

# BIOFUEL POLICY UPDATE

## REPORT TO NORTH EAST BIOFUELS

28 MAY 2010

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#### EU POLICY UPDATE

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#### UK POLICY UPDATE

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The new UK coalition government formed between the Conservatives and Liberal Democrats on 11 May published its joint policy manifesto (or "Coalition Agreement") on 20 May. This thirty six page document sets out the agreements made between the parties on a range of key policy areas, including the environment.

#### INTERNATION POLICY UPDATE

##### **RSB launches 'Standard for EU market access'**

The Roundtable on Sustainable Biofuels (RSB) launched a draft 'Standard for EU market access' (EU Standard) in March 2010 to be used by producers, operators and traders who wish to supply biofuels to the European market. This standard is intended to ensure compliance of the RSB certification system with the sustainability criteria for biofuels, as defined by the RED.

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## EU POLICY UPDATE

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The European Biodiesel Board (EBB) claims that US biodiesel subsidies remain a threat to European Union (EU) producers, citing the example of a fraudulently imported load of biodiesel caught entering Italy.

On 31 March 2010, Italian customs authorities seized 10,000 tonnes of biodiesel imported into the ports of Venice and Trieste during mid-March. Although the load was declared as Canadian origin, strong evidence indicated that it instead originated from the United States (US), where it benefited from the \$1 per gallon US subsidy available to biodiesel producers.

The biodiesel was offered with a \$150-180 per ton discount compared to EU biodiesel of comparable quality, and at a lower price than the most common biodiesel raw materials (soybean oil and rapeseed oil).

The EBB claims that, "A number of material evidences indicate that the cargo is part of wider trans-shipment traffic aimed at evading existing EU antidumping and anti-subsidy measures on US biodiesel." And that, "... duties are being circumvented, either via triangular trade through various countries (including Canada), or via artificial blends such as B19 or lower biodiesel blends which are imported in Europe."

"Market players need to be aware that fraudulent practices will not remain unpunished and that the EBB will do its utmost in assisting EU and national authorities to track and oppose these practices," said EBB President Bernard Nicol. "Retroactive, financial penalties as well as penal terms will be involved."

Further information:

European Biodiesel Board press release, 20 April 2010

<http://www.ebb-eu.org/EBBpressreleases/EBB%20press%20release%2020100420%20%20FINAL.pdf>

Biodiesel magazine news article, 20 April 2010

[http://www.biodieselmagazine.com/article.jsp?article\\_id=4135](http://www.biodieselmagazine.com/article.jsp?article_id=4135)

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## UK POLICY UPDATE

### **Year 3 of the RTFO commences and sees introduction of 'RED-Ready' C&S guidelines**

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The introduction of the 'RED-Ready' guidelines in Year 3 follows a formal stakeholder consultation held by the RFA in February 2010. Key changes introduced in the C&S guidelines include adapting the way lifecycle greenhouse gas (GHG) savings for biofuels are calculated to use the RED methodology, making minor changes to the RTFO sustainability meta-standard to be fully consistent with the RED mandatory criteria on biodiversity, carbon stock and land-use change, and adding options for parties to report the NUTS-2 level region<sup>1</sup> that their feedstock was cultivated in and whether their biofuel is eligible for the grandfathering clause<sup>2</sup>.

The changes made to the RTFO reflect the RFA's current understanding of the sustainability criteria in the EU's RED. The EC is yet to publish a number of key details and definitions that will be required to fully implement the RED, such as how the RED will define biofuels from wastes and residues. The RFA's intention is to make final changes to the RTFO from the next obligation year, likely to be 15 April 2011, at which point the RED carbon and sustainability requirements will become mandatory.

By introducing these C&S guidelines early, the RFA aims to help the UK biofuels industry prepare for the mandatory C&S requirements that the RED will bring when the UK Government implements the RED.

The C&S targets for Year 3 of the RTFO have been increased with obligated suppliers now expected to deliver at least a **50%** reduction in GHG emissions, ensure that at least **80%** of biofuel meets environmental sustainability criteria and report at least **90%** of the data required by the RFA. These targets are non-mandatory (i.e. suppliers still receive Renewable Transport Fuel Certificates if they are not met) but illustrate the level of performance which the Government expects from fuel suppliers.

