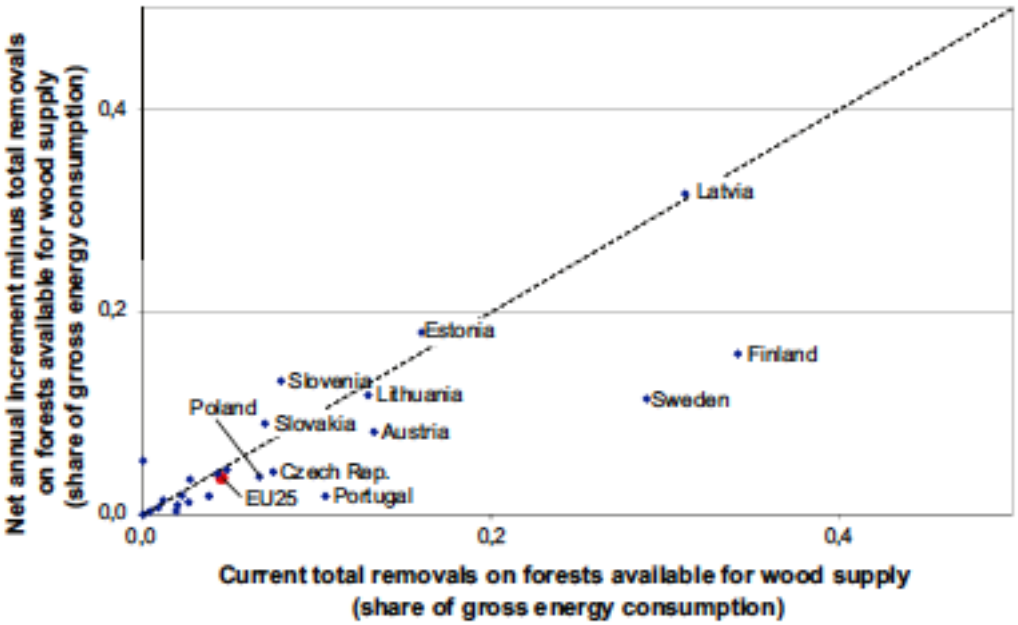
So why this introduction?

During this messy procedure I understood a lot of things being of importance for the future of European Bioeconomy. Some of these ”things” are political, some of them are of economic nature, some of technological.

During the following minutes I’m trying to be your pilot to find a way through muddy, and sometimes shallow and dangerous waters.

First of all we have negative competition between European member states. Some MS have abundant reservs of coal and are not very keen on decarbonizing the energy production. Some of them have a large and slightly old-fashioned agricultural sector and are therefore interested in getting what should be described as double subsidies for agriculture and first generation biofuels. Some of them have a weak technological basis and are therefore afraid of being left behind if the pace of technological change and innovations are to fast.

Just to illustrate how fragmented the decision making landscape is one picture of the distribution of one resource:



You could probably make a similar diagram for all energy feedstocks and you would get the same picture - probably with one exception: waste. Therefore we also find this challenges reflected - in the first hand in Council but also in the Parliament - and that makes a clean and lean process almost impossible.

At the same time there is an imperative necessity (to speak in Kantian terms) of Europe to speed up technological change. If we aren't able to do that we'll loose out to - in decision-making terms - more efficient competitors. That might be the US or China or Latin-America.

Emmanuel Lasker - once world champion in chess - had a fine approach to the niceties of chess. He was, while playing, sitting on his hands thereby preventing himself from making emotional and intuitive moves. That was good for chess. But sitting on our hands it's not very good for the energy security and competitiveness of Europe.

And we are sitting on our hands.

So, how to get up and moving?

To answer this question we need to ask what the most serious shortcomings of ILUC-decision were?

A) We didn't have a grand strategy of how - in the long perspective - the landscape of European energy should look.
B) We didn't have a middle term strategy for the next fifteen years. And.
C) We didn't have a short term strategy for the next five years.

The horizon of the decision was on 2020 and the Energy Council decision last fall didn't help very much. To make decisions with a five year horizon - of which two years are for implementation is - is mildly speaking a suboptimal approach.

We probably had a slightly wrong-headed understanding of the relation between first and second generation biofuels. This either-or-thinking was firmly established during the first reading process and we were not able to free ourselves from that view during the second reading process.

We should probably have been able to see the whole process as as a technologically enhanced path dependent process from first generation to a 1.5 generation and then onwards to a second generation. And we should have been able understand that technology actually blurs the traditional differences between pulp & paper industri, chemical industry and - for instance - steel.

Why didn't we? The ILUC-process started as a heavily moralistic process where the main issue wasn't biofuels but food shortages. So we actually tried to fix a problem, which point of gravity laid putside Europe, with changing some parameters in to directives - the RED and FQD.

Are we now able to fix these shortcomings, and - if the answer is yes - how are we going to do that? In parentheses I should probably add that I don't doubt your ability to see the future, I doubt our, and whit our I mean, the political-economic establishment.

