

BIOFUEL POLICY UPDATE

REPORT TO NORTH EAST BIOFUELS

25 MARCH 2011

HEADLINES

UK POLICY UPDATE

DfT launches consultations on implementation of the RED and FQD

The Department for Transport (DfT) launched on 10 March two separate consultations on the implementation of the EU Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD).

RFA publishes data for Year 2 of the RTFO

The Renewable Fuels Agency (RFA) published its second annual report to Parliament on the impacts of the biofuel supplied in the second year of the Renewable Transport Fuel Obligation (RTFO), which ran from April 2009 to April 2010. The report includes statistics on the biofuels supplied in the UK in that year.

Ofgem publishes draft sustainability guidelines for bioliquids

Ofgem recently ran a 3 week consultation on the implementation of sustainability criteria in the Renewables Obligation (RO) for bioliquids. The consultation closed on 2 March 2011.

UK Government announces fast-track review of FIT

On 18 March the UK Department of Energy and Climate Change (DECC) launched a consultation with proposals from the fast-track review on the feed-in-tariffs for solar power above 50kW and electricity from farm-scale (<500KW) Anaerobic Digestion (AD).

UK Government launches the RHI

On 10 March the UK Department of Energy and Climate Change (DECC) announced detailed proposals for the launch of the Renewable Heat Incentive (RHI), a feed-in tariff instrument for renewable heat. The RHI is due to come into effect in summer 2011.

Carbon Trust funding cuts impact biofuels research

The Carbon Trust, the government's low-carbon agency, has seen its budget cut by 40% in 2011/12, meaning the agency will receive only £50m funding from the government in 2011-12.

EVENTS

UK POLICY UPDATE

DfT launches consultations on implementation of the RED and FQD

The Department for Transport (DfT) launched on 10 March two separate consultations on the implementation of the EU Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD).

The Renewable Energy Directive (RED) requires the UK, by 2020, to source 15% of its overall energy, and 10% of energy used in transport, from renewable sources. The related Fuel Quality Directive (FQD) requires fuel and energy suppliers (principally those providing fuel and energy for land-based transport) to reduce the lifecycle greenhouse gas emissions of the fuel/energy that they supply by 6 % per unit of energy by 2020.

The consultation documents set out proposals to implement the transport requirements of the RED through amendment of the Renewable Transport Fuel Obligation (RTFO) and proposals to implement the Fuel Quality Directive through the amended RTFO and the proposed Motor Fuel Greenhouse Gas Saving Regulations.

The implementation proposals for the RED involve making the following changes to the RTFO:

- Introduction of mandatory sustainability criteria (as per the RED), which must be met in order for RTFCs (renewable transport fuel certificates) to be issued. These criteria relate to meeting a minimum GHG saving threshold and not sourcing biomass from high biodiversity or high carbon stock areas.
- RTFC issuance only after verified evidence has been provided that the mandatory sustainability criteria have been met (currently verification of sustainability information is only required on an annual basis).
- Introduction of civil penalties (up to £50,000) for failure of obligated parties to supply verified information on the non-mandatory sustainability aspects of the RED, including soil, air and water impacts and social issues. Note that provision of this information is required, but the RED does not impose minimum requirements related to these issues.
- Introduction of double rewards (2 RTFCs per litre) for biofuels produced from wastes, residues and ligno-cellulosic feedstocks (note that no further details are provided on which feedstocks would qualify as a waste or residue).
- Extension of the RTFO obligation to also cover fuel supplied for "non-road mobile machinery" (note that the same absolute volume of biofuel required to meet the target remains the same).
- Removal of the "recycling" of the buy-out fund.

It is proposed that the following aspects of the RTFO will remain unchanged:

- The obligation will still volume-based (not a percentage by energy content);
- RTFCs will continue to be issued per litre of liquid biofuel or kg of biogas;
- Fuel will still be counted towards the RTFO as it crosses the duty point;
- Obligated suppliers will still be able to meet a percentage of their obligation with RTFCs carried over from the previous year (however, only RED compliant RTFCs can be carried over when the RED is fully implemented); and

- FAME biodiesel will still qualify as 100% renewable, even if it was produced using fossil/mineral methanol.

Under the implementation proposals for the FQD, DfT proposes to put in place a 6% lifecycle greenhouse gas reduction obligation for 2020 and introduce requirements for the relevant fuel/energy suppliers to report on the lifecycle greenhouse gas performance of their fuels in the meantime.

