

Ms. Margrethe Vestager  
Executive Vice-President  
Commissioner for Competition  
Rue de la Loi, 200  
1049 Brussels

Sweden, 14 December 2021

**Subject: Tax exemption for crop-based biofuels under the Climate, Energy and Environmental Aid Guidelines (CEEAG)**

Dear Executive Vice-President,

As the world is facing major climate and environmental challenges, this is paramount for the EU to accelerate on diminishing emissions from fossil energy sources to realise the ambition of the Paris Agreement and transition towards a climate neutral economy. In this context, the transport sector emissions – that have increased in the EU over the past years – will have to be tackled by using all sustainable solutions available on the market. The EU cannot put aside even one of the few sustainable technologies having the potential to be rapidly deployed and to reduce emissions from the transport and other sectors at scale.

Increased electrification is an important and indispensable part of the solution, however, as stressed in the Commission's recent report on the Fuel Quality Directive<sup>1</sup>, it currently solely accounts for 0.01 percent of the energy used for road transport in the EU. By contrast, sustainable biofuels represent 5.6 percent of the energy used, while fossil fuels fill the remaining 94.4 percent. In a context where most Member States have been facing difficulties in achieving the modest 6 percent GHG intensity reduction target in the Fuel Quality Directive for fuels by 2020, the use of high biofuels volumes allowed Sweden to reach 19.3 percent of CO<sub>2</sub> emissions reduction 2020. This shows the absolute necessity to pursue the development, production, and use of all sustainable biofuels in the EU, including crop-based biofuels, that are an important tool currently available to considerably reduce the share of fossil fuels.

As the EU State Aid Rules (EEAG/CEEAG) review is on the wake of being finalised, we urge the Commission to not discriminate against sustainable crop-based biofuels for transports and other applications. Sweden as well as the signatories of this letter have opted for a more ambitious climate agenda than the rest of the EU Member States. In order to meet its ambitious climate agenda, Sweden will have to use all sustainable technologies available to reduce the share of fossil fuels. This is therefore essential that the revised State Aid Rules do not hinder Member States and companies to pursue their ambitious climate objectives by not capping state aid and financial support for sustainable crop-based biofuels for transports and for heat or electricity production.

The latest draft on the EU State Aid Rules (CEEAG) that circulated discriminates against crop-based biofuels and will lead to more uncertainties regarding the climate transition of the transport and other sectors. The approval of the long-term tax exemption for all sustainable biofuels under the revised EU State Aid Rules is a precondition for Sweden to realise its ambitious climate ambition in the transport sector. Without clear and favourable conditions and long-term thinking, neither Member States nor the industry could be on track to cope with the climate urgency.

Yours sincerely,

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<sup>1</sup> Report from the Commission: Quality of petrol and diesel fuel used for road transport in the European Union.

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