

Biofuel Policy and Market Development in the UK

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WTC, Rotterdam, Netherlands

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Low Carbon Vehicle Partnership

Accelerating a sustainable shift to low carbon vehicles and fuels in the UK

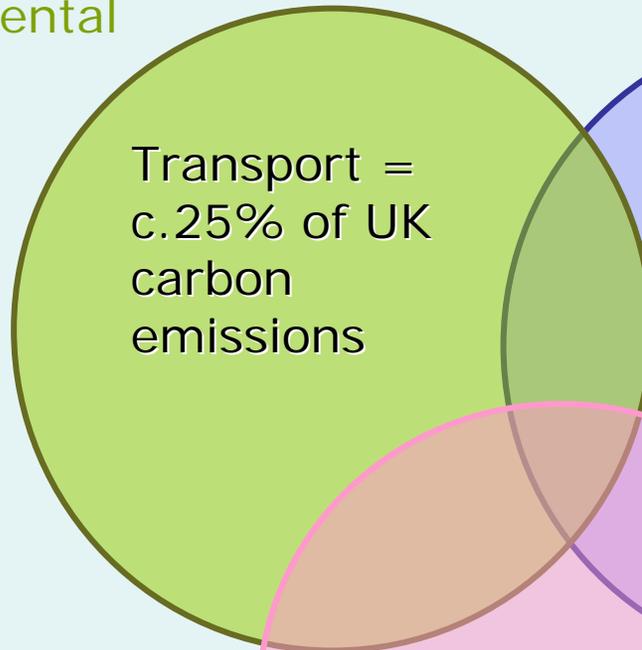
Stimulating opportunities for UK businesses

LowC^{VP}
low carbon vehicle partnership



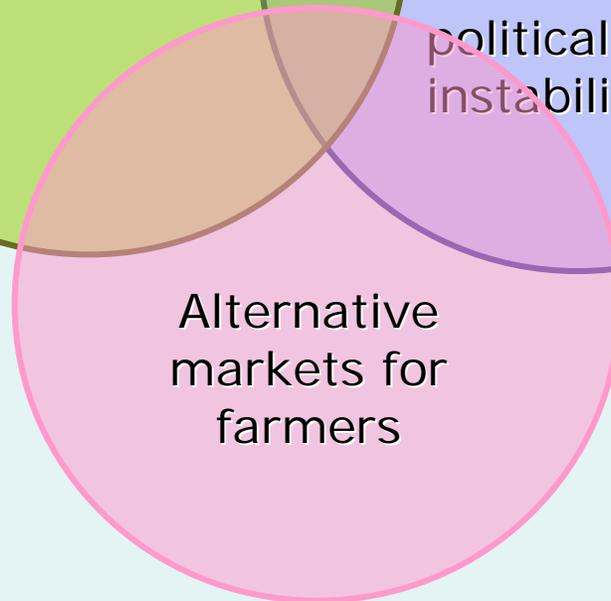
Biofuels policy in the UK is part of the shift to clean, low carbon transport

Environmental
benefits



Fuel security

Increasing UK concern with rising oil prices & imports; increased geo-political instability



Rural development benefits

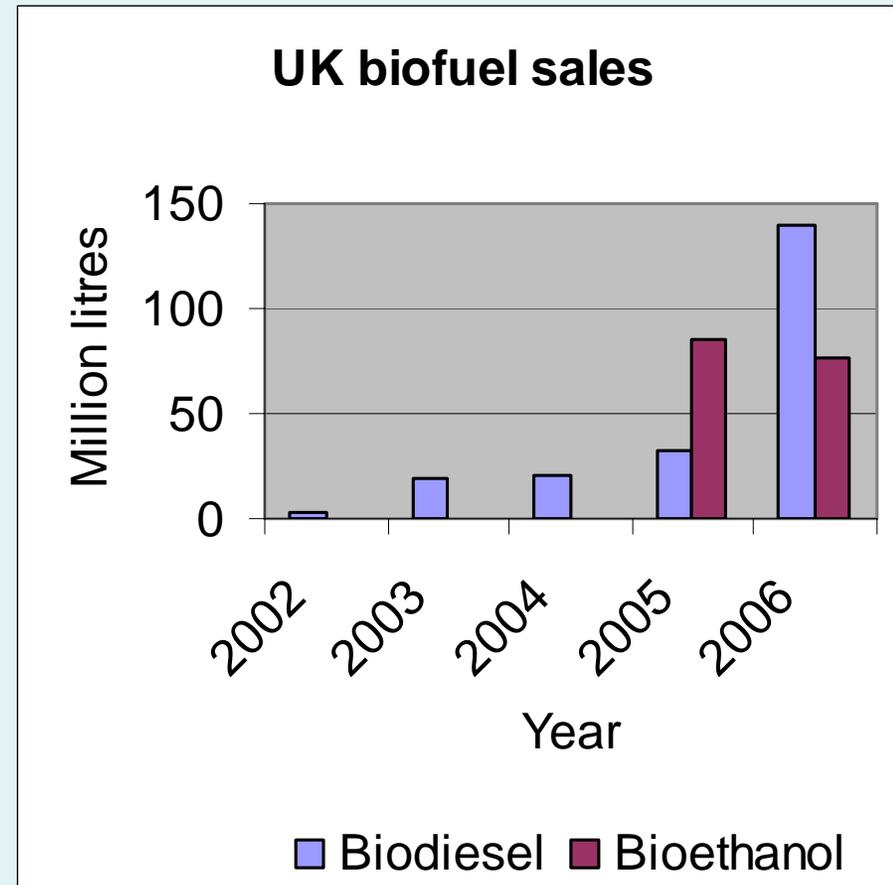
Current support for biofuels is through a 30c duty reduction for bioethanol and biodiesel

