

BIOFUEL POLICY UPDATE

REPORT TO NORTH EAST BIOFUELS

30 JANUARY 2009

HEADLINES

EU commits to 10% renewable transport by 2020

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EU agrees Fuel Quality Directive

In December the EU also finalised details of the revised Fuel Quality Directive, which introduces a target for road fuel suppliers to reduce the life-cycle greenhouse gas emissions from their fuels

DfT announces decision to slow UK biofuels targets

The UK Department for Transport (DfT) has announced revised levels for the biofuels targets under the Renewable Transport Fuel Obligation (RTFO) for the next five years. The new lower levels are based on the recommendations of the Gallagher Review, published in summer 2008, and consulted on by the department last Autumn.

RFA publishes company data for first six 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 six months of the Renewable Transport Fuel Obligation (RTFO), which began in April 2008. This published data includes details of the performance of individual companies.

RFA consult on updates to Carbon & Sustainability reporting

The RFA launched an 8 week consultation on proposed changes to the Carbon and Sustainability Technical Guidance on 17 December 2008. This consultation sets out the proposed updates and modifications for the second year of operation of the RTFO, beginning 15 April 2009. It also includes a number of updates/clarifications to the Technical Guidance for the current obligation year.

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EU POLICY UPDATE

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On 17 December the EU approved a historic new Energy and Climate Package, which commits the region to achieve a legally binding target of 20% renewable energy by 2020, alongside targets to cut greenhouse gas emissions by 20% and improve energy efficiency by 20% over the same period. The new Renewable Energy Directive – a key part of the package – includes a sub-target to achieve a minimum of 10% renewable energy in transport by 2020.

After months of intense negotiation, the European Parliament finally gave overwhelming support to the package. The Renewable Energy Directive sets legally binding targets for each Member State, to reach an overall EU target of a 20% share of overall renewable energy – including electricity, heating and cooling and transport fuel – by 2020. The renewable energy target for the UK is to increase the share of renewables from 1.3% in 2005 to **15%** in 2020.

Within this target each Member State must achieve a **minimum share of 10%** renewable energy in transport. This target will be met largely through biofuels, although renewable electricity and hydrogen can also be counted. “**Second-generation**” biofuels produced from waste, residues, non-food cellulosic material or ligno-cellulosic biomass will be double-credited towards the 10% target. Renewable electricity consumed by electric cars will be considered 2.5 times its input.

Under the Directive minimum **greenhouse gas** (GHG) savings from biofuels are required: from 2010 biofuels must save at least 35% GHG emissions, rising to 50% from 2017. Biofuels produced in installations which start operation from 2017 onwards must achieve at least a 60% GHG saving.

The effects of **indirect land use change** are not currently included in the GHG calculation, but the Directive obliges the European Commission to report on the indirect effects of biofuels by 2010, and also to propose a methodology through which these indirect impacts could be quantified and included in the GHG calculation (from 2017).

Certain broader **sustainability criteria** are also included in the Directive as minimum requirements: biofuels may not be supplied from feedstocks produced on land with a high carbon stock (after January 2008), such as peatlands or forest; equally biofuels may not be supplied from land which had a high biodiversity value, again in January 2008.

Other environmental sustainability issues such as impacts on local air, soil and water quality, and social issues such as labour conditions, land rights and competition with food, are mentioned in the Directive, with an obligation on the Commission to report on these issues.

By 2014 there is a specific requirement for the Commission to report on a number of aspects of the Directive, as part of a mid-term review. In particular the Commission must report on the appropriateness of the carbon and sustainability requirements and the cost-effectiveness of achieving the target with the current criteria.

The final approval of the Directive gives a significant boost to the European biofuels industry, and ends months of uncertainty. However the fine details of how certain aspects will be implemented in practice and how the requirements will fit within the UK's RTFO remain to be decided.

The final text of the Directive will be published in spring 2009 and it is intended to come into force in all Member States in January 2011.

Further information:

European Commission press release 17/12/08:

http://www.europarl.europa.eu/news/expert/infopress_page/064-44858-350-12-51-911-20081216IPR44857-15-12-2008-2008-false/default_en.htm

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EU agrees Fuel Quality Directive

In December the EU also finalised details of the revised Fuel Quality Directive, which introduces a target for road fuel suppliers to reduce the life-cycle greenhouse gas emissions from their fuels

The Directive introduces a binding emission reduction target of 6% from 2010 levels to be achieved by the end of 2020. An indicative additional 2% reduction via electric vehicles or carbon capture and storage in the fuel production process is added to this binding target, and credits from Clean Development Mechanism projects are permitted to be used to achieve a further indicative 2% cut. This adds up to a total indicative target of a 10% reduction.