The consultations will run until 2 June and DfT aims to introduce the relevant legislation completing the implementation of the transport elements of both Directives by the end of this year.

Responses to both consultations should be sent to:
biofuels.transport@dft.gsi.gov.uk

Further information:

DfT Press release, 10 March 2011

<http://www.dft.gov.uk/press/speechesstatements/statements/baker20110310>

DfT consultation documents:

RED: <http://www.dft.gov.uk/consultations/open/2011-05/>

FQD: <http://www.dft.gov.uk/consultations/open/2011-04/>

[Return to headlines](#)

RFA publishes data for Year 2 of the RTFO

The Renewable Fuels Agency (RFA) published its second annual report to Parliament on the impacts of the biofuel supplied in the second year of the Renewable Transport Fuel Obligation (RTFO), which ran from April 2009 to April 2010. The report includes statistics on the biofuels supplied in the UK in that year.

The report showed that 3.33% of road transport fuel supplied during the period was biofuels, equating to 1,568 million litres of biofuels (an increase of 284 million litres on the previous year). This was above the target of 3.25%. Of this, 71% of biofuel supplied was biodiesel (down from 82% in the first year), and 29% bioethanol (up from 18% in the first year). The change in proportion of biodiesel to bioethanol is in large part due to a significant increase in bioethanol on the market.

The data reported show that, of the biofuels supplied, 31% met an Environmental Qualifying Standard of sustainability, below the government target of 50% for the second year. Although 93% of the fuel from UK feedstocks met the Environmental Qualifying Standard level, this was down from 99% in the first year. The EU RED will introduce mandatory minimum standards of sustainability.

The biofuels supplied to the UK market over-achieved the 45% target for GHG saving set by the government, saving on average 51% GHG emissions compared to the fossil equivalent (up from 46%). Fuel suppliers also beat the target of carbon and sustainability data that they were able to report to the RFA, reporting 72% of data requested, compared to the target of 70% (up from 64%).

The RFA has also published details of the data reported by individual companies. Several fossil fuel suppliers failed to demonstrate the sustainability of their biofuels. BP, Chevron, INEOS, Morgan Stanley, Mucro and Total missed all three Government performance targets, while Prax failed to submit verified data.

At the other end of the scale, Greenergy, Lissan, Mabanaft and Topaz are identified as meeting all three Government targets. Mabanaft sourced sugar beet certified to the British 'RedTractor (ACCS)' sustainability standard and Greenergy undertook independent sustainability audits of Brazilian sugar cane. Furthermore, Mabanaft and Greenergy supplied much of their fuel from wastes and by-products, while Lissan only uses locally-sourced used cooking oil.

Nick Goodall, the RFA's CEO, said: "The volume target has been met which is welcome news. But this is about sustainable carbon reduction. The leading suppliers have demonstrated that it is possible to secure sustainable biofuels in volume. Others have fallen well short."

Note that, as announced in October 2010 as part of the government's cuts to agencies, the RFA will cease to exist and its duties will transfer to the Department for Transport. The last day of the RFA is expected to be 31 March.

Further information:

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

[Return to headlines](#)

Ofgem publishes draft sustainability guidelines for bioliquids

Ofgem recently ran a 3 week consultation on the implementation of sustainability criteria in the Renewables Obligation (RO) for bioliquids. The consultation closed on 2 March 2011.

Under the RED, mandatory sustainability requirements are also applicable to bioliquids used to generate electricity (or heat). These requirements have been included in the Renewables Obligation Order 2011 and will be applicable for all generating stations using bioliquids as of 1 April 2011.

The aim of the guidelines is to provide generators using bioliquids with details of the proposed changes to the RO and to provide practical guidance on how to demonstrate compliance with the sustainability criteria, covering:

- Land criteria (including the use of voluntary certification schemes);
- Greenhouse gas emissions savings criteria; and
- Mass balance rules.

Further guidance is provided for independent auditors on how to verify that compliance.

Final guidelines will be published by Ofgem prior to 1 April 2011, taking into account stakeholder feedback received during the consultation.

Further information:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=RO%20sustainability%20guidance%20-%20consultation%20draft.pdf&refer=Sustainability/Environment/RenewablObl>

[Return to headlines](#)

UK Government announces fast-track review of FIT

On 18 March the UK Department of Energy and Climate Change (DECC) launched a consultation with proposals from the fast-track review on the feed-in-tariffs for solar power above 50kW and electricity from farm-scale (<500KW) Anaerobic Digestion (AD).

