

BIOFUEL POLICY UPDATE

REPORT TO NORTH EAST BIOFUELS

29 MAY 2009

HEADLINES

EU POLICY UPDATE

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Commission speeds up work on indirect land use change

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UK POLICY UPDATE

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Technical Committee 383 (**TC383**) of the European Committee for Standardisation (**CEN**) was set up in 2008 to develop and promote single conformant standards for biomass sustainability across Europe.

Six working groups were established to cover subject areas including GHG methodology, auditing and verification, Chain of custody and Indirect land use change. TC383 was due to publish its initial recommendations in a draft report by the end of 2009.

However the future of the CEN TC383 process is now in doubt after the European Commission (EC) has withdrawn support for several of the working groups.

It is understood that the EC has concerns about the parallel running of the CEN process and the implementation of the minimum sustainability requirements of the EU RED. Potentially deviating results from the two paths would complicate the process and lead to confusion in the market place. CEN may still be given a limited mandate to continue to work on some aspects of the GHG methodology, Chain of custody and/or auditing and verification.

The future of CEN TC383 will become clearer following the next meeting on 5 June in Brussels.

Other international biomass sustainability standard initiatives in development include the Roundtable on Sustainable Biofuels (RSB) and the International Standards Organisation (ISO). Of these the RSB is furthest in its development, with the first meeting of ISO only due to take place on 8-9 June 2009.

Further information:

Renewable Fuels Digest, Issue 10, May 2009:

http://www.renewablefuelsagency.org/db/documents/Renewable_Fuels_Digest_issue_10_May_2009.pdf

Roundtable on Sustainable Biofuels: <http://cgse.epfl.ch/page65660.html>

[Return to headlines](#)

Commission speeds up work on indirect land use change

The European Commission has indicated that they will bring forward work to quantify the impact of indirect land use change when calculating emissions related to biofuels.

Indirect land use change refers to the displacement of crops and grazing animals to new areas by increased biofuel cultivation, and the resulting increase in greenhouse gas emissions.

Under terms of the EU RED, the Commission was committed to report by the end of 2010 on the impact of indirect land use change on greenhouse gas emissions from biofuels and ways to minimise that impact. This could include a proposal to include the impacts of indirect land use change in the greenhouse gas methodology for biofuels in the Directive.

However the Commission now plans to bring this work forward by nine months to be published by the end of March 2010, in order to enable Member States to take the findings into account in the development of their national renewable energy action plans.

Member States must all submit a national renewable energy action plan to the Commission by 30 June 2010, laying out how they will reach their renewable energy targets for 2020 and in particular the split between renewable electricity, heat and transport fuels. The UK has a target to reach 15% overall renewable energy by 2020.

In terms of the overall timetable for the RED, the Commission plan to officially publish the final text of the Directive in **May 2009**. From the date it is published, Member States have **18 months** (~November 2010) to implement the requirements into national law. This will include, for example, implementing the minimum carbon and sustainability requirement for biofuels. Further guidance on the details of the sustainability requirements, not yet included in the Directive, will be published by the Commission in late 2009.

Further information:

Renewable Energy Directive text:

<http://register.consilium.europa.eu/pdf/en/08/st03/st03736.en08.pdf>

[Return to headlines](#)

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The UK's Renewable Transport Fuel Obligation (RTFO) commenced its second year of operation on 15 April 2009. The carbon and sustainability Technical Guidance has been updated to take into account experience and lessons learned from the first year of operation of the scheme. Additional guidance on the verification of companies' RTFO annual reports has also been published. The next key challenge for the will be to move the scheme towards the RED.

The second reporting year under the RTFO (15 April 2009 - 14 April 2010) has commenced. In the new reporting year, obligated suppliers must supply **3.25%** biofuel (by volume) of the total road transport fuel they supply.

Targets

The targets for carbon and sustainability performance this year are also increased, with suppliers expected to deliver at least a **45%** reduction in greenhouse gas emissions compared to fossil fuel, to ensure that at least **50%** of biofuel meets a qualifying sustainability standard and to report at least **70%** of the data required by the RFA.

Changes to the Carbon and Sustainability Guidance

The second obligation period has seen a number of changes made to the carbon and sustainability Technical Guidance. The main change of note is a move towards

more conservative high-level default values for greenhouse gas emissions from biodiesel and bioethanol. These default values are used when suppliers are unable to report the feedstock their biofuel was made from.

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. The defaults have been made more conservative as experience from the first year of the RTFO suggested that there were some sources of biofuel being used in the UK whose life-cycle emissions were higher than the high level default values.

The bioethanol default will increase 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.

Updates to the guidance include the addition of default values for a number of new fuel chains (e.g. biodiesel from sunflower and jatropha), the addition of new sustainability standards that can be reported (i.e. Genesis QA, RoundTable on Responsible Soy), 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 are benchmarked.

Verifiers Guidance

In May 2009 the RFA also issued further guidance for the verification of companies' RTFO annual reports. (All parties who have claimed Renewable Transport Fuel Certificates on 450,000 litres or more of biofuel during the year – Obligated Suppliers - have to submit an annual Carbon & Sustainability report to the RFA. This report must contain an independent verifier's opinion that the information is correct.)

Moving the RTFO towards the RED

A key issue for the UK Department for Transport and the RFA over the coming year will be to move UK biofuels policy in line with the RED.

