

BIOFUEL POLICY UPDATE

REPORT TO NORTH EAST BIOFUELS

27 MARCH 2009

HEADLINES

EU imposes temporary duties on imported biodiesel from the US

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Ofgem announces decision on the use of biodiesel for electricity generation

On March 10th Ofgem published its decision on the approach it will take on the treatment of electricity generation using FAME biodiesel and glycerol. The decision relates to whether electricity generated using these fuels will be eligible for ROCS under the Renewable Obligation.

RFA publishes updated Carbon and Sustainability Technical Guidance for 2009/2010

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Better Sugarcane Initiative open for consultation

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EU POLICY UPDATE

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The EU has imposed temporary **anti-dumping** and **anti-subsidy** duties on imports of biodiesel from the US. This follows a complaint from the **European Biodiesel Board** in April 2008 that the EU market was being flooded with heavily subsidised US imports that led to an EU investigation into the US biodiesel industry.

The investigation was launched on 13 June 2008 and confirmed evidence provided by the European Biodiesel Board that US producers of biodiesel were exporting biodiesel to the Community at dumped prices and receiving countervailable Federal (in particular tax credits) and State subsidies. The investigation found that those exports of dumped and subsidised biodiesel were causing material injury to the biodiesel industry in the EU.

EU Spokesperson for Trade Lutz Guellner made the following statement:

"After a thorough investigation based on the facts in this case, the Commission has today decided to apply temporary duties on imports of US biodiesel. Anti-dumping and anti-subsidy measures are not about protectionism, they are about fighting unfair trade. This decision was taken on the basis of clear evidence that unfair subsidisation and dumping of US biodiesel has taken place, and that this is harming otherwise competitive EU industry, with potentially dire long term effects."

The level of the measures, which are applied together, are set at between **€211.20** and **€237.00 per** tonne for the anti-subsidy duties and between **€23.60** and **€208.20** per tonne for the anti-dumping measures. At the end of the four-month period, the Commission will make a final recommendation to EU member states on whether or not to impose so-called 'definitive' duties in this case, which if imposed would normally last for five years.

Meanwhile the US recently removed support for so called "**splash and dash**" imports (where biodiesel produced outside of the US was then imported into the US in order to avail of subsidies) and so no specific action by the EU was necessary on this point.

Background: US biodiesel imports increased from around 7,000 tonnes in 2005 to 1 million tonnes in 2008 (17% market share). In particular, imports of B99 in 2008 increased by 40% over 2007.

Further information:

EC press release 12/03/09 'European Commission comments on the decision to impose duties on US biodiesel'

http://ec.europa.eu/trade/issues/respectrules/anti_dumping/pr120309_en.htm

European Biodiesel Board 12/03/09: <http://www.ebb->

[org/EBBpressreleases/EBB%20PR%20B99%20claims%20recognised120309.pdf](http://www.ebb-ec.europa.eu/EBBpressreleases/EBB%20PR%20B99%20claims%20recognised120309.pdf)

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Ofgem announces decision on the use of biodiesel for electricity generation

On March 10th Ofgem published its decision on the approach it will take on the treatment of electricity generation using FAME biodiesel and glycerol. The decision relates to whether electricity generated using these fuels will be eligible for ROCS under the Renewable Obligation.

Under the Renewables Obligation generating stations are able to claim ROCs (Renewable Obligation Certificates) on eligible renewable electricity generation. This includes generation from biomass but not from fossil fuel, or fossil fuel derived sources.

One of the common reagents used to produce biodiesel is **methanol** and this is frequently obtained from the **methane** within natural gas (i.e. a fossil fuel). The use of methanol directly produced from natural gas implied that these fuels could be seen as being indirectly derived from a fossil fuel. **Glycerol** is a by-product of the process.

Following a six month consultation, Ofgem decided that electricity generated using biodiesel manufactured using fossil fuel based methanol should **not** be eligible for ROCs. Electricity generated from biodiesel and glycerol manufactured from biomass and biomass-derived alcohols such as bio-methanol and bio-ethanol will still be eligible for ROCs.

Biodiesel manufacturing processes/ reagents that are not considered to be covered by this decision document include:

- the use of bio methanol (derived from non fossil fuels. e.g. created using the steam reformation of biogas from anaerobic digestion);
- the use of bio ethanol (derived from non fossil fuels. e.g. from the fermentation of biomass);
- biodiesel created from direct biomass-to-liquid conversion; and
- biodiesel created via the Fischer-Tropsch process.

Ofgem also announced that there was still insufficient evidence for it to give a final decision on whether electricity generated using glycerol from biodiesel should be eligible for ROCs. Ofgem says it will work with industry to further investigate this, and to either include the fuel fully or issue ROCs for a proportion of the electricity produced from this by-product.

Biodiesel remains eligible for support when used as a transport fuel under the Renewable Transport Fuel Obligation. Emissions from the fossil-derived methanol are used to manufacture biodiesel are included in the lifecycle analysis of biodiesel carbon emissions.

