



Record of Renewable Energy Workshop, 12 February 2008

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Introduction

The workshop was introduced by Malcolm Fendick, Divisional Manager of Cleaner Fuels and Vehicles in the Department for Transport. He explained that the purpose was to look specifically at the proposals in the draft Renewable Energy Directive (RED) (http://ec.europa.eu/energy/climate_actions/doc/2008_res_directive_en.pdf) as the UK is preparing to negotiate in EU before it becomes European law.

He explained the draft Directive follows on from the decision made in the 2007 Spring Council where heads of Government agreed a binding target for biofuels as part of a package of measures for renewable energy use in 2020. The draft Directive proposes that by 2020 20% of overall energy in electricity, heat, transport should come from renewable sources. BERR are the lead Department for the overall package and recently held a workshop about the 2020 targets. DfT thought it would be beneficial to hold a workshop looking specifically at the biofuel target.

It is proposed that the Directive is implemented at end of March 2010. The Government announced last June the aim to move to a carbon based RTFO in 2010 and to put in place mandatory sustainability standards in 2011. The Directive will set the future policy for biofuels across the EU and hence will determine how those aims can be taken forward, so it is important we negotiate for the best outcome.

Summary of the key proposals in the Directive

Howard Emmens, Head of the Biofuels Strategic Policy Branch, gave a presentation and outlined some of the key headline proposals in the Directive. These were: a 10% by energy target for biofuels in petrol and diesel by 2020.

Member States are required to have a national action plan and there is a provision preventing double counting towards the overall target for electricity, heat and transport sectors.

Unsustainable biofuels would not count towards the 10% target.

a "force majeure" provision so that in extreme circumstances a Member State might be allowed not to meet its target. (Malcolm Watson (UKPIA) queried the exact application of the *force majeure* clause to the biofuel target, as the provision related specifically to the overall energy target. DfT undertook to pursue this.).

Member States must ensure that national rules for authorising production plants for energy and making biofuels are "proportionate and necessary" and that information on support measures is made available

Howard Emmens described the articles relating specifically to biofuels in more detail.

Article 15

- The draft Directive included proposals for sustainability criteria for biofuels, and only biofuels that met them would count towards the target.
- Biofuels would need to offer a minimum 35% GHG carbon saving, but this would apply only from April 2013 for biofuels from plant already in operation.
- The sustainability criteria excluded biofuels made from raw materials produced on land that in January 2008 had a high biodiversity value, such as undisturbed forest, protected nature sites, and biodiverse grassland. It was likely that there would be some pressure in negotiations to set an earlier qualifying date.
- Feedstocks produced in the EU would need to comply with Community legislation concerning the management of agricultural land.
- Although the treaty base for the rest of the Directive was Article 175, the sustainability conditions were proposed under Article 95 (internal market), aimed at preventing Member States having

different standards and creating difficulties for trade: Member States would not therefore be able to set their own sustainability standards higher than those in the Directive,.

- Proposed amendments to the Fuel Quality Directive (FQD) included a greenhouse gas reduction target for petrol and diesel which, if implemented, would need to be met through very high production of biofuels. Sustainability criteria had been proposed for the FQD which were different from those in the draft Renewable Energy Directive. The aspects of the two directives which related to biofuels would need to be aligned as part of the negotiation process.

Article 16

- The verification of compliance with sustainability criteria would be through a mass balance system
- verification systems must be independently audited.
- Voluntary international or national schemes setting standards for the production of biomass would be subject to approval by the Commission
- The Commission would have power to review sustainability claims for biofuels.

Article 17

- The proposals included a methodology for calculation of GHG emissions (with the detailed rules set out in Annex VII of the draft Directive).

Article 18

- Member States would be required to ensure that information was published on the availability of biofuels
- Higher biofuel blends would be required to be marked at the pumps.
- Filling stations with more than two diesel pumps would be required to sell B7 after 2010 and B10 after 2014
- Biofuels produced from wastes, residues, non-food and lingo-cellulosic material would qualify for double rewards under national support schemes â this was designed to incentivise the development of second generation biofuels.

Article 19

- Member States would be required to report progress to the Commission

Article 20

- The Commission would monitor the impact of biofuels, including on land use and food security
- The Commission would evaluate the effect of using a substitution approach for co-products rather than an energy approach when calculating GHG benefits.
- The Commission would look at the effect of the targets on biomass demand and could propose corrective action.

Howard Emmens concluded by saying that the UK Government supported some of the proposals but had not taken decisions on others: views and feedback from stakeholders would therefore be extremely important.

Presentations from Stakeholders:

Malcolm Watson of UKPIA gave a short presentation summarising his member's views of the RED proposals.