□ Advantages

- Simple mechanism - easy to understand and implement
- Effective incentive for other clean fuels
- No additional costs for motorists from cleaner fuels

□ Disadvantages

- Cost to Governments
- Difficult to set appropriate levels with commodity price fluctuations
- Difficult to guarantee long-term
- No control over how much sold
- Difficult to distinguish between different types of biofuel

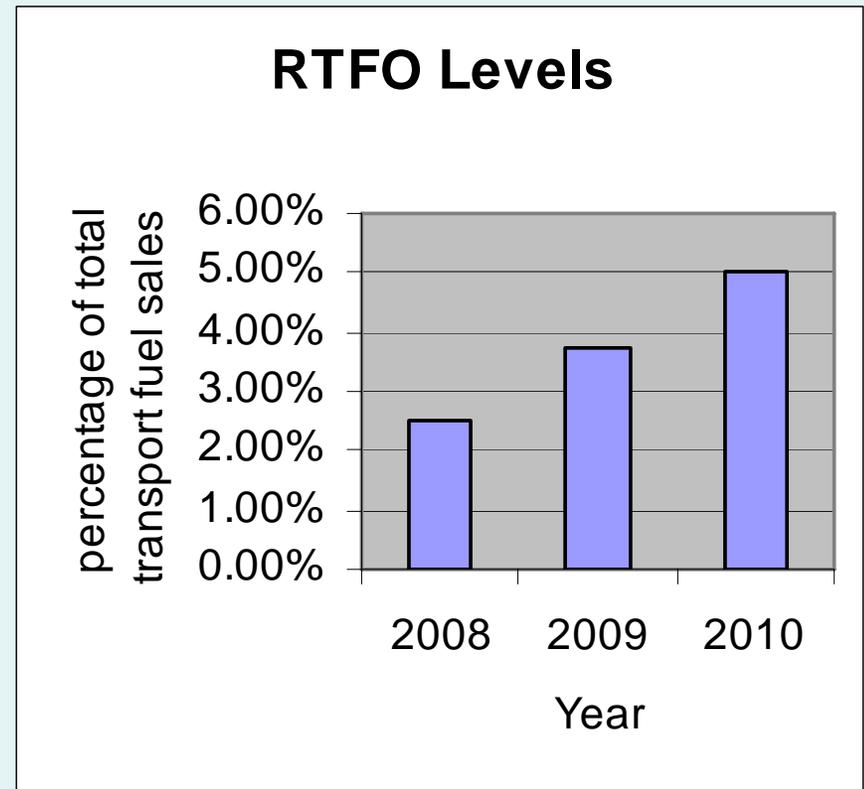


Renewable Transport Fuel Obligation to be introduced in 2008

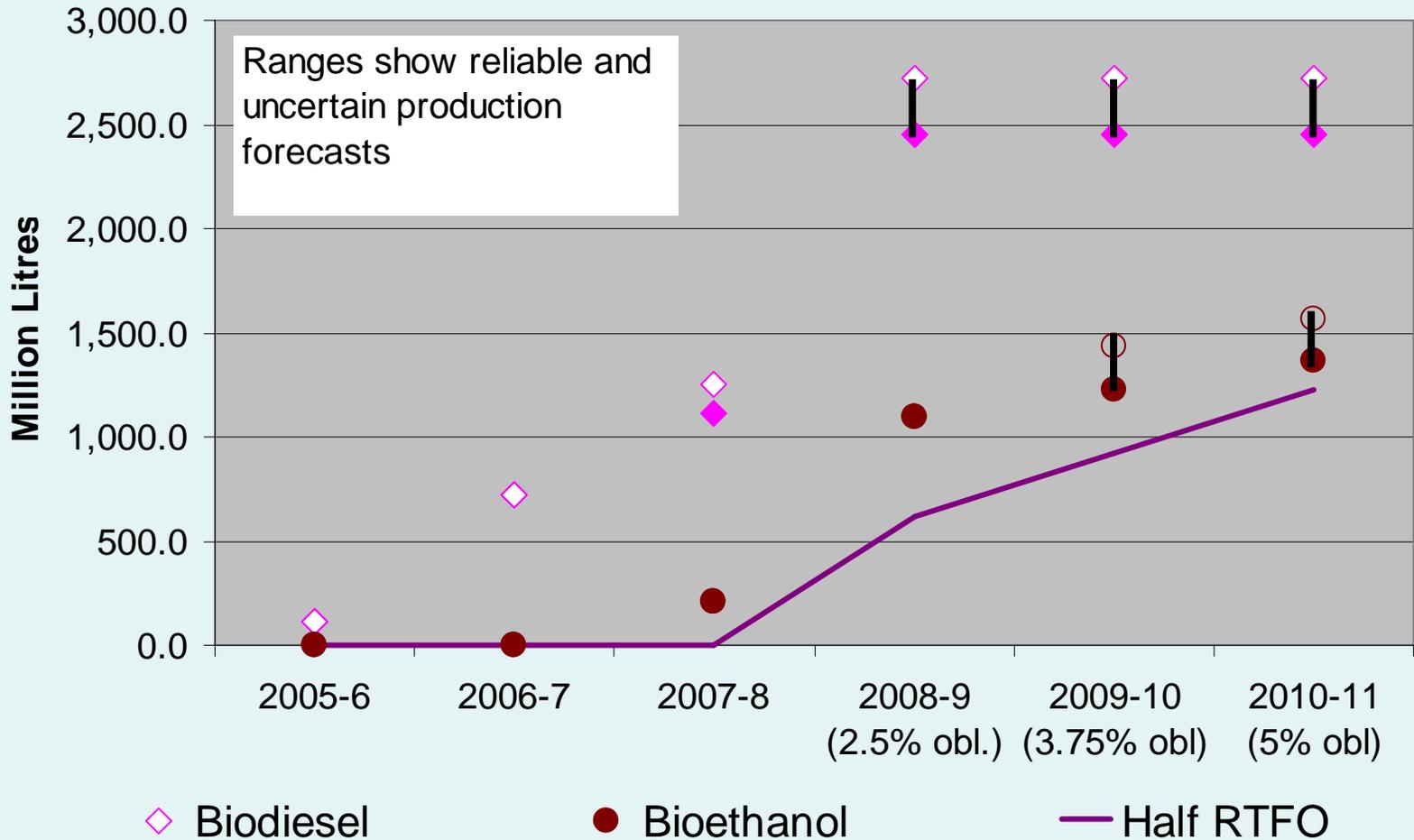
- ❑ Will require all suppliers of transport fuels in UK to:
 - sell a given amount of renewable transport fuel each year (for which they receive certificates); or
 - purchase certificates from another company; or
 - pay a “buy-out” price – 45c/l

- ❑ Obligation level to rise 2008 - 10

- ❑ Includes mandatory carbon and sustainability reporting



RTFO has stimulated significant UK production of biofuels



Intention to raise RTFO levels post 2010 – subject to certain conditions being met

- ❑ Increasing Obligation beyond 5% after 2010 is dependent upon:
 - Fuel and vehicle technical standards allow
 - Sustainability of biofuels can be guaranteed
 - Cost to the motorist acceptable

