

BIOFUEL POLICY UPDATE

REPORT TO NORTH EAST BIOFUELS

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EU POLICY UPDATE

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UK POLICY UPDATE

REA study shows EU RED 10% biofuel target can be met sustainably

The UK's Renewable Energy Association (REA) recently concluded a study to demonstrate that the EU Renewable Energy Directive (RED) target for 10% of transport energy to be renewable by 2020 can be met sustainably. This study was peer reviewed by Imperial College London.

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The Renewable Fuels Agency (RFA) will hold a stakeholder workshop on Thursday February 4th to launch its first annual report to Parliament, alongside the launch of a consultation on the 'RED-ready' Carbon and Sustainability guidelines for the RTFO for year three of the scheme from April 2010.

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EVENTS

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EU POLICY UPDATE

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The European Biodiesel Board (EBB) is concerned by the sharp increase in biodiesel exports from Argentina that the EU has faced since January 2009 and "stands ready to take any appropriate step to restore balanced market conditions."

The EBB reports that Argentine exports to the EU increased dramatically from less than 5,000 tons biodiesel in July 2008 to almost 100,000 tons per month in July 2009. Argentinean exports are expected to top 1 million tons in 2009, compared to only 70,000 tons the previous year, an increase of over 1,300%.

The EBB argues that such a significant increase in exports cannot be achieved only through normal industry practices and is in fact driven by a regime of differentiated export taxes (known as DETs). The DET concerns the differential between the 32% export tax on soybean oil and the 20% export tax on biodiesel. This creates a clear financial incentive to process soybean oil into biodiesel rather than exporting it as a raw material. (The DET is believed to be as high as 20% due to a number of ad-hoc implementing rules.) Furthermore, Argentina enjoys a duty free access to the EU market, whereas Argentina levies a 14% customs duty on biodiesel imported from Europe and other countries.

Raffaello Garofalo, EBB Secretary General, said: "The EBB takes very seriously the challenge of Argentine biodiesel exports to EU. We stand ready to defend our interests, as we already did successfully against subsidised imports from the United States."

Further information:

EBB Press Release 18 December 2009:

<http://www.ebb-eu.org/EBBpressreleases/Restoring%20Level%20Playing%20Field%20with%20Argentine%20biodiesel%20producers.pdf>

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US biodiesel tax credit fails to get renewed

The US biodiesel tax credit worth \$1 per gallon of biodiesel expired on 31 December 2009. The credit, which had been in place since 2004, was extended by the House of Representatives in late 2009, but failed to be renewed by Congress in time.

The lapse of the credit has reportedly had a significant impact on the US biodiesel industry, with production currently running at around 15% of capacity.

"Since it was enacted in 2004, the biodiesel tax incentive has allowed the nation to reap the economic, energy security and environmental benefits associated with commercial scale production and use of biodiesel," stated Manning Feraci, Vice President of Federal Affairs for the National Biodiesel Board (NBB). "Allowing the credit to lapse will compound the already daunting challenges facing the industry and will cost the nation another 23,000 jobs in addition to the 29,000 jobs that were shed in 2009."

Senators in key states including Montana and Iowa, two key biofuel production states, have drafted a plan to re-introduce the tax credit as soon as possible and importantly without any further gaps in coverage.

The biodiesel tax credit (and other State level tax credits) had in fact led to the European Union (EU) imposing anti-subsidy and anti-dumping tariffs in March 2009 on US biodiesel producers exporting to the EU, following a complaint made by the EBB and a subsequent investigation by the EU. This investigation found that US biodiesel imports were causing material injury to the biodiesel industry in the EU.