Further information:

RFA C&S Technical Guidance 2010-11 documents:

<http://www.renewablefuelsagency.gov.uk/page/guidance-v3>

RFA consultation documents:

<http://www.renewablefuelsagency.gov.uk/reportsandpublications/carbonandsustainabilityconsultations/consultation2010-11.cfm>

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## **DfT provides preliminary guidance on the carry-over of RTFCs into the RED**

The Department for Transport (DfT) is the government body responsible for implementing the RED in the UK. One issue that the DfT is investigating is whether it will be possible to carry-over Renewable Fuel Transport Certificates (RTFCs) earned in 2010/11 ('RED-Ready' reporting Year 3) into a 'RED-Compliant' RTFO scheme (Year 4).

Under the RTFO, RTFCs can be carried over from one year to the next to meet up to 25% of a supplier's obligation. Carry-over was not problematic in previous reporting

<sup>1</sup> For biofuels from EU feedstocks, parties are only allowed to use the RED GHG default values if their feedstock is from a region where the typical GHG emissions from cultivation of agricultural raw materials can be expected to be *lower than or equal to* the emissions in the default value. Regions are defined at the "NUTS 2" level (Nomenclature of territorial units for statistics, level-2) and are roughly equivalent to the size of a county. The UK government is currently working on the list of eligible regions in the UK.

<sup>2</sup> The so-called 'grandfathering clause' implies that biofuels from installations that were already operational on 23 January 2008 will not have to meet the 35% GHG saving threshold until 1 April 2013.

periods in the RTFO (e.g. from Year 1 to 2 and Year 2 to 3). However, carry-over from Year 3 to 4, when the RTFO moves from being RED-Ready to RED-Compliant, may result in the carry-over of certificates that do not meet the requirements of the RED.

DfT has indicated that they anticipate that it will be possible to carry-over RTFCs. However, this is likely to be on the condition that the certificates have been independently verified as being fully compliant with the RED.

The implication of this is that suppliers wishing to carry-over certificates into next year will now need to verify this year's fuel supplied against both this year's RED-Ready guidance and next year's RED-Compliant guidance. This is likely to have a particular impact on small suppliers, who are not obligated under the RTFO. These small suppliers will not be required to verify the fuel supplied for this reporting year, but will now be required to verify against next year's RED-Compliant guidance.

No further details are available from DfT as to how this may work in practise. In the meantime, the RFA recommends that, "Suppliers might therefore want to consider structuring their record keeping during the year to maximise the chances of data meeting RED verification requirements."

Further information:

RFA Renewable Fuels Digest, Issue 22, May 2010:

<http://www.renewablefuelsagency.gov.uk/news/digest-issue-22-out-now>

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## **New coalition government publishes joint policy manifesto**

The new UK coalition government formed between the Conservatives and Liberal Democrats on 11 May published its joint policy manifesto (or "Coalition Agreement") on 20 May. This thirty six page document sets out the agreements made between the parties on a range of key policy areas, including the environment.

According to the manifesto the parties, "Will implement a full programme of measures to fulfil our joint ambitions for a low carbon and eco-friendly economy." Although the manifesto was short of detail, it nonetheless provides an indication of the measures that the parties aim to implement. A selection of these measures includes:

- Support for the EU to increase the EU emission reduction target from 20% to 30% by 2020.
- An agreement to seek to increase the target for energy from renewable sources, subject to the advice of the Climate Change Committee.
- Mandating a national recharging network for electric and plug-in hybrid vehicles.
- The full establishment of feed-in tariff systems in electricity – as well as the maintenance of banded ROCs.
- Measures to promote a huge increase in energy from waste through anaerobic digestion.
- The creation of a green investment bank.

The manifesto does not provide any specific details on biofuels.

Key ministerial appointments in the new government were announced on May 13, with Chris Huhne (Liberal Democrats) appointed the new Secretary of State for Energy and Climate Change and Philip Hammond (Conservative) as Secretary of State for Transport. Mr Hammond is joined by Minister of State Theresa Villiers (Conservative) and Parliamentary Under-Secretaries Norman Baker (Liberal Democrats) and Mike Penning (Conservative).

