

## BIOFUEL POLICY UPDATE

### REPORT TO NORTH EAST BIOFUELS

27 NOVEMBER 2009

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##### EU POLICY UPDATE

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##### INTERNATIONAL POLICY UPDATE

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## EU POLICY UPDATE

### **EU biodiesel imports from US shipped through intermediary countries to avoid EU duty measures**

The European Biodiesel Board (EBB) claimed last month that US biodiesel producers are managing to avoid the import duties imposed by the European Commission by importing fuel via intermediary countries, such as Canada, Mexico, Singapore and Turkey.

According to Raffaello Garofalo, Secretary General of the EBB, US biodiesel producers are able to ship biodiesel to countries such as Canada duty-free. From there it can be forwarded on to Europe without incurring the anti-dumping and anti-subsidy duties introduced earlier in the year.

These duties range from €68.60 to €198 per tonne and €211.20 to €237 per tonne respectively, depending on the US State and the producer.

The EBB were not able to specify how much biodiesel was being imported in this manner as it is still in discussion with the EC to resolve the issue. (Note that according to the RFA's published data no biodiesel has been imported from either Mexico, Singapore or Turkey to date. Similarly, imports from Canada presently remain very low.)

#### **Background**

The import measures arose from an EC investigation, following a complaint filed by the EBB in April 2008 on behalf of Community producers. This led to an EU investigation into the US biodiesel industry, which concluded that biodiesel from the US had been sold in the EU at a substantial discount and below its normal value price, causing injury to European producers.

Further information:

Articles:

<http://www.allaboutfeed.net/news/us-biodiesel-leaks-illegally-into-europe-3706.html>

<http://ictsd.org/i/news/biores/54170/>

RFA Carbon and Sustainability reports:

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

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### **EC decide not to implement sustainability criteria for biomass**

The European Commission has decided not to implement legally binding sustainability criteria for biomass used to generate heat or electricity in the same way as they are doing for biofuels.

Under terms of the EU Renewable Energy Directive (RED), the EC is required to report by the end of this year on the need for a sustainability scheme for biomass used for heat and electricity. However reported internal disagreements in the Commission on a draft policy paper on the issue mean that the Commission has decided in the end not to propose sustainability criteria for biomass.

According to a Commission consultation on the issue, most stakeholders did back the introduction of binding sustainability criteria for biomass along the same lines as those already included in the Directive for biofuels and bioliquids.

The Commission department, DG TREN (Transport and Energy), however, rejected the idea of binding sustainability criteria for biomass. TREN instead proposed that the Commission should publish a non-binding recommendation for Member States to apply the same sustainability criteria to biomass as they do to biofuels.

DG Environment, which wanted binding criteria for biomass, did not support this approach arguing that the standards developed specifically for biofuels cannot simply be extended to all biomass. According to DG Environment, the EU's sustainability criteria for biofuels do not address forestry management issues, which many see as key to the sustainability of biomass for heat and electricity.

The most likely situation seems therefore that the Commission will propose a review in 2011 on the need for legally binding criteria for biomass. This final recommendation is expected to be published before the end of the year.

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## UK POLICY UPDATE

### RFA launches informal consultation on RTFO transition to the RED

At the RFA's quarterly stakeholder meeting held on 6 October 2009 the RFA launched an informal consultation on its intended approach to transition the RTFO towards RED and FQD compliance.

The RFA intends to help industry best prepare for the EU Renewable Energy Directive and Fuel Quality Directive by making the RTFO Carbon and Sustainability (C&S) requirements as consistent as possible with the EU requirements from the start of the third year of the RTFO on 15 April 2010 ('RED-Readiness'). The RTFO will have to become fully compliant with the RED and FQD by December 2010.

The Directives set a framework for C&S requirements that fuel suppliers will have to meet. Further detail will be required, however, before this can be fully translated into UK legislation. Some of this information should be available before April 2010, but some will not be decided until later in the year, making it not possible for the RTFO to be fully RED compliant already from April.

A summary of the main proposals to change the RTFO presented in the meeting are as follows:

#### Sustainability

- **Carbon stock:** The RFA proposes to update the previous land use categories in the RTFO to also include those stated in the RED's mandatory carbon stock criterion. This involves adding categories for wetland and peatland and for two different kinds of forest. The reference date for previous land use will also be changed from November 2005 to January 2008 in line with EC requirements.
- **Qualifying Standards and RTFO Meta-Standard:** It is proposed to keep the concepts of the Qualifying Standard and RTFO Meta-Standard for sustainability standards intact and further that these standards can be used as compliance with the RED's mandatory biodiversity criterion.

- **Cross compliance:** No changes to the RTFO C&S requirements are envisaged to take into account the mandatory requirement for EU feedstocks to meet cross compliance criteria.
- **Approaches to by-products and wastes/Double incentives:** It is proposed to keep the current by-product concept and wait for additional clarification from the EC before making any changes. Similarly, a wait-and-see approach will be employed for the implementation of double incentives for wastes and residues.
- **Chain of custody:** The RED currently only allows for a mass balance (unit in = unit out) chain of custody system to be used. The RFA proposes to continue to allow all chain of custody types from April, but may have to disallow book-and-claim (certificate trading) from December 2010. This would impact in particular RSPO certified palm oil traded using the GreenPalm system. Some changes may also need to be made to the way that the mass balance system is used in the RTFO.
- **Verification:** No changes are proposed how fuel suppliers verify the sustainability claims that they make at this stage, but the RFA will review in light of this year's verification statements.

