

BIOFUEL POLICY UPDATE

REPORT TO NORTH EAST BIOFUELS

30 JULY 2010

HEADLINES

EU POLICY UPDATE

European Commission sets out rules for certifying sustainable biofuels

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EU biodiesel production up 16% according to industry

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UK POLICY UPDATE

RFA publishes second full year of UK biofuels data

The UK Renewable Fuels Agency (RFA) has published the second full year of carbon and sustainability data relating to biofuels reported under the Renewable Transport Fuel Obligation (RTFO) in the UK. The data is still unverified, but gives first indications of individual company performance over the year April 2009 to March 2010.

DECC announces decision on grandfathering support for biomass

The Department for Energy and Climate Change (DECC) has published its response to the consultation on grandfathering of support for biomass technologies under the Renewables Obligation (RO). The response allows for 'straight grandfathering' of support for dedicated solid biomass, energy from waste, anaerobic digestion and advanced conversion technologies such as gasification and pyrolysis.

DECC launches consultation on amended Renewables Obligation Order

DECC has launched a consultation on potential changes to the Renewables Obligation (RO) primary legislation which aim to make certain amendments with the aim of complying with the Renewable Energy Directive (RED).

UK Government publishes Renewable Energy Action Plan to 2020

The UK has published its National Renewable Energy Action Plan, which sets out how the country intends to meet its target under the EU Renewable Energy Directive of 15% renewables in overall energy (electricity, heat and transport) by 2020.

European Commission sets out rules for certifying sustainable biofuels

The European Commission (EC) has published a long-awaited series of documents which further detail the sustainability requirements for biofuels supplied anywhere in the EU from December this year, as well as encouraging industry, governments and NGOs to set up voluntary certification schemes for all types of biofuels to help to demonstrate the sustainability of their biofuels.

From December 2010, all biofuels that can be counted towards European targets or given financial support anywhere in the EU will have to meet mandatory minimum levels of sustainability. The main criteria are to protect untouched nature – no biofuels will be allowed from tropical forests or recently deforested areas, drained peatland, wetland or highly biodiverse areas – and to promote biofuels that achieve a minimum level of greenhouse gas (GHG) savings compared to fossil fuels.

The criteria are part of the Renewable Energy Directive, which sets a minimum target for all Member States of 10% renewable energy in transport by 2020. The sustainability criteria apply to all biofuels used in road transport and all 'bioliquids' used for heat and power across the EU. The criteria apply equally to home-grown biofuels as to biofuels imported from countries outside the EU.

The Communication documents, published by the EC on 10 June, give crucial details on the sustainability requirements needed by Member States to be able to implement the legislation. Although several details are still outstanding, the documents include, for example:

- A definition of biofuels from **wastes and residues** that will count twice towards the targets,
- Details of which installations can count towards the "**grandfathering clause**" thereby not having to meet the GHG saving threshold until 2013,
- Details on how the **mass balance** chain of custody should operate, and
- Details of the process that the EC will employ to assess **voluntary sustainability schemes** that can be used to demonstrate compliance with the criteria.

Another key aspect of the new guidelines is that independent inspectors will be responsible for auditing the entire production chain, from the origin of the organic material used to the facilities where it is processed and the fuel suppliers that deliver petrol or diesel fuel to service stations.

It is important to note that the Communication published is "guidance" to Member States. As such Member States are encouraged to follow it, but they do not have to, as long as their implementation still meets the text of the original Directive. The EC has also left some elements open for Member States to interpret. For example, crucially the EC gives a definition for eligible wastes and residues, but it is left to Member States to interpret this definition to come up with their own list of actual eligible feedstocks.

UK biofuel suppliers have an advantage over competitors in other European countries in that the UK was the first country in the world to introduce any kind of sustainability requirements for biofuels – UK biofuel suppliers have been required to report on the carbon and sustainability characteristics of their biofuels since April

2008. However, the new EU Directive will for the first time require mandatory standards of sustainability to be met.

The UK Department for Transport is expected to consult on key changes to the primary RTFO legislation in the autumn this year. The Renewable Fuels Agency plans to follow this with a consultation on the details of the carbon and sustainability requirements towards the end of the year.

Further information:

European Commission documents:

http://ec.europa.eu/energy/renewables/biofuels/sustainability_criteria_en.htm

Source: European Commission 10/06/10

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EU biodiesel production up 17% according to industry

Total production of biodiesel in the European Union increased by 16.6% in 2009 compared to 2008, a healthy increase, but one that is below levels previously predicted by the industry, according to figures published by the European Biodiesel Board (EBB).

Total biodiesel production in the EU was just over 9 million tonnes in 2009, compared to 7.8 million tonnes in 2008 and 5.8 million tonnes the year before. The EBB had hoped for stronger growth in 2009 and point to continued unfair trade practices in the US as being mainly to blame for stagnating growth in EU biodiesel production and keeping a large portion of EU biodiesel production capacity inactive. Installed production capacity across the EU totalled 22 million tonnes at the end of 2009, compared to 21 million tonnes in 2008.