- ❑ Consultation early 2007 on future development of scheme

- ❑ Firm decisions awaiting:
 - Review of EU Biofuels Directive
 - Review of EU fuel quality standards
 - Success of RTFO Reporting



Reporting of biofuels sustainability & GHG saving are a key feature of the RTFO

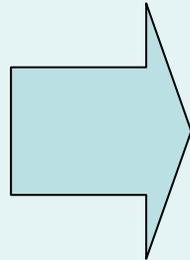
- ❑ UK Government wants biofuels to deliver maximum carbon savings & meet minimum social / environmental standards
- ❑ Obligation will include mandatory reporting requirements from day one
 - Reporting permissible under trade rules - if appropriately designed
- ❑ Publication of reports & company performance to encourage supply of sustainable fuels



Context for Reporting

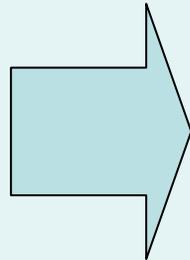
❑ Constraints

- WTO
- Data availability
- Time



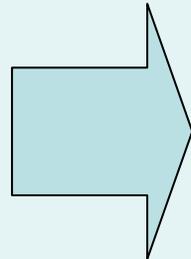
- ❑ No exclusions of feedstock/fuel
- ❑ Not known reports permissible

❑ Practical Approach



- ❑ Flexible GHG calculation methodology
- ❑ Cost-effective verification
- ❑ Realistic reporting criteria – focus on issues within companies influence

❑ Encouragement for better reporting



- ❑ Evolving requirements
- ❑ Oversight of progress/performance by Administrator
- ❑ Investigation of minimum annual data requirements

Reporting Principles

Reports should..