### Greenhouse gas savings calculation

- **Methodology:** The RTFO will move to the RED methodology in April 2010, resulting in new GHG default values. Although the RTFO and RED methodologies are broadly similar, differences exist in the way co-products are treated. Any calculations obligated parties carry out using 'actual' values will need to use the RED methodology.
- **Country-level defaults:** The RFA intends to retain the country level default value concept from April as some individual countries appear to be worse (or better) than the RED default values. However the RED does not contain country-level defaults, so this may be an area where the RTFO has to change in December 2010.

Further details on the informal consultation can be found on the RFA's website. Stakeholders are invited to provide their feedback on the RTFO's development plans either in person or by providing written input using the [c-and-s@rfa.gsi.gov.uk](mailto:c-and-s@rfa.gsi.gov.uk) mailbox.

The RFA plan to hold a formal consultation on concrete updates to the C&S guidance for RTFO year 2010/11 in February 2010, following the publication of a Communication from the EC (due end of the year) with further details aspects of the EU C&S requirements.

Further information:

C&S information consultation:

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

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### RFA benchmarks updated versions of RTRS, BSI and RSPO

The RFA has benchmarked updated versions of sustainability standards for the RTFO. Standards include updates from the Round Table on Responsible Soy (RTRS), the Better Sugarcane Initiative (BSI) and the Roundtable on Sustainable Palm Oil (RSPO).

Provisional benchmark results are now available.

RTRS meets the requirements of the Qualifying Standard for both Environmental and Social criteria. Moreover, it also meets the full RTFO Social Meta-Standard level. BSI also meets the RTFO Social Meta-Standard level, but does not appear to meet the Qualifying Environmental Standard level. The RSPO still meets the Qualifying Standard level for both Environmental and Social criteria.

The RFA has also benchmarked all Qualifying Standards against the RED biodiversity criterion. The RFA will write to standards with the results and, where appropriate, recommendations on how the standard could adapt to meet the RED requirements.

The full benchmark results will be available for comment on the RFA website shortly.

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## INTERNATIONAL POLICY UPDATE

### **UN Environment Programme publishes report on the sustainability of biofuels**

The UN Environment Programme's International Panel on Sustainable Resource Management last month launched its report "Towards Sustainable Production and use of Resources: Assessing Biofuels".

The report assesses the environmental pros and cons of using crops for first generation biofuels and is based on a detailed review of published research up to mid-2009, as well as the input of independent experts world-wide. It concludes that a far more sophisticated approach needs to be taken when developing biofuels as an environmentally-friendly energy option, and that Governments should fit biofuels into an overall energy, climate, land-use, water and agricultural strategy if their deployment is to benefit society, the economy and the environment as a whole.

Achim Steiner, UN Under-Secretary General and Executive Director of the UN Environment Programme, which hosts the Resource Panel, said:

"Biofuels are neither a panacea nor a pariah but like all technologies they represent both opportunities and challenges. Therefore a more sophisticated debate is urgently needed which is what this first report by the Panel is intended to provide. On one level, it is a debate about which energy crops to grow and where and also about the way different countries and biofuel companies promote and manage the production and conversion of plant materials for energy purposes-some clearly are climate friendly while others are highly questionable."

Further information:

UNEP press release:

<http://www.unep.org/Documents.Multilingual/Default.Print.asp?DocumentID=599&ArticleID=6347&l=en>

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## RSPO puts on hold integration of GHG reporting into its standard

The Roundtable on Sustainable Palm Oil (RSPO) recently announced that it has postponed for one year its plan to integrate greenhouse gas (GHG) reporting in the sustainability standard's principles and criteria.

In 2008 the RSPO set up a GHG working group to investigate ways to integrate the potential effects on carbon emissions into the RSPO's current criteria for sustainable palm oil production.

However, the working group had failed to reach consensus at the time of RSPO's 7<sup>th</sup> Roundtable Conference, held in November 2009. A follow-on working group has now been set up by the RSPO to work on building consensus on the most complex issues. This working group is due to come up with its recommendations one year from now, including, for example, a methodology on how to address land use change.

In the meantime, the RSPO Executive Board has announced that RSPO members will be able to adopt the original GHG working group's recommendations on a *voluntary* basis, on issues other than land use change, such as reducing fossil fuel use, reducing methane emissions from effluent lagoons, reducing fertilizer inputs, and management of peat land ground water levels.

Further information:

Article:

[http://www.btimes.com.my/Current\\_News/BTIMES/articles/rsपो7/Article/index.html](http://www.btimes.com.my/Current_News/BTIMES/articles/rsपो7/Article/index.html)

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## EVENTS

### **Energy Now Expo 2010, February 17-18 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, March 15-17 2010, Amsterdam**

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

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