This fast-track review follows concerns that large-scale solar photovoltaic (PV) projects (>50kW) will take up a disproportionate amount of the available funding (an estimated 169MW is currently in the planning system). Furthermore, DECC has expressed concerns that the take-up of farm-scale Anaerobic Digestion (AD) projects (<500kW) has been significantly lower than expected (only 2 AD projects have registered to date, one of which is farm-scale).

Key aspects of the fast-track review consultation are proposals to:

- Significantly reduce the tariffs for large-scale solar PV. Projects above 250 kW and stand-alone systems will face reductions of 70%, while projects of between 50-150 kW and 150-250 kW will face reductions of 50%.
- Create two tariff levels for farm-scale AD and increase tariff levels. The existing 11.5 p/kWh farm-scale tariff will be replaced by a tariff of 13 p/kWh for 250–499 kW scale plants and a tariff of 14 p/kWh for all plants under 250 kW.

Tariff changes are proposed to be implemented from 1 August 2011. The changes will not be made retrospectively and will only affect new entrants into the FITs scheme.

Alongside this review, DECC will undertake a comprehensive FIT review, to be completed by the end of 2011, which will assess all aspects of the scheme including tariff levels, administration and eligibility of technologies. This review was originally scheduled to start in April 2012. Any changes following the review will be implemented in April 2013. These reviews follow a commitment made in last year's Comprehensive Spending Review to achieve 10% savings (£40 million) in the FIT scheme in 2014/15 (effectively capping the budget at £360 million).

Greg Barker, Climate Change Minister said: "I want to make sure that we capture the benefits of fast falling costs in solar technology to allow even more homes to benefit from feed in tariffs, rather than see that money go in bumper profits to a small number of big investors. These proposals aim to rebalance the scheme and put a stop to the threat of larger-scale solar soaking up the cash. The FITs scheme was never designed to be a profit generator for big business and financiers.

"Britain's solar industry is a vital part of our renewables future and our growing green economy. The new tariff rates we're putting forward today for consultation will provide a level of support for all solar PV and ensure a sustained growth path for industry."

The Renewable Energy Association (REA) and UK solar industry has been critical of the planned proposals:

Gaynor Hartnell, Chief Executive of the REA said: "Larger PV projects are cheaper, and have a major role in driving down costs. We don't want boom and bust in this sector either, but pulling the rug out from under the feet of those that have ventured into this market was precisely the wrong response. The UK will return to the solar slow-lane. It's as good as a retrospective change and that does untold damage to investor confidence. It's not acceptable and we will fight it."

Howard Johns, Chairman of the Solar Trade Association (STA), said: "It is utterly amazing that only 10 months into this hugely popular and successful scheme the Ministers are putting employment in the sector at risk. They seem not to grasp the fact that the two FIT reviews jeopardize these new jobs."

Jeremy Leggett, Executive Chairman, Solarcentury said: "It truly beggars belief that a Government elected on a promise of being the "greenest ever" should be rushing to cut the solar PV tariff and kill off one of its very few employment success stories."

Further information:

DECC, FIT web pages

http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/renewable/feedin_tariff/feedin_tariff.aspx

Green Building Press news article, 14 March 2011

http://www.greenbuildingpress.co.uk/article.php?article_id=802

[Return to headlines](#)

UK Government launches the RHI

On 10 March the UK Department of Energy and Climate Change (DECC) announced detailed proposals for the launch of the Renewable Heat Incentive (RHI), a feed-in tariff instrument for renewable heat. The RHI is due to come into effect in summer 2011.

The Government has an ambitious aim of increasing renewable heat deployment from its current level of around 1% to 12% in 2020, as outlined in the UK Renewable Energy Strategy (2008). The RHI scheme, a feed-in tariff for heat, will serve as the principal policy tool to stimulate deployment of renewable heat technologies. Regulatory aspects of the scheme will be managed by DECC and the scheme will be administered by Ofgem.

The RHI will be launched in two phases. Initially only the non-domestic sector (which contributes 38% of the UK's carbon emissions) will be supported. The RHI will be extended in October 2012 to include the domestic sector and other renewable heat technologies, where they represent a cost-effective way of increasing renewable heat uptake. Between 2011 and October 2012, the Government intends to launch a £15m Renewable Heat Premium Payment scheme, which will provide support to the domestic sector, and specifically target those households who are not connected to the gas grid. DECC intends to provide further details of this scheme shortly.

