

# UFOP: Evaluation Report on Greenhouse Gas Reduction Quota Needs Revision before Parliamentary Discussion

**Berlin, 30 August 2024 – The evaluation report on the greenhouse gas reduction quota, approved by the Federal Cabinet on 28 August 2024, is deemed unsuitable for assessing these complex regulatory frameworks and, according to the Union for the Promotion of Oil and Protein Crops (UFOP), must be revised before being presented in the German Bundestag. The association criticises the inadequate depth of evaluation for assessing the various positive and negative effects of the legal framework. Despite an extension of the submission deadline, the responsible Federal Environment Ministry has apparently refrained from conducting a more in-depth and comprehensive analysis and assessment.**

The UFOP points out that the report should have been submitted to the German Bundestag by 31 March 2024, as required by the GHG Quota Act. In the future, this reporting obligation will occur every two years. The UFOP had welcomed this obligation during the legislative process, given the discussion on introducing gradual GHG reduction targets for companies in the mineral oil industry, which are to rise step by step to 25 per cent by 2030. Germany took the lead within the EU with this regulation. The aim was to meet the pressure to fulfil the GHG reduction obligation by 2030 with a comprehensive support framework that includes as many fulfilment options as possible. It is well known that the transport sector, in particular, poses enormous challenges for politics and the economy in meeting the reduction targets, which will also apply to the aviation and shipping sectors in the future. The UFOP, therefore, reiterates the exemplary nature of this regulation and sees itself confirmed in its position, as the revision of the Renewable Energy Directive (RED III) expressly provides for the option of introducing a national GHG reduction obligation with the target of reducing GHG by at least 145 per cent.

The amended EU Directive must be implemented nationally by May 2025. For this reason alone, this report, which is being presented for the first time, is of great importance from the UFOP's point of view for further political discussions when the draft law to amend the GHG quota obligation is discussed in the Bundestag in the autumn. With the delayed submission of the report, the federal government is unnecessarily putting both itself and the Bundestag under time pressure, the UFOP states.



Union zur Förderung  
von Oel- und Proteinpflanzen e. V.

Herausgeber:

UFOP e. V.  
Claire-Waldoff-Straße 7  
10117 Berlin  
Telefon +49 30 235 97 99 - 0  
Telefax +49 30 235 97 99 - 99  
E-Mail [info@ufop.de](mailto:info@ufop.de)  
[www.ufop.de](http://www.ufop.de)

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In detail, the union criticises that the report only refers to the evaluation and experience report of the BLE from 2022. The effect, repeatedly emphasised by the UFOP and already triggered before 2022, of competition in the biofuel market, oriented towards GHG reduction efficiency, is not mentioned, although the composition of raw materials for biofuels credited towards the quota obligation in Germany has increasingly shifted towards waste oils and residual materials as a result of this regulation. It also fails to mention that the crediting of biofuels made from palm oil has not been possible since 2023. The attached graphic shows the change in raw material composition over time.

