

Delivering a sustainable biofuels market

European Parliament Workshop

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Biofuels – silver bullet or pariah fuel?

2006

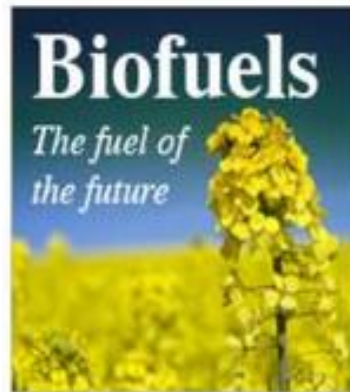
We're harvesting a new crop of biofuels.

To help meet the world's demand for renewable transportation fuels, BP is partnering with DuPont to develop an advanced generation of biofuels. The first of these, bioethanol, can be blended in gasoline or co-blended with ethanol and gasoline and can be made using locally grown crops such as sugar beet, corn, and wheat. This new fuel has the potential to lower overall greenhouse gas emissions while reducing dependence on oil and expanding agriculture markets. It's a start.



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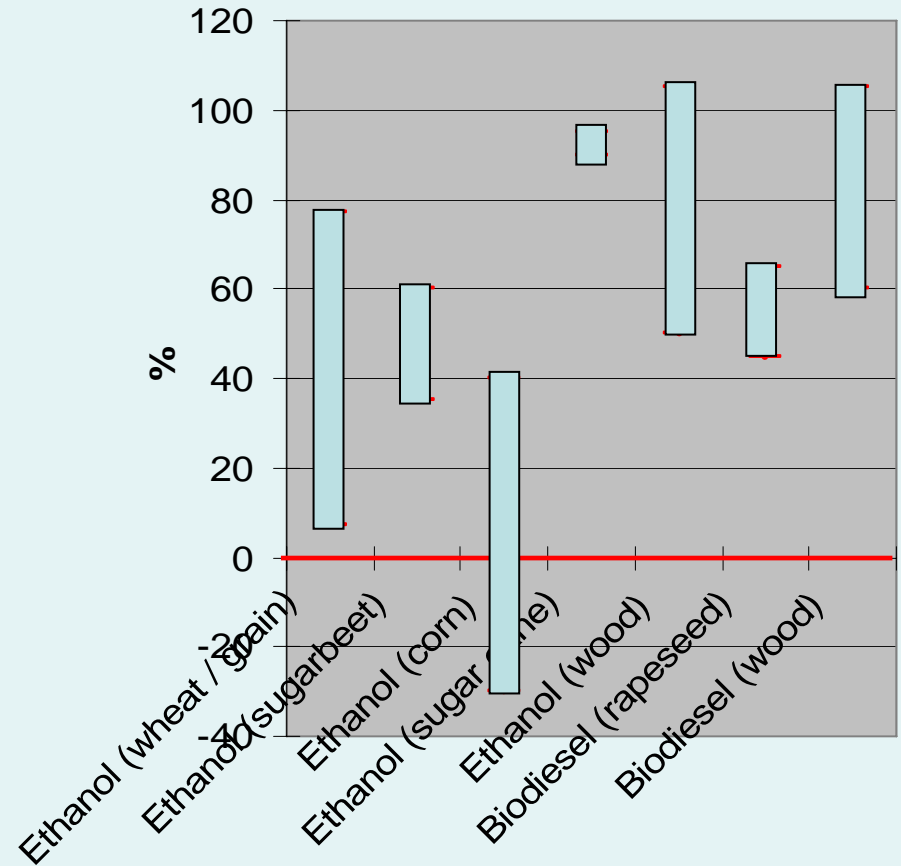
2007