- ❑ Be rigorous and independently verified
- ❑ Include:
 - GHG savings of fuels supplied and method of calculation
 - The origin of fuels
 - Environmental standards operated in the cultivation or processing of crops
 - Social standards operated in the cultivation and processing of crops
 - Any land use change
 - Activities to improve data capture
 - Activities to improve sustainability

The reporting system should...

- ❑ Be administratively simple
- ❑ Not delay the issuing of certificates
- ❑ Enable regular evaluation of progress
- ❑ Align with other reporting e.g., volumes of fuel supplied
- ❑ Balance need for public information & commercial confidentiality
- ❑ Allow “Not known” reports
- ❑ Specify how reports are certified

- ❑ **To meet all the principles, a two stage reporting scheme is proposed**
 - **Batch**
 - **Annual**

To meet all the principles, a two stage reporting scheme is proposed

Stage 1 Monthly Report

□ Step 1

Data sheet submitted *monthly* with HMRC return with information on each batch of biofuel received

□ Step 2

Administrator issues certificate (if report has been provided)

Stage 2 Annual Report

□ Step 3

At end of the reporting cycle (annual) each obligated company submits a final sustainability report

□ Step 4

Administrator reviews, approves and publishes the report

Project Plan

	Oct-Dec 06	Jan-Mar 07	Apr-Jun 07	Jul-Sep 07	Oct-Dec 07	Jan-Mar 08	Apr 08
1 Project set-up	█						
2 Methodology development	█						
3 Technical Guidance		█					
4 Stakeholder information & consultation	█						
5 Piloting & formal consultation of Guidance			█				
6 Finalisation & issuance of Guidance				█			
7 Roll-out					█		
8 Pre-launch						█	
9 Launch							█

LowCVP voluntary Biofuels Environmental Standard complements RTFO reporting

- ❑ Developed by a UK-based multi-stakeholder group
 - Practical but challenging
- ❑ Provides:
 - A voluntary basis for companies to source, measure and report on the sustainability of supplied biofuels (RTFO)
 - A single standard against which companies sourcing biofuels in the UK and overseas can operate
- ❑ Encompasses both cultivation and fuel production
- ❑ Focused upon principal environmental issues only
 - 6 principles
 - 14 criteria
 - Each criteria measured by specific indicators
- ❑ Basic and enhanced level of performance
- ❑ Builds upon & assures performance through existing production schemes
 - E.g., RSPO, Basel, ACCS
- ❑ Work-in-progress
 - Parallel standard addressing social issues to be developed

Sustainability assurance schemes do not offer a panacea to mitigate harm ...

- ❑ Existing agricultural assurance schemes are focused on food safety – but provide a basis for future development
- ❑ Environmental assurance in forestry has not led to tangible reductions in deforestation or improvements to management outside the certified areas
- ❑ Environmental assurance is unlikely to solve socio-environmental problems such as conflict over resources
- ❑ Environmental assurance schemes do not protect and may discriminate against smallholders
- ❑ Scheme credibility is highly variable and dependent upon NGO participation and consultation
- ❑ Environmental assurance schemes are not an effective substitute for good governance and regulation of natural resources

Summary

- ❑ Biofuels policy in the UK is part of the shift to clean, low carbon transport
- ❑ RTFO to be introduced in 2008/9 rising to 5%v/v in 2010/11
- ❑ Biofuel sales presently low but RTFO has stimulated significant production
- ❑ Intention to raise RTFO levels post 2010 – subject to certain conditions being met
- ❑ Mandatory carbon & sustainability reporting from the start of the scheme
 - Designed to comply with WTO requirements
 - Robust but practical – batch & annual reporting
 - Evolving requirements
 - Draft Technical Guidance Spring 2007
- ❑ Close liaison with Dutch Government and Cramer Commission to align reporting requirements
- ❑ Voluntary Assurance scheme also under development to complement reporting
- ❑ Reporting & assurance must be complemented by good governance and bi/ multilateral actions to protect sensitive ecosystems

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