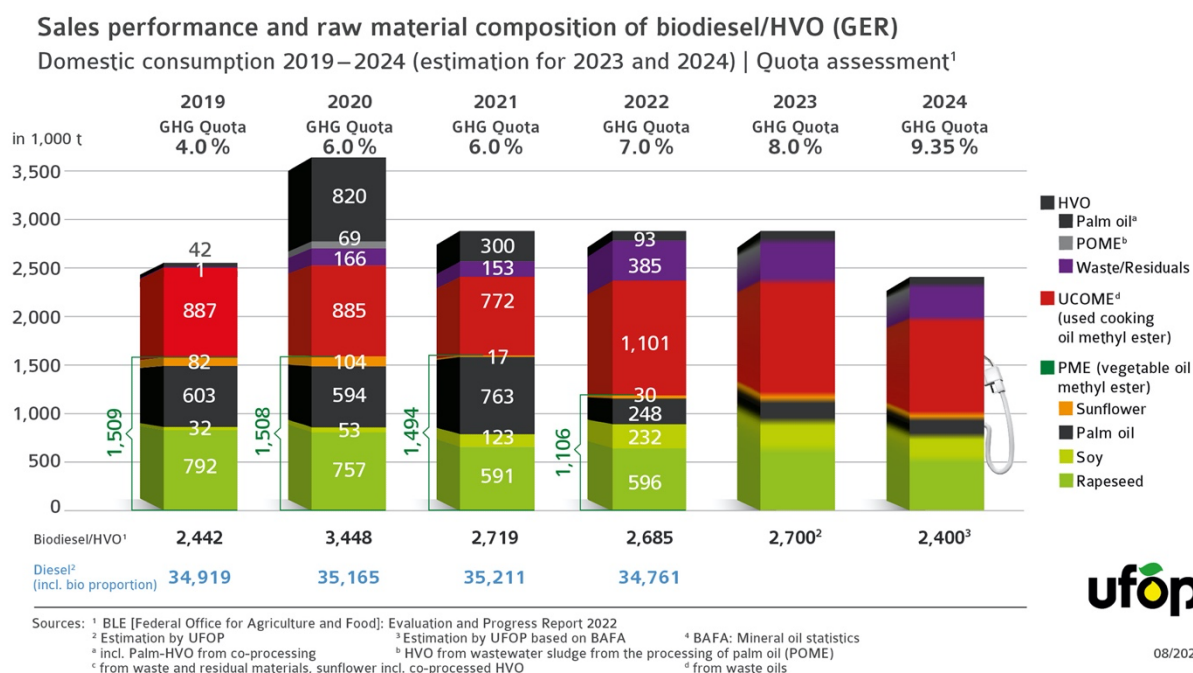
The share of biofuels from cultivated biomass, especially from rapeseed oil, has been declining since the introduction of the GHG quota regulation. The BLE report shows around 0.6 million tonnes of biodiesel from rapeseed oil for 2022, corresponding to an area of approximately 0.4 million hectares, with a total rapeseed cultivation area of around 1.1 million hectares in Germany. However, a large proportion comes from Australia, as the GHG value for summer rapeseed from this region is advantageous compared to domestic produce. In line with the increased use of biofuels from waste oils, which are also preferred, the physical demand for fulfilling the GHG quota obligation is generally decreasing. This effect is paid for and can be seen in the varying prices of biofuels made from these raw materials. A more in-depth market analysis of this important effect, triggered by the GHG obligation and desired from a resource policy perspective, is missing from the report. The report does not even provide information on whether the statutory cap limits for biofuels from cultivated biomass of 44 per cent or 19 per cent for biofuels from waste oils have been exceeded.

Regarding the fraud incidents with UER certificates and the biodiesel imports from China suspected of fraud, only the known state of affairs is presented, instead of explaining the necessary further proposals and measures to combat fraud, which had already been put forward by the specialist associations in a workshop of the BMUV in April this year. From the UFOP's point of view, this particularly concerns the definition of so-called waste codes and the need for harmonisation. The current legal regulation provides for a low threshold obligation for so-called "advanced" biofuels. This is exceeded by the biofuels made from POME (waste oils from palm oil production) explained in the report, albeit with a comparatively small amount. The displacement effect in the procurement and processing of waste raw materials triggered by double

counting has led to a pull effect with negative consequences. The UFOP recalls that RED II was not implemented consistently here. Article 28 (6) of the Directive expressly provides that only raw materials listed in Part A of Annex IV of the Directive may be allocated for double counting, provided they can be processed into a standardised biofuel using advanced technologies. This condition of reviewing raw material and technology innovation has practically not been carried out.

The result of this misguided development is a large surplus of GHG quotas triggered by double counting, which will reduce the future physical quantity requirement accordingly, according to UFOP's estimate for biodiesel/HVO for the quota year 2024 (see graphic). Furthermore, this surplus has led to an enormous price decline affecting the entire biofuel supply chain and investors, e.g., in the biomethane sector, as well as e-mobility for financing e-buses from GHG quota revenues. The report does not address the further development of the fuel strategy concerning the existing fleet. The challenge of operating around 40 million vehicles with combustion engines after 2030 is practically ignored. The UFOP has repeatedly called for a fuel strategy with the aim of specifically using alternative fuels with high energy density in areas with high-performance requirements where the physics of electrification reach their limits.

Therefore, the UFOP sees a significant need for revision of the report before it is submitted to the German Bundestag for discussion.



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Editorial contact:

Stephan Arens

Tel. +49 30 235 97 99 – 10

E-Mail: [s.aren@ufop.de](mailto:s.aren@ufop.de)

Quick information on UFOP e. V.:

The Union for the Promotion of Oil and Protein Crops e. V. (UFOP) represents the political interests of companies, associations and institutions involved in the production, processing and marketing of domestic oil and protein plants in national and international bodies. UFOP supports research to optimise agricultural production and for the development of new recycling opportunities in the food, non-food and feed sectors. UFOP public relations aim to promote the marketing of domestic oil and protein plant end products.