Further information:

Ofgem press release 10/03/09 'Decision on Biodiesel, glycerol and the Renewables Obligation'

<http://www.ofgem.gov.uk/Sustainability/Environment/RenewablObl/Documents1/Biodiesel%20Decision.pdf>

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RFA publishes updated Carbon and Sustainability Technical Guidance for 2009/2010

The Renewable Fuels Agency (RFA) has published an updated Carbon and Sustainability Technical Guidance for the 2009-2010 obligation period, alongside a summary of responses to the recent consultation on revisions to the guidance, which closed on 12 February.

The new Technical Guidance, Version 2.0, will replace the old version of the guidance from 15 April 2009, the first day of the second obligation year under the Renewable Transport Fuel Obligation. The revised guidance takes into account experience and lessons learned from the first year of operation of the scheme.

The main change of note is a move towards more conservative high-level default values for greenhouse gas emissions from biodiesel and bioethanol. These defaults are the values used when suppliers are unable to report the feedstock or country of origin for their biofuel and are therefore simply reporting biodiesel or bioethanol.

The default values in this instance are designed to be conservative to incentivise parties to find out and report more information about the biofuel they are supplying. Experience from the first year of the RTFO suggested that there were some sources of biofuel that were being used in the UK whose life-cycle emissions were worse than the high level default values, hence these values are being made more conservative.

The bioethanol default will change from a 28% carbon saving to a 36% carbon increase, while biodiesel rises from a 31% saving to an 8% increase, both compared to their fossil equivalent.

The carbon defaults contained in the old guidance remain available for suppliers to report on fuel for the remainder of this reporting year (until 14 April 2009), after which the new values take their place.

Other changes to the guidance include the addition of a number of new fuel chain default values, the addition of new sustainability standards that can be reported, clarification on the RFA's approach to companies reporting sustainability standards that are still under development, and the addition of a "norm for audit quality" against which the auditing procedures of sustainability standards can be benchmarked.

The RFA say a key theme of responses from companies to the consultation was that the RTFO should aim to move towards the requirements of the new EU Renewable Energy Directive as quickly as possible. This will be a key point for the RFA's work plan going forward.

The RFA also consulted on further guidance that has been developed for verifiers of companies' RTFO annual reports. Given the technical nature of the comments, the RFA will hold a further workshop for verifiers to consider detailed changes to the guidance and other points raised in the consultation on 2 April in London.

Further information:

RFA Carbon and Sustainability Technical Guidance, Version 2.0:

<http://www.renewablefuelsagency.org/reportsandpublications/guidance/carbonandsustainabilityguidance.cfm>

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OTHER INTERNATIONAL DEVELOPMENTS

Better Sugarcane Initiative open for consultation

On 1 March, the Better Sugarcane Initiative (BSI), headquartered in London, published the first full version of their sustainability standard for a 60 day consultation.

BSI is a global multi-stakeholder non-profit initiative, which aims to reduce the environmental and social impacts of sugarcane production through the development of a Standard that measures the impacts of production and certifies sustainable production.

The main aim of the BSI Standard now published for consultation is to promote measurable standards in key environmental and social impacts of sugarcane production and primary processing while recognising the need for economic viability.

Deadline for receipt of comments on the first draft of the standard is 30 April 2009, after which point BSI will further amend the standard and begin pilot studies in the field. BSI aims to have a completed Standard ready for full operation by November this year.

Further information:

BSI main website: <http://www.bettersugarcane.org/>

BSI consultation website: <http://www.bettersugarcane.com/>

Source: Better Sugarcane Initiative

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EVENTS

The Future of Biofuels, 31 March, Yarm

Held in association with the REA, this event aims to provide the latest market and crop management information for the biofuels and industrial uses sectors and to explore policy implications in light of the Gallagher Review.

<http://www.r-e-a.net/events/rea-supported-events/090331HGCBiofuels>

Sustainability Bioenergy 2009, 1-2 April, London

Topics include food vs fuel, "next generation" biofuels, biomass for power generation, development of biorefineries and how they are influencing investment decisions in Europe.

<http://www.environmental-finance.com/conferences/2009/SustBio09/intro.htm>

RFA Quarterly Stakeholder Meeting, 21 April, London

Email: enquiries@renewablefuelsagency.org

Biomass to Liquids, 6-7 May, London

Hosted by SMI, and focusing on the Biomass to Liquids technologies, this conference brings together experts from a wide range of disciplines to discuss technology developments, project updates, policy and regulation, and the feedstock debate.

<http://www.smi-online.co.uk/events/overview.asp?is=5&ref=3077>

International Conferences

Biofuels Law and Regulation Conference, 24–25 April, Illinois, USA

The first international Biofuels Law and Regulation Conference will address the current legal and regulatory challenges to establishing a successful second-generation biofuels infrastructure and ensuring that the much-touted environmental benefits of biofuels are legally verifiable.

<http://www.biofuelslawconference.org/>

Biofuels International Expo & Conferences, 27-28 May, Amsterdam

This event is aimed at medium to large biofuels producers, investors, regulators and equipment/ service providers. It aims to address future growth and outlook trends, emerging feedstocks, second generation technology and production methods, storage and handling concerns and quality concerns.

<http://www.biofuelsinternationalexpo.com/>

