

# **BIOFUEL POLICY UPDATE**

## **REPORT TO NORTH EAST BIOFUELS**

### **26 SEPTEMBER 2008**

#### **HEADLINES**

#### **European Parliament industry committee votes on Renewable Energy Directive**

On 11 September the European Parliament's Industry, Research and Energy (ITRE) Committee voted 50 to 2 to provisionally keep the binding 10% target for renewable transport fuels in the EU for 2020, subject to a review in 2014, whilst also voting to strengthen the required sustainability criteria and introduce a proportion of the target that must be met through renewable electricity, hydrogen, or biofuels that do not compete with food feedstocks.

#### **Fuel Quality Directive update**

MEPs and Member State governments are holding formal negotiations this week with the aim of reaching a first-reading agreement on revisions to the EU Fuel Quality Directive, which is proposed to require fuel suppliers to cut life-cycle greenhouse gas emissions from road transport fuels by 10% by 2020.

#### **UK Gallagher Review calls for slow down in biofuels target**

The UK Department for Transport (DfT) set out proposals to slow the rate of increase of biofuels in the UK, following recommendations from the Renewable Fuels Agency's (RFA) 'Gallagher Review' into the indirect effects of biofuels, published on 7 July 2008.

#### **RFA releases data from first monthly biofuels reports**

The RFA has published summarised data from the first and second monthly carbon and sustainability reports by obligated parties under the RTFO.

#### **UK consultation on a Renewable Energy Strategy**

On 26 June the UK Department for Business, Enterprise and Regulatory Reform (BERR) published a consultation on a proposed strategy to increase the share of renewables in the country's overall energy mix to 15% by 2020, in line with proposals put forward by the EU. Interested parties have until 26 September 2008 to respond to the consultation.

#### **Ofgem consults on eligibility of biodiesel and glycerol under RO**

On 2 September, Ofgem published a consultation on the way biodiesel and glycerol should be treated for the purpose of producing eligible renewable electricity under the Renewables Obligation (RO), the UK's primary support mechanism for renewable electricity. Closing date for responses is 14 October 2008.

#### **Roundtable on Sustainable Biofuels launches Version Zero**

On 13 August the Roundtable on Sustainable Biofuels (RSB) published "Version Zero" of its principles and criteria for sustainable biofuels.

## EU POLICY UPDATE

### European Parliament industry committee votes on Renewable Energy Directive

On 11 September the European Parliament's Industry, Research and Energy (ITRE) Committee voted 50 to 2 to provisionally keep the binding 10% target for renewable transport fuels in the EU for 2020, subject to a review in 2014, whilst also voting to strengthen the required sustainability criteria and introduce a proportion of the target that must be met through renewable electricity, hydrogen, or biofuels that do not compete with food feedstocks.

Despite pressure from some Member States and stakeholders and a previous vote in the Parliament's environment committee to reduce the 10% renewable transport fuel target, the industry committee voted to provisionally keep the 10% target for 2020 and to introduce a binding **interim target** of 5% in 2015.

However the Committee also stipulated that a share of the renewable transport targets must be met through **new alternatives** that do not compete with food production: of the 10% target for 2020, 40% should be met through either renewable electricity, hydrogen, or biofuels made from residues, waste, ligno-cellulosic biomass, algae or energy crops from 'degraded land' (not yet defined). Similarly, of the 5% target for 2015, 20% should be met through those new alternatives.

MEPs also voted that the 10% target for 2020 should be reviewed no later than 2014. The committee's amended text says the review should "focus on consequences for food security, biodiversity and the availability of electricity or hydrogen from renewable sources, biogas or transport fuels from ligno-cellulosic biomass and algae." Some commentators have suggested the requirement for a review weakens the signal the 10% target sends to the biofuels industry.