The most likely option will be to adapt the existing RTFO to incorporate the RED targets and requirements. Member States are committed to implementing the RED 18 months after its official publication. The RED is due to be published in May 2009, implying that Member States will have until November 2010 at the latest to implement the Directive.

The UK is ahead of many other countries as the only country to have an operational carbon and sustainability reporting scheme. However a number of aspects of this will need to be updated or changed and some minimum requirements will also have to be introduced. Key issues for the Government that will need to be agreed are:

- **Implementation date:** A number of possible options are being discussed to update the RTFO in line with the RED. Options include that changes could be implemented from April 2010 (the start of the next year of the RTFO), or from November 2010 (half way through the RTFO year, but in line with the EU's implementation timeframe).
- **Energy or volume targets:** The current RTFO is based on a volumetric target of the percentage of biofuels in the fossil fuel mix. However, the EU RED is based on a target by energy content (10% renewable transport by 2020). A target by energy content is perceived by some commentators to have additional sustainability risks in that it may increase demand for biodiesel as compared to bioethanol.

- **Minimum requirements:** The RED contains a number of minimum carbon and sustainability requirements that biofuels will have to meet, whereas the current RTFO only has reporting on carbon and sustainability aspects. Again the timing of the move to minimum requirements will be a key decision.
- **Carbon defaults:** The RTFO will have to adopt default values for GHG emissions from the RED. Consistency with the existing RTFO methodology and timing of the change over will be key issues.
- **Carbon linking:** The UK Government is keen to move towards an RTFO scheme that directly rewards biofuels in proportion to the carbon they save. The details of the scheme will be key to its success and it is still to be confirmed whether such incentivisation will be permitted under the RED.

Further information:

Carbon and Sustainability Technical Guidance Year 2:

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

Verifiers Guidance:

http://www.renewablefuelsagency.org/db/documents/RFA_Guidance_for_Verifiers_v1.0.pdf

[Return to headlines](#)

RFA publishes company data for first nine months of RTFO

The Renewable Fuels Agency (RFA) has published data on the carbon and sustainability performance of the biofuels sold on the UK market during the first nine months of the RTFO, which began in April 2008. This published data includes details of the performance of individual companies.

In the year to April 2009, fossil fuel companies in the UK were obliged to supply 2.5% biofuel in UK road fuel (not taking into account the drafting error). The RFA estimates that biofuels accounted for 2.7% of road fuel in the first nine months of the scheme (978 million litres of biofuel). Of this, 84% was biodiesel and 16% bioethanol.

As a key part of the scheme, obligated parties must report to the RFA on the carbon and sustainability characteristics of the fuel they supply; this is the first operational biofuel sustainability scheme in the world.

The target for fuels meeting a qualifying **environmental standard** is 30% over the first reporting year. Currently, 18% of biofuels are meeting these standards, with 99% of the fuel reported as coming from UK feedstocks meeting these environmental standards.

The **carbon reductions** that were achieved by the use of biofuels (46%) during the first nine months of the obligation was shown to be greater than the 40% target set by the Government for the first year of the RTFO. This savings figure excludes emissions from indirect land use change considered in the RFA's 'Gallagher review' published in July 2008.

The Government also set a target that companies should report at least 50% of the data required by the RFA in four categories - feedstock, country of origin, sustainability standard met and land use. In the first nine months of the year, 66% of data was reported. The feedstock was known for 96% of biofuels, and both the feedstock and country of origin were known for 81%.

The most widely reported feedstock for biodiesel was **US soy** (26% of biodiesel supplied), while **Brazilian sugar cane** was the most widely reported feedstock for bioethanol (26% of bioethanol supplied).

The RFA also makes preliminary observations on the performance of the UK's major fuel suppliers:

ConocoPhillips, Ineos, Mabanft and Prax are exceeding the current environmental sustainability target. Several companies (Chevron, Murco, and Topaz) have not reported any biofuels meeting the qualifying environmental standard, and Esso have reported less than 0.5% of their biofuels meeting a qualifying environmental standard.

ConocoPhillips and Mabanft are meeting all three of the Government targets. All companies are now meeting at least one target. Topaz and Prax, who had reported no carbon and sustainability data to the RFA at the last quarterly report, have both made a significant improvement, with Topaz now exceeding the data capture target, while Prax are only 2% short of the data capture target and are exceeding the target for environmental sustainability.

It must be noted, however, that the data reported is all still subject to verification by independent auditors, which will take place at the end of the reporting year. The RFA plan to publish a final, fully verified dataset as soon as it is available after the end of the reporting period.

Further information:

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

[Return to headlines](#)

EVENTS

LowCVP Annual Conference 2009, 'The changing climate for vehicles and fuels', June 8th, London

This LowCVP conference will focus on government and industry responses to the current threats and opportunities. Geoff Hoon, the Transport Secretary, will provide the keynote address during the morning session and is expected to outline government responses at a national level. The London Mayor, Boris Johnson, will present a city-level response during the afternoon.

<http://www.lowcvp.org.uk/events/708/lowcvp-annual-conference-2009-quotthe-changing-climate-for-vehicles-and-fuelsquot/>

The only truly sustainable biofuel?, June 25th, London

This free event aims to clarify the legal, technical and financial issues surrounding the production and use of biodiesel from UCO, including: - Quality control, vehicle maintenance, warranties - London-based biodiesel producers - The operation of the Renewable Transport Fuels Obligation.

<http://www.lowcvp.org.uk/events/724/the-only-truly-sustainable-biofuel/>