

BIOFUEL POLICY UPDATE

REPORT TO NORTH EAST BIOFUELS

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HEADLINES

EU POLICY UPDATE

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INTERNATIONAL POLICY UPDATE

EPA finalises 2011 Renewable Fuel Standards

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In its report, the EC makes no immediate policy proposals to tackle ILUC, but will continue to conduct work in this area. This will involve carrying out a detailed impact assessment of a shortlist of the potential policy approaches for dealing with the issue of ILUC effects, which will be published no later than July 2011. This will, if appropriate, be accompanied by a legislative proposal for amending the Renewable Energy and Fuel Quality Directives which promote the use of biofuels.

The policy approaches currently considered include:

- (1) taking no action for the time being, while continuing to monitor,
- (2) increasing the minimum GHG saving threshold for biofuels,
- (3) introducing additional sustainability requirements on certain categories of biofuels,
- (4) attributing a quantity of GHG emissions to biofuels reflecting the estimated ILUC impact (an "ILUC factor" approach).

Commenting on the report, EU Energy Commissioner Guenther Oettinger said, "ILUC is a concrete danger. It's a normal economic process that acres with agriculture will be used as acres for production of biofuels.

"There's a danger that deforestation follows... It's in our interest to have an instrument to avoid this process."

Further information:

European Commission, DG Energy, Land Use Change

http://ec.europa.eu/energy/renewables/biofuels/land_use_change_en.htm

Reuters news article, 15 December 2010

<http://af.reuters.com/article/energyOilNews/idAFLDE6BE12H20101215?pageNumber=2&virtualBrandChannel=0&sp=true>

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CEN TC 383 was formed in 2008 to develop European Standards dealing with sustainability principles, criteria and indicators including their verification and auditing schemes for biomass for energy applications. This includes GHG emissions and fossil fuel balances, biodiversity, environmental, economic and social aspects

and indirect effects. The Renewable Energy Directive (RED) sets the framework for the scope of the work of TC 383. In May 2009, the EC formally requested CEN/TC 383 to initiate work on standards.

The draft standards developed by CEN/TC 383 cover:

- (1) Terminology (including definition of wastes and residues);
- (2) Conformity assessment including chain of custody and mass balance;
- (3) Biodiversity and environmental aspects.

CEN/TC 383 is due to publish an additional standard on GHG methodology in April 2011.

The CEN standards have no formal status with UK government policy, and are not automatically recognised as having a formal status by the EC, but CEN could apply to the EC for recognition as a voluntary scheme. The high profile of the standards also means they could be used as a basis for harmonisation on a number of issues across the EU.

Further info:

CEN/TC 383, Sustainability criteria for biomass

<http://www.cen.eu/cen/Sectors/Sectors/UtilitiesAndEnergy/Fuels/Pages/Sustainability.aspx>

ENDS, 01/12/10

<http://www.endseurope.com/25169?referrer=bulletin&DCMP=EMC-ENDS-EUROPE-DAILY>

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UK POLICY UPDATE

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With the aim of helping UK industry best prepare for the RED, Year 3 of the RTFO was adapted to become 'RED-ready', with as many of the RTFO C&S requirements as possible being updated to reflect the RED's forthcoming mandatory requirements. However, at the time it was not possible to make the RTFO entirely RED-compliant, as certain details of the RED requirements were yet to be published by the European Commission (EC).

The last year has seen a number of publications from the EC, which enable the RTFO to take a step closer towards RED implementation. However, there are still a number of outstanding issues that may have an impact on the C&S guidelines in the future. The consultation for Year 4 of the RTFO proposes to adapt those aspects of the RTFO C&S Technical Guidance for which there is a low risk of decisions having to be reversed as further information becomes available.

These changes will further align the RTFO with the RED's requirements, but the scheme will continue to be based on reporting rather than mandatory minimum performance requirements until the Government introduces amending legislation.

In addition to the RED-ready updates to the RTFO C&S Guidelines proposed, there are a number of changes and clarifications proposed, which are based on the experiences of the RFA and companies using the current RTFO C&S Technical Guidance.

Key proposed issues covered in the consultation include:

- Use of default, actual and standard values used in carbon calculations;
- Proposed use of voluntary schemes;
- Future role of the RTFO Meta-Standard;
- Rules on mass balance and proposed phase out of other chain of custody systems;
- Proposed approach to "known unknowns", where the RFA acknowledges remaining outstanding issues that require further information before the RED can be fully implemented.

The consultation is planned to run for 5 weeks, from 27 January to 3 March 2011. Stakeholders can submit their responses to the RFA at c-and-s@rfa.gsi.gov.uk.

Further information:

<http://www.renewablefuelsagency.gov.uk/>

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RFA fines 3 companies for non-compliance with RTFO

The Renewable Fuels Agency (RFA), the UK biofuels regulator, has recently taken action against three companies who have breached the rules of the RTFO.