In terms of the sustainability criteria, the committee voted that the sustainability criteria should count for all energy from biomass, not only biofuels/bioliquids. Therefore bio-energy that does not meet the criteria would not count towards renewable energy or Fuel Quality Directive targets. The committee also proposed that mandatory **environmental criteria** on air quality, water and soil, and **social criteria** on land rights and labour conditions be included in the Directive. Biofuels which caused conversion of land with high carbon stocks would still not be allowed, including forest land. However the committee also recommended that the definition of forest with high carbon stocks which was previously land with 30% canopy cover, should be lowered to 10% canopy cover, with potentially major implications for where biofuel feedstocks could be grown.

The **greenhouse gas** threshold should also be increased from the proposed 35% to 45% from 2010, and this should increase further to 60% in 2015. A number of changes were made to the greenhouse gas calculation methodology, notably the recommendation to introduce a penalty for indirect land use change, to be defined in 2010/11, and a recommendation to revisit all the currently proposed default values, also using a substitution approach for allocating emissions to co-products rather than an approach based on energy content.

The vote by the ITRE Committee is not the final decision. The plenary vote in Parliament is expected to be held in October. In parallel to this the European

Council, comprised of Member State Ministers, will form its opinion and the Parliament and Council will then have to agree before the Directive is adopted. It is hoped that this can be achieved before the end of this year.

Further information:

ITRE press release 11/09/08:

[http://www.europarl.europa.eu/news/expert/infopress\\_page/064-36659-254-09-37-911-20080909IPR36658-10-09-2008-2008-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/064-36659-254-09-37-911-20080909IPR36658-10-09-2008-2008-false/default_en.htm)

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## Fuel Quality Directive update

MEPs and Member State governments are holding formal negotiations this week with the aim of reaching a first-reading agreement on revisions to the EU Fuel Quality Directive, which is proposed to require fuel suppliers to cut life-cycle greenhouse gas emissions from road transport fuels by 10% by 2020.

It is estimated that emissions savings from increasing efficiency of fossil fuel production are relatively low and as such the requirement to cut life cycle greenhouse gas emissions could be met largely through increases in biofuel use. This target alone is expected to create a strong market for biofuel in the EU, even without the renewable transport target being negotiated in the Renewable Energy Directive.

The European Commission issued proposals to revise the Fuel Quality Directive over 18 months ago. In February this year the European Parliament and Member States agreed to add biofuel sustainability criteria to the law, in line with the new EU Renewable Energy Directive.

Negotiations on both the Renewable Energy Directive and Fuel Quality Directive are ongoing in parallel, and it is hoped that a conclusion can be reached on both by the end of this year.

Further information:

Proposal for revised Fuel Quality Directive: [http://eur-lex.europa.eu/smartapi/cgi/sga\\_doc?smartapi!celexapi!prod!DocNumber&lg=EN&type\\_doc=COMfinal&an\\_doc=2007&nu\\_doc=0018&model=guicheti](http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexapi!prod!DocNumber&lg=EN&type_doc=COMfinal&an_doc=2007&nu_doc=0018&model=guicheti)

Source: ENDS 16/09/08

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## UK POLICY UPDATE

### UK Gallagher Review calls for slow down in biofuels target

The UK Department for Transport (DfT) set out proposals to slow the rate of increase of biofuels in the UK, following recommendations from the Renewable Fuels Agency's (RFA) 'Gallagher Review' into the indirect effects of biofuels, published on 7 July 2008.

The review, led by RFA Chair Professor Ed Gallagher, examined the "indirect effects" of biofuels; specifically, whether biofuels cause increases in greenhouse gas

emissions and harm to biodiversity through their contribution to global land-use change, and the extent to which they impact on food prices.

The review concluded that there is a future for a sustainable biofuels industry, but that current policies, if left unchecked, will lead to reductions in biodiversity and may even cause a net increase in greenhouse gas emissions rather than savings.

The review also concluded that increasing demand for biofuels contributes to rising prices for some food commodities, notably oil seeds, and that can have a detrimental effect on the poor.

The review proposes that as part of the path to sustainable biofuels the rate of increase of the UK's biofuels target under the Renewable Transport Fuel Obligation (RTFO) should be reduced from the current 1.25% per year to only 0.5% per year.