The RHI will remain open until at least 2020. It is proposed that a project will receive payments under the RHI for 20 years and payments guaranteed to remain at the same generation tariff level for the whole support period, subject to an annual inflationary linked adjustment. RHI tariffs are likely to change over time but the revised tariffs will be applied to new scheme entrants only.

Heat from bioliquids will not be supported in 2011, although DECC will consider providing support in 2012, taking into account the sustainability requirements of the RED. DECC has also indicated that it intends to introduce mandatory sustainability criteria for biomass heat over 1MWth from April 2013. Biomethane produced from landfill gas, air source heat pumps, direct air heating and Solid

Recovered Fuel (unless derived from Municipal Solid Waste) may also be included in 2012.

A total of £860m has been set aside for the RHI over the period 2011 to 2014. The scheme is being funded out of general taxation, rather than as a levy on suppliers of fossil fuels for heat as had been previously proposed in the Energy Act 2008.

Further information:

DECC, RHI web pages

http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/renewable/policy/incentive/incentive.aspx#

[Return to headlines](#)

Carbon Trust funding cuts impact biofuels research

The Carbon Trust, the government's low-carbon agency, has seen its budget cut by 40% in 2011/12, meaning the agency will receive only £50m funding from the government in 2011-12.

The cuts mean the Carbon Trust, whose mission is "to accelerate the move to a low-carbon economy", will end free on-site energy surveys for businesses and 35 of its 216 employees will lose their jobs. Of direct consequence to the biofuels sector is the cancellation of grant support to the Algae Biofuels Challenge.

Adam Harvey, a chemical engineer at Newcastle University, said: "The cut is very much against the claim of David Cameron and the government that they would regenerate the UK's economy via green technology – it's the exact opposite in fact."

Harvey's research group had received a grant from the Carbon Trust as part of an £8m effort to develop biofuels from algae, but the funding has been axed halfway through the project. "It's a big mistake not to fund this sort of research. We should and could be leading the way. If we had delivered an efficient way of producing algal biofuel we could be selling British technology around the world," said Harvey.

The Carbon Trust placed an advertisement in the Financial Times on 20 January seeking partners to fill the funding gap.

Further information:

Guardian news article, 14/02/11

<http://www.guardian.co.uk/environment/2011/feb/14/carbon-trust-funding-cut>

Carbon Trust Algae Biofuels Challenge,

<http://www.carbontrust.co.uk/emerging-technologies/current-focus-areas/algae-biofuels-challenge/pages/algae-biofuels-challenge.aspx>

[Return to headlines](#)



EVENTS

Renewable Energy Workshop, 1 April, Wilton Centre

NEPIC in conjunction with Northeast Biofuels hosting a free workshop at Wilton Centre. The focus is the renewable sector including fuels, electricity, heat and anaerobic digestion. The workshop will include presentations from Ecofys UK, the Centre for Process Innovation (CPI), Renew and the Non Fossil Purchasing Agency (NFPA). The workshop is structured to be both interactive and informal, and is designed so that the content is both practical and relevant to businesses either involved or seeking to become involved in this area.

Please contact NEPIC to confirm your place.

LowCVP Annual Conference, 9 June, London

The conference is to be held in association with Drive the Future at Motorexpo, a dedicated zone of new technology, low emission and fuel efficient vehicles. The LowCVP Conference will focus on low carbon mobility and technology after 2020. Speakers and session titles are due to be published shortly. For further details see:

<http://www.lowcvp.org.uk/events/994/lowcvp-annual-conference-2011/>

On-Farm Energy Generation, 22-23 June, Stoneleigh Park, Near Coventry

This two day conference will cover analysis of government policy, incentives, planning, technological advancements and financing. The event aims to enable farmers to gain valuable information on the range of technologies available for on-farm energy generation, as well as other issues that will influence investment decisions. For further details see:

http://www.recyclingwasteworld.co.uk/cgi-bin/go.pl/conferences/detail.html?conference_uid=253

UK AD and Biogas Conference, 6-7 July 2011, NEC Centre, Birmingham

This event is billed as the only trade Show in the UK focussing exclusively on Anaerobic Digestion and Biogas. A conference, free seminars and workshops will accompany the trade show. Specific details are yet to be announced.

For further details see: http://www.adbiogas.co.uk/ta_content.asp?id=43