Yorkshire Petroleum Company Ltd (Yopec) has been issued with a civil penalty of £50,000 after it failed to meet its obligation under the RTFO Order for the 2009/10 period, giving the company a market advantage over its competitors during that period.

David Calderbank, Head of Regulation at the RFA, said, "We will always come down hard on those who fail to meet their obligation, as this is at the heart of the RTFO as a carbon reduction measure. This company had full knowledge of what was expected of it and failed to deliver."

Under the RTFO Order companies supplying more than 450,000 litres of diesel or petrol for road transport in the UK are required to match the fossil fuel they supply with a fixed percentage of biofuel and to report on the carbon intensity and sustainability characteristics of that biofuel.

Companies can choose to meet their obligation by surrendering tradable certificates purchased from suppliers that exceeded the volume of biofuel they were required to deliver. They may also elect to 'buy out' of their obligation, paying a set rate per litre of biofuel not supplied into a central fund that is then recycled proportionally amongst those companies that have met their obligation.

Although Yopec has made some payments these are not sufficient to buy-out its obligation and the company is still liable for an outstanding sum on which it will be charged interest. Payment was due to reach the RFA by 17 January; however on 15 January Yopec appealed against the civil penalty. The RFA now has 28 days to review its initial decision. Should the RFA still take the position that Yopec is in

breach of the rules of the RTFO, then Yopec can appeal to the courts to seek a final judgement.

Civil penalties were also issued to two companies identified by the RFA as failing to register under the Order. Penalties of £5,000 each were imposed on Aral Direkt (wholly owned by BP at the time) and Total Additifs et Carburants Speciaux (part of the Total group) for their failure to register. Both companies have however subsequently met their obligation in full.

Further information:

Renewable Fuels Agency, News and Media, 11 January 2011:

<http://www.renewablefuelsagency.gov.uk/news/company-receives-%C2%A350000-penalty-breaching-biofuel-regulations>

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UK Government brings forward RO banding review

On 8 December 2010, Energy Minister Charles Hendry announced that the timetable for the 2013 Renewables Obligation (RO) Banding Review is being brought forward.

The original timetable set out in the RO Banding Review Process document indicated that the Government would launch a statutory consultation on new banding proposals in Spring 2012 and announce its decision on banding levels by Autumn 2012.

DECC now intends to consult on new banding proposals in Summer 2011 and confirm the new bands by Autumn 2011, one full year ahead of schedule. The aim of the new schedule is to give earlier certainty to the industry on new banding levels. The new bands will still come into effect as planned on 1 April 2013, subject to Parliamentary and State Aid approvals.

Charles Hendry said, "We are determined to increase significantly the amount of renewables in our energy mix and we want to remove barriers to this goal. The previous timetable for reviewing support for large-scale renewable electricity developments created some uncertainty for investors, so we've decided to bring it forward.

"Taking this action will help us realise our full potential for growth in renewable electricity. We think we've found the right balance between speeding up the process and making sure our decisions are based on solid analysis."

Further information:

DECC press release, 8 December 2010

http://www.decc.gov.uk/en/content/cms/news/pn10_126/pn10_126.aspx

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INTERNATIONAL POLICY UPDATE

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The EPA is required to set renewable fuel standards each November for the following year based on gasoline and diesel projections from the Energy Information Administration. The EPA is also required to set the cellulosic biofuel standard each year based on the projected volumes for the following year.

The volume requirements for 2011 are shown below (% of total fuel in brackets):

- Cellulosic biofuel: 6.6 million gallons (0.003%)
- Biomass-based diesel: 0.80 million gallons (0.69%)
- Advanced biofuel: 1.35 million gallons (0.78%)
- Renewable fuel 13.95 million gallons (8.01%)

These volumes are the minimum that must be consumed in the US as a whole. Any excess volume of cellulosic biofuel or biomass-based diesel consumed count towards the advanced biofuel and total renewable fuel volume requirements.

Further information:

US Environmental Protection Agency, November 2010

<http://www.epa.gov/otaq/fuels/renewablefuels/420f10056.htm>

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EVENTS

Sustainable Transport 2011 – Greening the Transport Sector, 16 February, London

The conference will examine the impact of both the Spending Review and the Departmental Structural Reform Plan on transport strategy. Bringing together the policy-makers, innovators, investors and delivery partners of the transport industry, this Conference will identify the priorities ahead for developing the UK's 21st century transport network at this unprecedented time of change.

To register, email: <http://www.lowcyp.org.uk/events/966/sustainable-transport-2011-greening-the-transport-sector/>

World Biofuels Markets, 22-24 March 2011, Rotterdam

This is a three day conference which aims to assemble the entire biofuels value chain and accelerate the commercialisation of sustainable mobility. The conference will cover a wide range of subject areas, including: sustainability, energy crops, biofuels standards, biofuels logistics, advanced biofuels and algae.

For further details see: www.worldbiofuelsmarkets.com