Currently the UK's RTFO requires road transport fuel suppliers to ensure that 2.5% (by volume) of their total fuel sales is made up of biofuels. The level of the obligation is due to rise to 3.75% in April 2009 and 5% in April 2010.

Under the Gallagher Review recommendations the target would only reach 5% by volume in 2013/14. The review also recommends that targets beyond 5% by volume should only be implemented beyond 2013/14 if biofuels are shown to be demonstrably sustainable, including avoiding indirect land-use change. These higher targets should also include a specific obligation on companies to use advanced biofuels technologies. Biofuels supplied to comply with this obligation would need to deliver high greenhouse gas savings from appropriate wastes, residues, crops grown on marginal land, or feedstocks, such as algae, that do not require agricultural land.

Taking on board the findings of the review, the DfT will consult on slowing down the rate of target increase in the RTFO later this year.

The DfT also stated at the time that it will continue to support the EU target of 10% renewable transport fuels by 2020, but they will argue that the target is conditional on the evidence showing that it is being delivered sustainably and without significant impacts on food prices.

The EU's draft Renewable Energy Directive includes a proposed mandatory 10% (by energy content) target for renewable transport fuel by 2020 (equivalent to around 13% biofuel by volume). This target is under negotiation in Brussels as part of a wider 2020 renewable energy package, with agreement due to be reached by the end of 2008.

Further information:

Gallagher Review:

<http://www.renewablefuelsagency.org/reportsandpublications/reviewoftheindirecteffectsofbiofuels.cfm>

Background papers:

<http://www.dft.gov.uk/rfa/reportsandpublications/reviewoftheindirecteffectsofbiofuels/consultancystudies.cfm>

Source: Department for Transport 07/07/08, 08/07/08

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## RFA releases data from first monthly biofuels reports

The RFA has published summarised data from the first and second monthly carbon and sustainability reports by obligated parties under the RTFO.

An overview of the key findings from the reports is included in the table below:

Description	Month 1 (Apr-May)	Month 2 (May-Jun)	Target for year (Apr08 – Mar09)
<b>% biofuel in UK road transport fuel</b>	2.14 %	2.92 %	2.5 %
<b>Of which biodiesel</b>	86 %	78 %	-
<b>Of which bioethanol</b>	14 %	22 %	-
<b>% of biofuel for which feedstock known</b>	90 %	93 %	-
<b>% of biofuel for which feedstock and country of origin known</b>	57 %	76 %	-
<b>% of biofuel meeting Qualifying environmental Standard level</b>	19 %	29 %	30 %
<b>Average greenhouse gas saving biofuel*</b>	42 %	46 %	40 %
<b>Most widely reported feedstock</b>	Biodiesel - American soy (22% of biodiesel) Bioethanol - Brazilian sugarcane (79% of bioethanol)	Biodiesel - American soy (29% of biodiesel) Bioethanol - Brazilian sugarcane (78% of bioethanol)	-

\* Compared to fossil fuel, as per the RFA greenhouse gas saving calculation methodology. Savings figure does not include the impact of indirect land use change, as recommended by the Gallagher Review.

The data for the second month showed a marked improvement compared to the first month, with an increase in the overall percentage of biofuels on the UK market (from 2.1 to 2.9%), as well as increases in the percentage of biofuels meeting a qualifying environmental standard level (19 to 29%) and an increase in the average greenhouse gas savings reported (42 to 46%).

Overall biofuels accounted for 2.53% of road transport fuel over the 2-month period, which is so far on track for the annual target of 2.5%. The percentage of biofuels meeting the qualifying environmental standard level shows a running total over the 2 months of 24%, still slightly below the target for the year of 30%, but showing great promise, particularly in month 2. The overall average for greenhouse gas savings over the 2 months is 44%, with the biofuels so far beating the target of 40% in each month.