Turning to individual EU countries shows a mixed picture. Biodiesel production in key countries including the UK and Germany actually decreased in 2009: in the UK production decreased from 192 thousand tonnes in 2008 to 137 tonnes in 2009. However other countries including Austria, Belgium, Finland, Italy, the Netherlands, Poland and Spain all witnessed increases in biodiesel production.

The EU remains the leading biodiesel producing region worldwide, representing approximately 65% of worldwide output. Biodiesel also remains the leading biofuel used in Europe, accounting for around 75% of biofuels produced in Europe. Biodiesel is expected to be the main source of renewable fuels in 2020 followed by bioethanol and its derivative ETBE, and it is expected that Spain, Germany and the UK will be among the largest users.

The EBB remains confident that biodiesel will continue to grow as a significant market out to 2020. However the success of domestic biodiesel producers continues to be undermined by subsidised imports.

Further information:

EBB press release: http://www.ebb-eu.org/EBBpressreleases/EBB%20press%20release%202009%20prod%202010_capacity%20FINAL.pdf

Source: EBB 22/07/10

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RFA publishes second full year of UK biofuels data

The UK Renewable Fuels Agency (RFA) has published the second full year of carbon and sustainability data relating to biofuels reported under the Renewable Transport Fuel Obligation (RTFO) in the UK. The data is still unverified, but gives first indications of individual company performance over the year April 2009 to April 2010.

In the year to April 2010, fossil fuel companies in the UK were obligated to supply 3.25% biofuel in UK road fuel. The RFA data suggests that this target was over-achieved with 1.6 billion litres of biofuel supplied, equating to 3.33% of road fuel. Of this, 71% was biodiesel and 29% was bioethanol, a significant increase in the proportion of bioethanol compared to the first year of the scheme. Less than 1% of biofuel reported was biogas.

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; the first step towards mandatory sustainability standards that will come into force when the UK implements the Renewable Energy Directive next year.

The target for fuels meeting a **qualifying environmental standard** in the second year was 50%. However this target was not met overall, with only 33% of biofuels reported in the second year meeting such a standard. Despite this, 98% of fuel reported as coming from UK feedstocks did meet environmental sustainability standards. The **GHG savings** reported amounted to 51% overall, beating the target set for the year of 45%.

The Government also set a target that companies should report at least 70% of the data requested by the RFA in four categories - feedstock, country of origin, sustainability standard met and land use. In the second year, 72% of data was reported. The increase in data reported compared to the first year also corresponded to an increase in the number of feedstock types that were reported (17 feedstocks, compared to 12 in year 1) and the number of countries that feedstock was reported to have come from (31 countries compared to 18).

The most widely reported feedstock for biodiesel was Argentinean soy (28% of biodiesel supplied), while Brazilian sugar cane was the most widely reported feedstock for bioethanol (67% of bioethanol supplied).

The RFA also makes preliminary observations on the performance of the UK's major fuel suppliers in year 2: Greenergy, Lissan, Mabanafit and Topaz met all three of the targets set by the government on carbon and sustainability, whereas Chevron, Murco and Total did not meet any of the targets set.

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:

<http://www.renewablefuelsagency.gov.uk/news/rfa-releases-provisional-data-year-2-rtfo>

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DECC announces decision on grandfathering support for biomass

The Department for Energy and Climate Change (DECC) has published its response to the consultation on grandfathering of support for biomass technologies under the Renewables Obligation (RO). The response allows for 'straight grandfathering' of support for dedicated solid biomass, energy from waste, anaerobic digestion and advanced conversion technologies such as gasification and pyrolysis.

In April-May this year, DECC held a stakeholder consultation on grandfathering of support under the RO for a range of biomass electricity technologies including, dedicated biomass, anaerobic digestion (AD), energy from waste (EfW), advanced conversion technologies (ACT), energy crops and bioliquids.

Grandfathering is the policy intention that, once accredited, a generator receives a set number of Renewables Obligation Certificates (ROCs) per MWh of electricity generated over its period of eligibility for the RO. This implies that any future changes to the level of support awarded for a technology when the government reviews the banding levels do not apply to the generator.

Since the introduction of banding and the increase in support for biomass in 2009, there has been a marked increase in planning applications for biomass plant. However, relatively few projects have reached the construction stage and developers suggest that the lack of plant being built is due to lenders and equity providers withholding investment due to a lack of grandfathering for biomass.

The decision announced from DECC reverses this and gives 'straight grandfathering' for dedicated solid biomass, EfW with CHP, AD and ACT. These technologies will be able to claim support under the RO for a fixed 20 year period, subject to the currently proposed end date of the RO of 2037.