Further information:

National Biodiesel Board Press Release 8 December 2009:

[http://www.biodiesel.org/resources/pressreleases/gen/20091208_Urbanchuk%20study%20release%20w%20link_final_120809%20\(2\).pdf](http://www.biodiesel.org/resources/pressreleases/gen/20091208_Urbanchuk%20study%20release%20w%20link_final_120809%20(2).pdf)

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Developing countries warn EU over biofuel policy on ILUC

A group of 15 countries, including Brazil, Argentina, Malaysia and Indonesia, last month wrote to the European Commissioner for Transport and Energy, Andris Piebalgs, to express "concerns on the ongoing process of establishment of the European Union's scheme of sustainability criteria for biofuels."

The signatories to the letter are particularly concerned about the potential integration of a methodology to account for greenhouse gas emissions associated with indirect land-use change (ILUC), following last year's 'pre-consultation' by the European Commission (EC). This was one of 7 proposed policy options presented in the pre-consultation.

"The lack of appropriate data at global level raises important concerns about the possibility of building a well-designed and comprehensive methodology in a very short time," the letter from the developing countries said. The countries argue that any methodology imposed should be developed as part of an international framework, preferably the UN Framework Convention on Climate Change (UNFCCC). As such, they consider that any action taken by the European Union would not be legitimate without an internationally accepted methodology.

The countries criticised the pre-consultation for being biased since it inferred that the option of tightening existing criteria for sustainability would be equivalent to 'doing nothing'. "In many of our regions, biofuels' greenhouse gas savings thresholds already effectively offset the indirect impacts of land use change," particularly when by-products such as protein or energy are taken into account, it argued. "There is a need for more solid scientific data on ILUC, so we do not think that a short-term modelling option could be feasible."

The EC is due to publish a report detailing their approach to ILUC by December 2010 at the latest, although it indicated last year that it intends to publish this by the end of March 2010 to enable Member States to incorporate this into their Action Plans due June 2010.

Further information:

EurActiv News Release 18 December 2009:

<http://www.euractiv.com/en/energy/brazil-warns-eu-biofuel-sustainability/article-188445>

Letter to European Commissioner for Transport and Energy, Andris Piebalgs:
http://www.euractiv.com/29/images/Biofuels_joint_letter_tcm29-188446.pdf

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UK POLICY UPDATE

REA study shows EU RED 10% biofuel target can be met sustainably

The UK's Renewable Energy Association (REA) recently concluded a study to demonstrate that the EU Renewable Energy Directive (RED) target for 10% of transport energy to be renewable by 2020 can be met sustainably. This study was peer reviewed by Imperial College London.

Key findings of the study show that 80% of total demand can be met by EU production, without diverting any current EU food production to biofuels. The remainder should be available from imports of sustainable feedstock or finished biofuel, although there will be competition for this from other uses.

The REA conducted a modelling exercise to find out exactly where these fuels could come from, and the role of UK and EU producers. The results showed that, while new technologies such as electric vehicles and other fuels such as biogas will undoubtedly make a contribution, the vast majority of the renewable transport fuel target will come from traditionally produced biofuels.

Figures produced as part of the review show that there is a major opportunity for biofuels in the UK. There is the potential for bioethanol production in the UK to rise by 20 times its current level by 2020, and biodiesel to rise by three times, creating thousands of green jobs.

Clare Wenner, Head of Biomass and Transport at the REA, said: "This review shows that biofuels can make a major contribution, without adversely affecting the environment or the food chain. However, we cannot afford to hang around if we are going to meet these targets by 2020, and make an effective contribution to combating climate change. There has been too much delay already."

Further information:

REA News Release 22 October 2009:

<http://www.r-e-a.net/info/rea-news/review-gives-green-light-to-biofuels-industry/>

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Pre-budget report announces extension in Used Cooking Oil duty relief and an increase in RTFO 'buy-out' price for 2010

The Chancellor announced in the Pre-budget report in December 2009 that the duty exemption for Used Cooking Oil (UCO) will remain at 20 pence per litre for a further two years. For all other liquid biofuel feedstocks, the duty differential will be phased out in April 2010 as originally planned.