Despite the relatively positive performance, the RFA's first monthly received mainly negative press coverage, with many articles focusing on the fact that the market is dominated by imports and that only 1 in 5 litres of biofuel on the UK market (19%) met environmental standards.

Obligated parties under the RTFO are required to report on a monthly and annual basis to the RFA on the carbon and sustainability characteristics of the biofuel they supply onto the UK market. The RFA has expressed its intention to publish a summary of the data supplied to them on a monthly basis, which includes volumes

by fuel type, feedstock, and country of origin. On a quarterly basis the RFA will then publish company specific information including company performance against targets for data capture, proportion of biofuels meeting an environmental sustainability standard, and for greenhouse gas savings.

The RFA has so far released 2 monthly reports, covering the 2-month period from 15 April to 14 June 2008, and plan to publish their first quarterly report in the first week of October.

Further information:

RTFO reports: <http://www.dft.gov.uk/rfa/reportsandpublications/rtforeports.cfm>

Source: RFA 05/09/08

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## **UK consultation on a Renewable Energy Strategy**

On 26 June the UK Department for Business, Enterprise and Regulatory Reform (BERR) published a consultation on a proposed strategy to increase the share of renewables in the country's overall energy mix to 15% by 2020, in line with proposals put forward by the EU. Interested parties have until 26 September 2008 to respond to the consultation.

In the consultation paper, BERR lays out plans to increase the overall share of renewables in final energy consumption in the UK from the current level of 1.5% (in 2005) to 15% in 2020. The target includes the consumption of electricity, heat and transport fuels across the UK.

To reach the 15% overall energy target, BERR have put forward a potential scenario in which 32% of electricity could be sourced from renewables, 14% of heat and 10% of transport fuels. Achieving such goals will require a significant increase in renewables in all three sectors in the coming decade.

The Renewable Energy Strategy consultation aims to build on existing policies and measures in place and includes, amongst others, proposals to require all bio-energy to meet strict sustainability criteria, in line with EU proposals.

The final Renewable Energy Strategy is expected to be published in spring 2009.

Further information:

UK Renewable Energy Strategy Consultation:  
<http://renewableconsultation.berr.gov.uk/>

Source: BERR 26/06/08

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## **Ofgem consults on eligibility of biodiesel and glycerol under RO**

On 2 September, Ofgem published a consultation on the way biodiesel and glycerol should be treated for the purpose of producing eligible renewable electricity under the Renewables Obligation (RO), the UK's primary support mechanism for renewable electricity. Closing date for responses is 14 October 2008.

Ofgem proposes that electricity generated from biodiesel produced using methanol derived from natural gas should not be eligible to earn Renewables Obligation Certificates (ROCs) under the support scheme. Similarly it may be considered that glycerol, a co-product of this biodiesel production process, should also not be eligible to earn ROCs if burned to produce electricity.

The Renewable Energy Association report that BERR does seem to agree with Ofgem's stance on biodiesel, but that for glycerol it may not be so clear cut. They also report that there seems little appetite to amend the primary Renewables Obligation legislation to make such biodiesel and glycerol ineligible for support, and that in reality electricity derived from biodiesel and glycerol is not widespread and as such there are not many companies who would be affected by this.

Further information:

Ofgem consultation:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=171&refer=Sustainability/Environment/RenewableObl>

Source: Ofgem 03/09/08

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## KEY INTERNATIONAL DEVELOPMENTS

### **Roundtable on Sustainable Biofuels launches Version Zero**

On 13 August the Roundtable on Sustainable Biofuels (RSB) published "Version Zero" of its principles and criteria for sustainable biofuels.

The RSB is an international initiative bringing together farmers, companies, non-governmental organisations, experts, governments, and inter-governmental agencies aiming to achieve a globally applicable standard for sustainable biofuel production and processing.

The RSB draft standard contains all seven sustainability principles that underlie the UK's sustainability scheme for the RTFO, as well as recognising the importance of dealing with the indirect effects of biofuel production, as identified in the Gallagher Review.