The appointment of Chris Huhne, in particular, was welcomed by the Renewable Energy Association (REA). Gaynor Hartnell, Chief Executive of the REA, said; "The appointment of Chris Huhne should be good news for the renewables industry and we congratulate him."

One of the new challenges of the government is the finalisation of the Renewable Energy Action Plan to be submitted to the European Commission by the end of June 2010, as part of the UK's obligation under the RED.

Further information:

The Coalition: our programme for government, 20 May 2010:

[http://www.direct.gov.uk/prod\\_consum\\_dg/groups/dg\\_digitalassets/@dg/@en/documents/digitalasset/dg\\_187876.pdf](http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_187876.pdf)

REA press release, 12 May 2010:

<http://www.r-e-a.net/info/other-news/100512CoalitionGovernment>

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## INTERNATION POLICY UPDATE

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The Roundtable on Sustainable Biofuels (RSB) launched a draft 'Standard for EU market access' (EU Standard) in March 2010 to be used by producers, operators and traders who wish to supply biofuels to the European market. This standard is intended to ensure compliance of the RSB certification system with the sustainability criteria for biofuels, as defined by the RED.

A key aspect of the standard is that operators are also required to comply with the RSB's Principles & Criteria (P&C). Where the standard and P&C cover similar issues, then operators are to ensure compliance with the more rigorous requirements, and as a minimum the requirements specific to the EU standard.

The EU standard provides specific guidance on land use requirements for primary production relating to land with high biodiversity and land with high carbon stock. The land type definitions are based on the current definitions listed in the RED (Specifically, Article 17.3 for land with high biodiversity and Articles 17.4 and 17.5 for land with high carbon stock.)

The EU standard will be updated once additional information is made available by the European Commission on the sustainability aspects of the RED.

#### **Background:**

The RSB is an international stakeholder initiative aiming to set up a certification system for sustainable biofuels. Version 1 of the RSB standard is currently undergoing 'field testing'; the standard aims to become fully operation in 2011.

Other similar international initiatives include ISO/PC 248 and the Global Bioenergy Partnership (GBEP).

Further information:

RSB Principles and Criteria and related documents:

<http://cgse.epfl.ch/page84341.html>

RSB Standard for EU market access:

<http://cgse.epfl.ch/webdav/site/cgse/shared/Biofuels/Certification/10-03-23-RSB-STD-11-001-vers.0.9-Standard%20for%20EU%20market%20access.pdf>

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## EVENTS

### **Cereals 2010, 9-10 June, Royston, Cambridgeshire**

This event will also provide a 'one stop shop' for farmers and landowners wanting to find out more on diversifying into renewable energy production, including biofuels.

(Sponsored by Drax Power and the National Non-Food Crops Centre).

<http://www.cerealsevent.co.uk/>

### **RFA Quarterly Stakeholder Workshop, 2010, 21 July, London**

At this stakeholder workshop the RFA hopes that the European Commission will be present to explain their forthcoming Communication on the Renewable Energy Directive (subject to its publication). This is an open invitation event. Registration is via the RFA.

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

### **FAME 2010 Summit and Exhibition - Defining The Future Biofuels Market, 13-14 September 2010, Berlin**

Over two days the Summit will cover biofuel production through to implementation including how the motor industry is adapting their technologies to use biofuels, as well as emerging feedstocks such as Algae and Jatropha. Leading biofuel technology companies and service providers will exhibit at the Summit. Day 3 (optional) incorporates a visit to a biodiesel plant operated by Bio-Olwerk Magdeburg GmbH.

<http://greenworldconferences.com/fame.html>

### **European Bioenergy Conference & Expo (EBEC) / Bioenergy 2010, 6-7 October, Stoneleigh Park, Warwickshire**

No details are available yet – it is likely to be one of the biggest UK bioenergy events in 2010. Last year's event focussed on Biodiesel, Biogas, Wood Energy and Fuel from Waste. Biofuels Media, organizers of the event, joined forces with the REA who ran the Bioenergy 09 Conference alongside EBEC. Bioenergy 09 covered policy, market and technological developments in the biomass and biofuels industry.

<http://www.r-e-a.net/events/rea-events/bio/bioenergy-2010>