During the final discussion on ILUC I said, in my concluding remarks, that I hope commissioner Vella will revisit the issue in three years. I think I was wrong. We should revisit it immediately and we should use the upcoming debate on Energy Union to find a way out of something that can prove itself to be a blind alley.

But we shouldn't do that with combining issues on very different levels and with very different inner logics. We should do it through the energy union.

The energy union blueprint should provide us with a roadmap with clearly defined milestones.

Where would we like to be 2050? What are the different technological paths to this goal? What are the path dependancies on the way to 2050 and a decarbonized society? And - and this sounds like an illustration of the Finnish proverb "From the mouths of fools and children you are going to hear the truth" - from where do we start.

The task to make Europe independent regarding energy is enormous. In the world of yesterday (2008) the share of sustainably renewable energy was at 13 percent of which combustibles and waste was the dominant part. According to statistics from IEA this percentage is developing at a fairly good pace:

”In 2012, the world relied on renewable sources for around 13.2% of its total primary energy supply, and in 2013 renewables accounted for almost 22% of global electricity generation, a 5% increase from 2012.”

If we break down the figures for Europe we find something interesting. We have some very weak performances and some fairly good. That’s actually an indication of the difficulties I was alluding to in the very beginning. There is no coherent picture and therefore there will not easily be a decision about a coherent policy.

So which way to go?

I’m going to teach you an other Finnish proverb. ”It’s hard to push with a string.”

As I said before, we have some countries on a fairly good path. They could now be the leaders and establish - inside the framework of the Energy Union - a coherent policy. But there is one thing we must fix on community level: the question of state aid.

In the energy market we have one thing abundantly: subventions. We need to scale back the subventions because we have created a mess where we do not actually see the real value of things

During the ILUC-process I tried to figure out one thing: could there from the beginning of a policy decision on subventions also be a decision on how to phase out the subventions. Logically everybody understood the question and - probably also - the need, but you cannot address the question by changing the rules for isolated cases. You need a policy and an understanding of how the different subventions really undermine the good intensions. And nobody is going to abstain by free will from free money. But there should be a sunset clause on every decision on subventions.

Part of the Energy Union legislation will be about the circular economy and waste hierarchy. Is that a good or a bad thing?

The answer is: Yes!

The circular economy and the waste hierarchy are in some circles understod as something equivalent to the Holy Graal. That could show itself to be an as moralistic issue as the ILUC-factors. But if we could be able isolate the ideological infightings from the need for an understanding of how the hierarchy changes with innovations and thereby influencing the way in which we manage waste, this could be a very interesting approach. But it is going to need some work.

But waste hierarchy is - by far - not the only challenge we have. When we speak about resources - and in this particular case about forest resources - we have a verity of concepts and ideas of what a forest really is. We had that discussion in the ALDE-group and I became slightly irritated by the way that discussion was managed. I promised them to take them out in a real Finnish forest, leave them there and give some credence to those who eventually could find their way back. That's of course a joke, but we have here a serious problem because, at same time, in the EU - despite all assurances that we don't do that way - we have a strong tendency to write directives according to the rule "one size fits all".

This tendency to "one size fits all" is in many ways dangerous. On the political level it undermines the trust in EU:s ability to make intelligent decisions because on that practical every day level of a citizen's life this kind of law-making appears as stupidity.

On the economical level it might endanger our ability to use the resources we have. In the worst of cases that would lead us to a situation where we would be for the next decades dependent on Russian oil and gas. From an environmental point of view that would be almost a catastrophe. The amount of Associated Petroleum Gas flared in Russia is estimated to be around 40 B(illion) C(ubic) M(eters). So, if we would be trying to minimize CO2 but at the same time depend on Russian oil, we wouldn't reach our goals.

And we have resources. At yesterday's reception the mayor of Rovaniemi Esko Lotvonen mentioned the surplus growth of forests in Lapland. And - yes - we have a logistical challenge also. I have a good friend in Utsjoki. From Helsinki to Utsjoki it's roughly a 1300 km long ride (slightly less than 900 miles). This logistical challenge is also a fact for the bio-economy.

And again gong back to the figure i showed. Depending on what kind of resources we have we might find ourselves in different corners of the diagram. But despite the fact that we have very different challenges, but we have to find a common strategy to cope with them. Coping with them means att the same time a differentiated approach in every singel country.

According to figures I have heard, about 70 percent of the waste-resources of Europe are to be found - and used - in the eastern and less developed European countries. What they need is therefore investments, but to deliver investments we need a stable framework. That has to be produced by the Energy Union legislation.

In many ways this approach to the general questions have been pursued by the former Finnish government, and in the new program for government Sipilä I this has been confirmed.

So what could the steps be?

The energy council decisions from last fall put the ball squarely in the court of the member states. That means that we - members states together - should agree on blending-in mandates for fuel.