Comments on the draft standard are asked to be sent to the RSB Steering Group before February 2009. The RSB then plan to publish a revised "Version One" in April 2009.

Further information:

Download Version Zero:

[http://cgse.epfl.ch/webdav/site/cgse/shared/Biofuels/VersionZero/Version%20Zero\\_RSB\\_Std\\_en.pdf](http://cgse.epfl.ch/webdav/site/cgse/shared/Biofuels/VersionZero/Version%20Zero_RSB_Std_en.pdf)

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## KEY DATES

### UK Conferences

#### **Bioenergy 2008, 7-8 October 2008, Birmingham**

Organised by the Renewable Energy Association, Bioenergy 2008 is a conference for the biomass and biofuels market, with comprehensive coverage of policy, market and technological developments.

Conference website: <http://www.r-e-a.net/events/rea-events/bioenergy-conference/bioenergy-2008/>

#### **European Biofuels Expo and Conference (EBEC), 15-16 October 2008, Newark, Nottingham**

EBEC is the largest event of its kind in Europe. It provides the opportunity to meet a wide range of suppliers, attend technical workshops and network with key industry figures. The Conference agenda encompasses all the key issues and meets the challenges facing the industry today.

Conference website: <http://www.biodiesel-expo.co.uk/index.php>

#### **European Biodiesel: Maintaining European Leadership in the Biodiesel Industry, 24-26 October 2008, London**

ACI's inaugural European Biodiesel event will provide a comprehensive review of current and future policy, strategy and technology in the European biodiesel industry.

Conference website:

<http://www.acius.net/conferences/upcoming?view=overview&id=81>

#### **RFA stakeholder meeting, 28 October, London**

Focus of this meeting will be to review the first 6 months of the RTFO.

*Details tbc*

### European Conferences

#### **4th International Exhibition of the Biofuel Industry and Technology, 1-4 October, Rome, Italy**

As part of the ZeroEmission Rome 2008 conference, the fourth edition of Biofuel Expo, the International Exhibition of the Liquid Biofuel Industry and Technology, will take place.

Conference website: [http://www.zeroemissionrome.eu/en/index\\_bio.asp](http://www.zeroemissionrome.eu/en/index_bio.asp)

#### **JatrophaWorld Hamburg 2008, 20-22 October 2008, Hamburg, Germany**

JatrophaWorld is a series of conferences dedicated to providing information from actual practitioners, scientists and policy makers. It is a networking and information sharing platform focusing on *Jatropha curcas*, including the main themes of: sustainability, agronomy, implementation, financing, policy, social, and technology.

Conference website: <http://www.cmtevents.com/newevents.aspx?ev=081031&>

#### **Next Generation Biofuels Markets, 6-7 October 2008, Amsterdam, The Netherlands**

Organised by Green Power Conferences, this their 4th event on next generation biofuels aims to bring together key players who are pioneering the development of next generation biofuels to address the latest developments in creating cost competitive, industrial scale production of next generation biofuels technologies.

Conference website:

[http://greenpowerconferences.com/biofuelsmarkets/nextgen\\_08.html](http://greenpowerconferences.com/biofuelsmarkets/nextgen_08.html)

**Biofuels 2008, 28-30 October 2008, Berlin, Germany**

Organised by the World Refining Association, the main two day event on 29-30 October will notably begin look at the evolution of EU regulations and policies in the biofuels industry and what measures are being taken to ensure the their development.

Conference website: <http://www.wraconferences.com/2/4/articles/12.php?>

**World Ethanol 2008, 3-6 November 2008, Paris, France**

The World Ethanol conference is now in its 11th year and is widely regarded as a premier event for the global ethanol industry.

Expected attendees include participants from all sectors - producers, traders, equipment suppliers, oil companies, shipping and logistics specialists, biotechnology companies and buyers.

Conference website: <http://www.agra-net.com/portal/marlin/system/render.jsp?siteid=20000000062&MarlinViewType=MARKT Effort&marketingid=20001650143>

## 2009 WORKSHOP

To be discussed