- A 10% by energy target for biofuels would require higher volume blends: a 15% blend (E15) for bioethanol and an 11% blend (B11) for biodiesel. The 10% target would require 6.5 billion litres of bioethanol and FAME which would be very ambitious. He estimated this would require 3.8 million hectares if it came solely from the UK which would equal 60% of UK arable land. This meant there would be a need for imports.
- Higher targets would also mean that vehicle standards would need changing and targets needed to reflect the compatibility of the vehicle parc. The most appropriate way of setting fuel standards for petrol and diesel is through CEN and this should be based on technical studies. He suggested that Annex 5 (B7 target) and 6 (B10 target) should be deleted as they effectively bypass CEN.
- There should be a single EU wide target for biofuels rather than a 10% by energy in the RED and a 10% GHG reduction target in the FQD proposals. UKPIA would prefer one target for biofuel use, expressed as a volume as this enables common standards, maintains fungibility of UK/EU fuel supply, avoids artificial barriers to trade and the consumer benefits from competition.
- UKPIA accept the minimum GHG level of 35% as most available feedstock options will meet this. However, they are concerned that the RED misses out soy and maize as feedstocks and they want a comprehensive list of default values/chains. There is a need for a single methodology to avoid a patchwork of different ones. Higher GHG target levels could be unrealistic. The GHG values for rape and sugar beet are only just higher than 35% - so a 50% level would exclude such feedstocks.
- He referred to biofuels targets in other countries, eg Brazil, USA, China, Japan and India. There would be competition for biomass from food and cosmetics and other sectors apart from biofuel should be taking action to address sustainability concerns. The RED proposals leave out elements that are in the RTFO reporting requirements ie air, water and soil and social issues are left to national regional legislation. Indirect land use change is not addressed.
- UKPIA support a single European-wide sustainability scheme. The RTFO contains a safety valve (the buyout price) which limits the price of biofuels but the RED has no equivalent, except the possible "force majeure" clause which could apply for use in the event of a poor harvest. There should be a review clause to address any problem eg food v fuel.

Malcolm Watson summarised UKPIA's views as follows:

- Preference is for one Directive with one target for biofuels which also covers GHG savings and sustainability.
- Clear pan-European methodology to measure GHG.
- Clear sustainability criteria should be set on an EU basis.
- There should be free use of sustainable biomass from all countries.

Clare Wenner of the Renewable Energy Association gave their preliminary thoughts on the proposals.

- RED is a good starting point and they welcomed mandatory standards and support the use of Article 95. The REA want to see the 10% target remain binding as there are concerns that if the Commission appears to lack confidence to go ahead with it this will affect investor's confidence.
- As there is an overall 2020 target which applies across different energy sectors there will be pressure on transport to deliver as the other energy sectors will find it challenging to make up any shortfall.
- REA assume that the aim to link the RTFO to carbon savings will remain despite the Directive? They believe the C&S criteria should apply to other sectors too as this is the only way to control indirect land use effects.
- There needs to be a road map/energy plan in order to reach a higher target of 10%. There is a need for grandfathering rights because existing plant may take time to reach 35% GHG levels. Land use change needs to be included in the GHG methodology.
- The RED proposes that co products are treated on an energy allocation basis and RTFO uses a substitution approach - the choice of methodology makes a considerable difference to the numbers.
- Is it right to double count second generation? This seems to arbitrarily pick a technology regardless of its environmental performance. Rewarding biofuels according to their carbon savings is a better approach.
- The Annex has left out soy. The sustainability criteria are too narrow, soil and water effects are missing as well as social issues.
- If the proposed changes to the FQD include sustainability criteria then it should be the same methodology as used in the RED - which the REA prefer.
- Article 16 allows the Commission to allow voluntary schemes as evidence of meeting standards and Article 21 refers to a Committee assisting the Commission - both processes need to be transparent.

Merlin Hyman from the Environmental Industries Commission gave the preliminary views of his organisation.

- He agreed there needed to be a long-term policy framework for a fledgling industry and EIC welcomed the RED as giving confidence to investors.
- In terms of "branding" biofuels the sustainability criteria would be very important. The EIC thought the sustainability criteria in the Directive does not go far enough and should be made tighter through negotiation: the EU Rapporteur had indicated that this was likely.
- The minimum GHG saving threshold should be more ambitious and set at 50%. It was not entirely clear whether the RTFO could still reward biofuels on a carbon basis. If there were evidence of a problem with impacts of food prices, there needed to be a way of addressing it.
- A target level can be subsequently changed but it is more important that there is a robust sustainability framework in place and a clear monitoring and review clause in the Directive. Biofuels are only a small part of land use and it is important that the food sector addresses sustainability too.

Adam Harrison (WWF) was unfortunately unable to give his presentation, as a result of illness. His slides were made available. Doug Parr gave some preliminary views from Greenpeace.

- They are extremely concerned by biofuel targets because of the sustainability risks and think the RTFO should be put on hold. Indirect land use change is one of their biggest concerns and how agricultural trade systems will respond to increased demand for sugar and plant oils. All targets should be suspended because it is too risky to allow damage to occur now - even if in the future there are eventual solutions through effective standards.
- A recent article in the journal Science modelled the GHG effects of biofuel and concluded they had a negative impact. On balance Greenpeace saw the use of fossil fuels as less harmful than biofuels. There were alternative and much better ways of dealing with climate change and increased demand for biofuel feedstocks would inevitably cause sensitive habitat destruction.