The 2008 budget announced that the 20 pence per litre duty differential for biofuels would cease in April 2010, as the tax discount cannot distinguish between sustainable biofuels and those that increase greenhouse gas emissions, or raise

wider sustainability concerns. The Pre-Budget Report confirms that the duty differential will cease from 1 April 2010 for all biofuels with the exception of those produced from UCO, which will remain in place for a further 2 years.

Under the EU RED wastes and residues, such as UCO, are set to be 'double counted' towards Member States' biofuel targets from December 2010. This implies that 1 litre of biofuel produced from UCO is likely to earn 2 Renewable Transport Fuel Certificates (RTFCs) in the UK.

The Pre-budget report also announced that as of April 2010 the 'buy-out' price in the RTFO will increase from 15 pence per litre to 30 pence per litre for every litre that an Obligated Supplier is short.

Further information:

HM Treasury Pre-budget Report:

http://www.hm-treasury.gov.uk/d/pbr09_chapter7.pdf

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SMMT announces its support for B7 biodiesel blend

The Society of Motor Manufacturers and Traders (SMMT) announced in December 2009 its support for BS EN 590:2009, which permits biodiesel blends with a biodiesel content of up to 7% to be made available within the EU.

The previous version of fuel standard BS EN 590 allowed the use of up to 5% bio-content and many suppliers have taken advantage of the full allocation since 2008 with "no apparent ill effects reported." The increase to 7% is to be phased in and the SMMT states that "it is very unlikely customers will notice any difference."

With regard to biofuel labelling, the European Biofuels Directive (2003/30/EC) currently requires all pumps dispensing transport fuels containing more than 5% biofuel to be labelled to inform customers at the point of sale, "*Not suitable for all vehicles: consult vehicle manufacturer before use*". These regulations will be amended so that as of April 2010 it will no longer be a requirement to label fuels containing up to a 7% bio-content blends. Until this time EN 590:2009 compliant pumps are to display the label, "*Contains up to 7% biodiesel*".

Further information:

Explanatory memorandum to the biofuel (labelling amendment) regulations 2009:

http://www.opsi.gov.uk/si/si2009/em/uksiem_20093277_en.pdf

Society of Motor Manufacturers and Traders Press Release 4 December 2009:

<http://www.smmt.co.uk/articles/article.cfm?articleid=20921>

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RFA to launch consultation on 'RED-ready' C&S guidelines

The Renewable Fuels Agency (RFA) will hold a stakeholder workshop on Thursday February 4th to launch its first annual report to Parliament, alongside the launch of a consultation on the 'RED-ready' Carbon and Sustainability guidelines for the RTFO for year three of the scheme from April 2010.

The meeting will introduce the RFA's proposed approach to moving the RTFO towards the new EU RED requirements. The meeting will also present the RFA's first Annual Report on the impacts of the RTFO.

The meeting will launch a phase of formal stakeholder consultation in which the RFA will invite stakeholders to input to the RTFO's development plans. This follows the informal stakeholder consultation held last year.

The meeting is open to all stakeholders. Registration is via the RFA website.

Further information:

<http://www.renewablefuelsagency.org/abouttherfa/meetings.cfm>

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INTERNATIONAL POLICY UPDATE

European leaders disappointed at 'weak' Copenhagen outcome

The Copenhagen climate conference held over two weeks in December failed to produce a legally binding agreement to tackle climate change.

Negotiating teams from around the world met in Copenhagen for the 15th so-called "Conference of the Parties" (COP15). The "Parties" refer to the countries signed up to the United Nations Framework Convention on Climate Change (UNFCCC). The main aim of the meeting was to negotiate an international climate change agreement to be the successor to the Kyoto Protocol, which runs out in 2012.