The overall aim of the revisions to the Directive is to tighten environmental quality standards for a number of fuel parameters and encourage a more widespread use of biofuel in road fuel. In addition it introduces a mechanism for reporting and reduction of the life cycle greenhouse gas emissions from fuel.

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UK POLICY UPDATE

DfT announces decision to slow UK biofuels targets

The UK Department for Transport (DfT) has announced revised levels for the biofuels targets under the Renewable Transport Fuel Obligation (RTFO) for the next five years. The new lower levels are based on the recommendations of the Gallagher Review, published in summer 2008, and consulted on by the department last Autumn.

Subject to parliamentary approval, Transport Minister Andrew Adonis announced that the yearly obligation level for fuel suppliers under the RTFO will now be:

- 3.25% for 2009/10 (previously 3.75%)
- 3.5% for 2010/11 (previously 5%)
- 4% for 2011/12
- 4.5% for 2012/13
- 5% for 2013/14

These levels reflect the proposal in the Gallagher Review that the rate of increase of the RTFO be slowed to reach 5% in 2013-14 rather than in 2010-11, intended to take account of sustainability concerns and in particular indirect effects of biofuels.

The Government continues to support the EU target of 10% renewable transport fuels by 2020, but states that this is conditional on evidence showing that it is being delivered sustainably and without significant impacts on food prices.

DfT state that next year's obligation level, which will start in April this year, has been set after consideration of the impact of a drafting discrepancy in the RTFO Order, which was also consulted on by the department, whilst also balancing the recommendations of Gallagher.

The discrepancy in the original RTFO legislation relates to the definition of "relevant hydrocarbon oil" which is used to calculate the volume of biofuel that must be supplied. DfT will redraft the Order for April 2009, but will not make retrospective changes to the current year's obligation. This discrepancy results in a significantly reduced biofuels target for 2008/09 (from 2.5% to an estimated 1.25%). As a consequence the target for the current obligation period is likely to have already been met.

Lord Adonis said: "The potential carbon savings from biofuels are too big to be ignored - however we must proceed carefully to ensure the renewable fuels we use are truly sustainable.

"Renewable fuels is an incredibly exciting and fast-moving area of science and we must adapt our policy to reflect new and emerging evidence. I believe an obligation of 3.25% for next year provides the balance we need between questions over the sustainability of biofuels and the predicted effect of the drafting discrepancy."

Adonis also announced that two new eligible fuels - biobutanol and renewable diesel - will be added to the list of renewable fuels eligible under the RTFO.

With the announcement on targets the government also publishes their response to the second part of the consultation, which looks at the longer term effects of the RTFO. The department plan to consult further in autumn 2009 on the future of the RTFO, in particular with respect to the finalised EU Renewable Energy Directive.

Further information:

DfT Consultation response:

<http://www.dft.gov.uk/pgr/roads/environment/rtfo/rtforesponses>

Source: Department for Transport 29/01/09

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RFA publishes company data for first six 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 six months of the Renewable Transport Fuel Obligation (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 are obliged to supply 2.5% biofuel in UK road fuel (not taking into account the drafting error). The RFA's

data shows that biofuels accounted for 2.8% of road fuel in the first six months of the scheme. 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, 20% of biofuels met these standards, with 98% of the fuel reported as coming from UK feedstocks meeting these environmental standards.

The **carbon reductions** that were achieved by the use of biofuels (47%) during the first six months of the obligation was shown to be greater than the 40% target set by the Government for the first year of the RTFO.

The savings reported exclude any emissions from indirect changes in land use as considered in the RFA's 'Gallagher Review' published in July 2008. The Agency has recommended that indirect effects are included in future sustainability reporting and is working with the Government and experts to identify a way to accurately reflect this.

The Government has 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 change. In the first half of the year, 66% of data was reported. The feedstock was known for 97% of biofuels, and both the feedstock and country of origin were known for 80%.

The RFA also makes preliminary observations on the performance of the UK's major fuel suppliers: According to the RFA, all fuel suppliers are achieving at least 30% carbon savings in line with the Government's target for 2008-09, with over half achieving 40% or higher. Both Greenergy and BP achieved carbon savings of over 60%.