Discussion of Proposals

Malcolm Fendick explained that sustainability considerations had been the overriding issue in the design of the RTFO and the Government agreed that we must strive to get this issue right. It was important to address all sustainability issues head on: the Government would not ignore evidence that becomes available. He explained that BERR will be consulting formally later in the year on all of the RED proposals. DfT welcomed input from stakeholders on the detail of the biofuel proposals. The Directive is subject to an accelerated process and it is likely that Commission will want to finalise proposals before the European Parliament is dissolved for elections in early 2009.

Chris Maltin (Organic Power) asked why the RED made a distinction between bioliquids and biofuels. Malcolm Fendick agreed that the definition needed to be better. The issue was that at a community level *âdieselâ* had a specific meaning, ie fuel for road transport. Non road fuel for trains, inland waterway transport and mobile cranes is technically referred to as *âgas oilâ* (FQD uses this term).

Bob Saunders (BP) referred to the Government's intention to only increase targets above 5% if sustainability can be guaranteed. He asked whether the sustainability standard in the RED went far enough to satisfy the Government on this point, and whether the target could be revised if it turned out to have adverse impacts? Malcolm Fendick said that the Government would be considering the first question with stakeholders over the months ahead. On the second point, article 20 of the Directive allowed the Commission to propose "corrective action" as appropriate. Ministers have said we are committed to the 10% target provided sustainability issues are addressed. In practice it is likely that the UK will not be in a position to insist that we wait for sustainability to be proven before committing to higher targets if a standard has been agreed.

James Ross (Harvest Energy) asked if the UK could set more stringent sustainability standards than the RED? Malcolm Fendick explained that because of Article 95 Member States cannot have stricter standards. Either the Directive would need to be amended in the future to make the standards stricter, or they would be adapted through a technical Committee.

Peter Barlow (Retail Motor Industry Federation) asked how some of the UK's vehicles would cope if they are not compatible with higher blends. Malcolm Fendick thought that vehicle standards would need amending, for example so that vehicles were certified to emission standards using higher blends of biofuels as reference (test) fuels. He acknowledged that some vehicles that are on the road now will still be in use in 2020. Peter Barlow thought that the requirement for filling stations to supply B7 after 2010 and B10 after 2014 will mean separate storage tanks in stations for different blends of diesel, (ie one for vehicles that cannot meet higher blends and one for those that can). Doug Ward (Argent Energy) commented that Germany had coped with 10% blends.

Peter Clusky (UK trade and Investment) asked how the different requirements of the RED and FQD Directives would be reconciled? Malcolm Fendick said that the Government would continue to discuss this with stakeholders with a view to achieving a reconciliation between the two Directives and a single set of sustainability standards.

Other general comments

Richard Whitlock (Frontier Agriculture Ltd) asked if there would be a mandate on the food and feed sectors too.

Chris Gould (BP) asked if there would be an EU wide trading system for biofuels similar to the RTFO trading scheme? A number of members of the workshop also suggested that perhaps the UK should negotiate for tradability in transport sector. Malcolm Fendick said that the RED does not envisage trading schemes where one country can exchange certificates with another to meet the 10% target - although in the electricity and heat sector there will be some cross border tradability. The UK Government thought it was right to maintain certificates and trading within the RTFO scheme because it gives industry flexibility to meet targets. However, under the RTFO it would not be possible to exchange certificates with other countries that have similar schemes to the RTFO. Bob Saunders thought that if the UK fuel industry has a mobile product that can be exported across the EU then there should be an EU wide trading scheme for biofuels also.

Jessica Chalmers (LowCVP) noted that the RED proposed mass-balance approach to chain of custody issues, which would currently rule out RSPO certified palm oil. The Commission had rejected a "book and claim" approach (where the sustainability data for feedstocks is certified and traded) because of the lack of a pan-European body to authorise and administer it.

Caroline Spencer (Office of Climate Change) suggested the target for GHG levels was deliberately set at a level that could be met in order to discourage trading.

Colin Matthews (Joulevert) asked if double counting second generation biofuel was right and thought it was better if each technology should prove its benefits.

Abigail Bunker (RSPB) asked if a 35% GHG target was too low compared to a 50% one in the FQD. She also asked if Government was researching what levels of biofuels could be delivered sustainably. Malcolm Fendick said that work has been commissioned to look at the global market and availability of feedstocks which should reveal pinch points in supply. .

Gary Hayes (Imperial College) said more should be done to encourage the use of hydrogen and low carbon fuels in cities because this is where it matters most. Malcolm Fendick clarified that if renewable energy is used to produce electricity which in turn is used to produce hydrogen, and that is then used for transport - either the renewable energy is counted as part of the electricity sector target or the hydrogen counts towards the transport target - it could not count towards both targets.

In conclusion Malcolm Fendick thanked participants and asked for continued input to help the negotiation process and to achieve the best outcome. He welcomed further suggestions by e mail or in writing and said that DfT is available to meet with stakeholders. He wanted the process to be as open as possible between now and a formal consultation. DfT will keep everyone informed through stakeholder letters.