Significantly though DECC has decided not to grandfather support for bioliquids or the uplift available to energy crops. For bioliquids, however, DECC do intend to do further work which could result in grandfathering for some liquids in future but not for others.

The Renewable Energy Association also announce that DECC has reversed a previous decision from 2008 which did not allow biodiesel made from fossil-derived methanol to be awarded any support under the RO. This is being reversed however as the exclusion will not be allowed under the incoming EU Renewable Energy Directive.

Further details of how these decisions will be implemented through changes to the RO will be considered in the context of the banding review which will start in Autumn 2010.

Further information:

DECC consultation response:

<http://www.decc.gov.uk/en/content/cms/consultations/grandfathering/grandfathering.aspx>

Source: DECC 27/07/10

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DECC launches consultation on amended Renewables Obligation Order

DECC has launched a consultation on potential changes to the Renewables Obligation (RO) primary legislation which aim to make certain amendments with the aim of complying with the Renewable Energy Directive (RED).

The changes are intended to come into effect from 1 April 2011 and include:

- The introduction of mandatory sustainability criteria for bioliquids used to generate electricity in the UK, in line with the mandatory requirements introduced by the RED.
- The introduction of mandatory sustainability standards for biomass used to produce electricity in the UK. There will be a transition period of mandatory reporting against the criteria from April 2011, with mandatory minimum requirements coming into force from April 2013.

Responses to the consultation should be sent to DECC by 19 October 2010.

Further information:

DECC consultation:

<http://www.decc.gov.uk/en/content/cms/consultations/ro/ro.aspx>

Source: DECC 27/07/10

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UK Government publishes Renewable Energy Action Plan to 2020

The UK has published its National Renewable Energy Action Plan, which sets out how the country intends to meet its target under the EU Renewable Energy Directive of 15% renewables in overall energy (electricity, heat and transport) by 2020.

The UK was one of only three EU Member States to submit their national report to the European Commission by the 30 June deadline, alongside Denmark and the Netherlands. At the time of writing 13 Member State plans have been published on the EC's 'transparency platform'.

The UK plan sets out indicative targets for the share of renewable electricity, heat and transport each year out to 2020. By 2020 the government expects around 30% of electricity, 12% of heat and 10% of transport fuel in the UK to come from renewable energy. Although the electricity sector in particular is expected to rely heavily on an increase in wind power, biomass is forecast to make a major contribution to all three sectors.

The plan also sets out existing and planned policy measures to reach the UK's 15% renewable energy target. In particular, the new coalition government has said it is planning to introduce feed-in tariffs for large-scale electricity generation alongside the existing Renewables Obligation.

The plan also foresees a Renewable Heat Incentive, but the government has not yet specified how it would work in practice. Other planned measures include the launch of biogas demonstration projects in 2010-11, which would involve grants for new composting and anaerobic digestion facilities to process food waste.

Further information:

UK National Renewable Energy Action Plan (DECC website):

http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/renewable/ored/uk_action_plan/uk_action_plan.aspx

Other Member State Action Plans (EC website):

http://ec.europa.eu/energy/renewables/transparency_platform/action_plan_en.htm

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EVENTS

FAME 2010 Summit and Exhibition - Defining The Future Biofuels Market, 13-14 September 2010, Berlin

Over two days the Summit will cover biofuel production through to implementation including how the motor industry is adapting their technologies to use biofuels, as well as emerging feedstocks such as Algae and Jatropha. Leading biofuel technology companies and service providers will exhibit at the Summit. Day 3 (optional) incorporates a visit to a biodiesel plant operated by Bio-Olwerk Magdeburg GmbH.

<http://greenworldconferences.com/fame.html>

Bioten, 21-23 September 2010, Birmingham

This national three day conference will bring together national and international experts on biomass, bioenergy, biofuels and biorefineries to engage the UK's bioenergy focused research community with stakeholders, policy makers and decision makers as well as promoting interaction between researchers.

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

European Bioenergy Conference & Expo (EBEC) / Bioenergy 2010, 6-7 October, Stoneleigh Park, Warwickshire

One of the biggest UK bioenergy events in 2010. Full bioenergy exhibition with over 200 companies showcasing biomass/wood energy, biogas, biodiesel and fuel from waste. The Renewable Energy Association is also holding its annual Bioenergy Conference at EBEC.

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

EU Biomass Forum 2010, 27-29 October, London

The conference will cover: European policy, Biomass availability and sustainability, and the dynamics affecting the biomass value chain.

<http://www.iqpc.com/Event.aspx?id=346128>

Central European Biomass Conference (CEBC), 26-29 January 2011, Graz, Austria

Currently call for papers. This year's conference was attended by more than 1000 bioenergy experts from 50 countries addressing all areas of bioenergy.

<http://www.biomasseverband.at/biomasse?cid=41143>