ConocoPhillips, Greenergy and Mabanaft are exceeding the current environmental sustainability target. However, as in the first quarter, several companies (Chevron, Esso, Murco, Prax and Topaz) have failed to report any biofuels as meeting the qualifying environmental standard. Of these, Prax and Topaz have also failed to report on the origin of their biofuels.

While ConocoPhillips, Greenergy and Mabanaft are meeting all three of the Government targets, Esso, Prax and Topaz are not currently meeting any of them.

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>

Source: RFA 15/01/09

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RFA consult on updates to Carbon & Sustainability reporting

The RFA launched an 8 week consultation on proposed changes to the Carbon and Sustainability Technical Guidance on 17 December 2008. This consultation sets out the proposed updates and modifications for the second year of operation of the RTFO, beginning 15 April 2009. It also includes a number of updates/clarifications to the Technical Guidance for the current obligation year.

A number of new sustainability certification standards have been benchmarked against the RTFO criteria. Of these, an operational UK standard Genesis QA has been found to meet the full RTFO Environmental Meta-Standard level. The draft criteria of the Roundtable on Responsible Soy (RTRS) were also benchmarked and found to meet the level of Qualifying Environmental and Social Standard, showing great promise for when the standard develops into the future. A proposal to introduce formal rules for the audit and certification quality of standards which can be reported under the RTFO have also been put forward for potential inclusion in the Technical Guidance.

A number of new greenhouse gas fuel chain default values have been developed, including biodiesel from jatropha and sunflower. In addition to this the existing default values for a number of biofuel chains have been proposed to be set more conservatively, following experience of the feedstock types and origins actually being reported in the UK. For example the value for biodiesel with unknown origin will now be based on the value for USA oilseed rape and that for bioethanol will be based on sugarcane from Pakistan.

Some stakeholders have raised concerns over the impact of the displacement of wastes or by-products (such as tallow) from existing markets to the emerging biofuel market, resulting in additional pressures made on alternative feedstocks and increased net GHG emissions. The RFA consultation recognises that these 'indirect effects' need to be addressed and promises to investigate further, however no changes will be made to the RTFO in 2009.

The deadline for responses to the consultation is 12 February 2009. Responses can be sent to admin@renewablefuelsagency.org. The RFA will issue a summary of the responses received and a revised carbon and sustainability Technical Guidance document for 2009/10 in March 2009.

Further information:

RFA Consultation:

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

Source: RFA 17/12/08

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EVENTS

Transport Technology and Climate Change - Building a Greener Scotland, 16 February, Glasgow

The conference will examine the implications of climate change for transport, including emerging technologies, procurement and behavioural change in Scotland. In addition, the conference will launch the Scottish Government's consultation on

the use of cleaner vehicles and alternative fuels to reduce emissions from road transport.

Conference website: <https://www.eventsforce.net/tri>

International Conferences

World Biofuels Markets, 16-18 March 2009, Brussels, Belgium

Over 1300 participants from 58 countries, and 100+ exhibitors attended last year. The conference programme will include presentations by top speakers who are key decision makers on a larger scale. The World Biofuels Markets claims to be the largest biofuels event in Europe and the key meeting place for industry experts looking to share best practices and attract new clients.

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

Side events include:

- Biofuels Training: Fundamentals of Biofuels Markets & Technologies
- Biobased Chemical Forum
- Bioplastics Forum
- NEF Biofuels Finance Forum
- Sustainable Agriculture & Certification Forum
- ABO Algae Fuels Forum
- GBEP Ministerial Policy & Standards Forum

2009 WORKSHOP

Ecofys will run an annual workshop, hosted by NEPIC, on key topical issues related to biofuels policy to provide businesses in the North East with help and advice in this fast-moving area.

The 2009 workshop will be held on **Thursday 26 March**.

The topic(s) for the workshop is not yet finalised and we would welcome input from members as to what would be most beneficial to their businesses. Options include:

- Impact of EU Renewable Energy Directive . Fuel Quality Directive on the biofuel market and on the RTFO
- Indirect land use change – methodology, incentives/penalties
- Increasing land use for biofuels – what is credible and what is Government’s position? Is it worthwhile investing in the short term in e.g. forestry, short rotation coppice, miscanthus etc
- How to calculate a GHG balance

Please send any ideas and comments to John Brady at NEPIC.