The outcome of the conference was the "Copenhagen Accord", the text of which was agreed in the early morning of 19 December after hours of wrangling. The Copenhagen Accord is based on a proposal tabled by a US-led group of five nations, including China, India, Brazil and South Africa. The Accord was agreed by a group representing 49 developed and developing countries that together account for over 80% of global emissions. It states that deep cuts in global emissions "will be required" and that countries will take action to maintain the global temperature increase below 2°C. However, it does not mention a long-term vision on emission reductions for 2050, nor does it include medium-term targets for 2020.

The deal sets a deadline at the end of January 2010 for all nations to submit plans to the United Nations for curbing emissions. The EU has already committed to achieving a 20% cut in its greenhouse gas emissions (compared to 1990) levels by 2020, and had committed to increasing this to a 30% cut if an ambitious international climate change agreement can be reached. This now looks unlikely.

Speaking in Copenhagen, European Commission President José Manuel Barroso said the deal was "clearly below" the European Union's goal. "I will not hide my disappointment," he said. UK Prime Minister Gordon Brown said, "we have made a start... What we need to follow up on quickly is ensuring a legally-binding outcome."

A significant outcome of the Accord was that developed countries made commitments to finance actions in developing countries. A commitment has been made for "fast start" finance worth US\$10 billion a year by 2012 (with a total of up to US\$2.4 billion from the UK), as well as specific support to tackle deforestation. In the longer term, the Accord supports the goal of providing US\$100 billion a year of public and private finance for developing countries by 2020.

Further negotiations will be held to strengthen the Accord and get more countries to sign up. Negotiations will be held throughout the year, leading up to the next summit due to be held in Mexico in November 2010.

Further information:

EurActiv News Release 10 December 2009:

<http://www.euractiv.com/en/climate-change/eu-looks-weak-copenhagen-climate-deal/article-188501>

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UNFCCC approves new CDM methodology for biofuels

In October 2009 the UNFCCC approved a new methodology for the production of biofuels under the Clean Development Mechanism (CDM) of the Kyoto Protocol.

The CDM is a mechanism under the Kyoto Protocol which allows industrialised countries with a greenhouse gas reduction commitment (called Annex 1 countries) to invest in projects that reduce (or remove) emissions in developing countries, as an alternative to more expensive emission reductions in their own countries. These projects earn "certified emission reduction" (CER) credits, each equivalent to one tonne of CO₂, which can be traded and sold on the international carbon market, and used by industrialised countries to meet a part of their emission reduction targets under the Kyoto Protocol.

The new biofuels methodology (ACM0017) is applicable to project activities that reduce emissions through the production, sale and consumption of blended biodiesel that is used as fuel, where the biodiesel is produced from:

- (a) Waste oil/fat; and/or
- (b) Vegetable oil that is produced with oil seeds from plants that are cultivated on dedicated plantations established on lands that are degraded or degrading at the start of the project activity.

The methodology includes a mechanism to avoid double counting (i.e. carbon reduction claims of both biofuel producer and consumer).

Further information:

UNFCCC, CDM website:

<http://cdm.unfccc.int/methodologies/PAMethodologies/approved.html>

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EVENTS

Energy Crops; Growing Opportunities for British farmers. 2 February 2010, Morpeth

This free event, organised by the NNFCC, will focus on the technical aspects of growing the energy crops Miscanthus and SRC Willow and will also cover the Energy Crops Scheme, which provides grants towards the costs of planting and establishment.

<http://www.nnfcc.co.uk/NNFCC/ViewEvent.aspx?id=898>

Energy Now Expo 2010, 17-18 February 2010, Malvern

Energy Now Expo is a exhibition and conference showcasing the latest renewable energy technologies and services available to farmers and rural landowners. This inaugural event will bring together farmers and rural landowners from all over the UK to help them explore and further understand the opportunities available to them in wind, biomass, biofuels, ground source heating, hydro and solar energy.

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

World Biofuel Markets, 15-17 March 2010, Amsterdam

This event will feature sessions on a diverse range of biofuel related topics including 2nd generation biofuels, algae fuels, energy crops, biorefineries, ILUC and sustainability.

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