There are good and bad biofuels – assurance schemes can distinguish














% WTW GHG savings compared to petrol or diesel



Derived from Concawe 2006

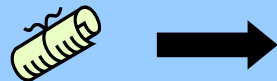
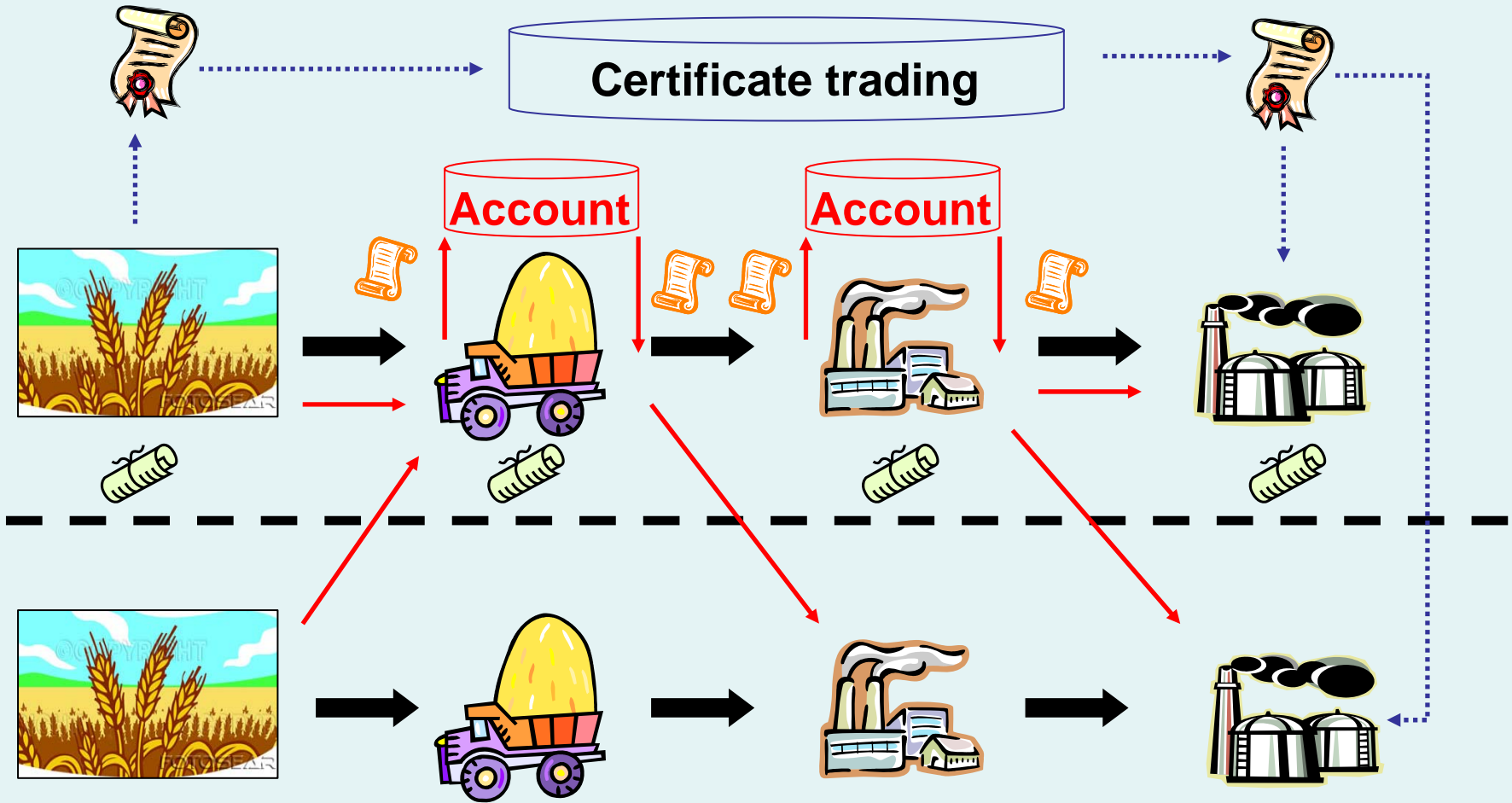
There is considerable consensus regarding the key sustainability criteria for biofuels

	Direct	Indirect
<input type="checkbox"/> Conservation of carbon		
<input type="checkbox"/> Conservation of biodiversity		
<input type="checkbox"/> Soil conservation		
<input type="checkbox"/> Sustainable water use		
<input type="checkbox"/> Protecting air quality		
<input type="checkbox"/> Workers rights		
<input type="checkbox"/> Land rights		
<input type="checkbox"/> Competition for food		
<input type="checkbox"/> Welfare benefits		

If WTO rules prevent legislating on all criteria then reporting on the wider issues should be required

Mandatory	Reporting Obligation
<p data-bbox="255 534 799 679">Conservation of carbon</p> <p data-bbox="255 759 799 905">Conservation of biodiversity</p> <p data-bbox="255 985 799 1130">Minimum GHG saving</p>	<p data-bbox="1117 526 1671 608">Soil conservation</p> <p data-bbox="1117 694 1671 839">Sustainable water use</p> <p data-bbox="1117 896 1671 978">Air quality</p> <p data-bbox="1117 1043 1671 1125">Land rights</p> <p data-bbox="1117 1182 1671 1263">Workers rights</p>

All chain of custody options can be implemented robustly – but require independent annual audits



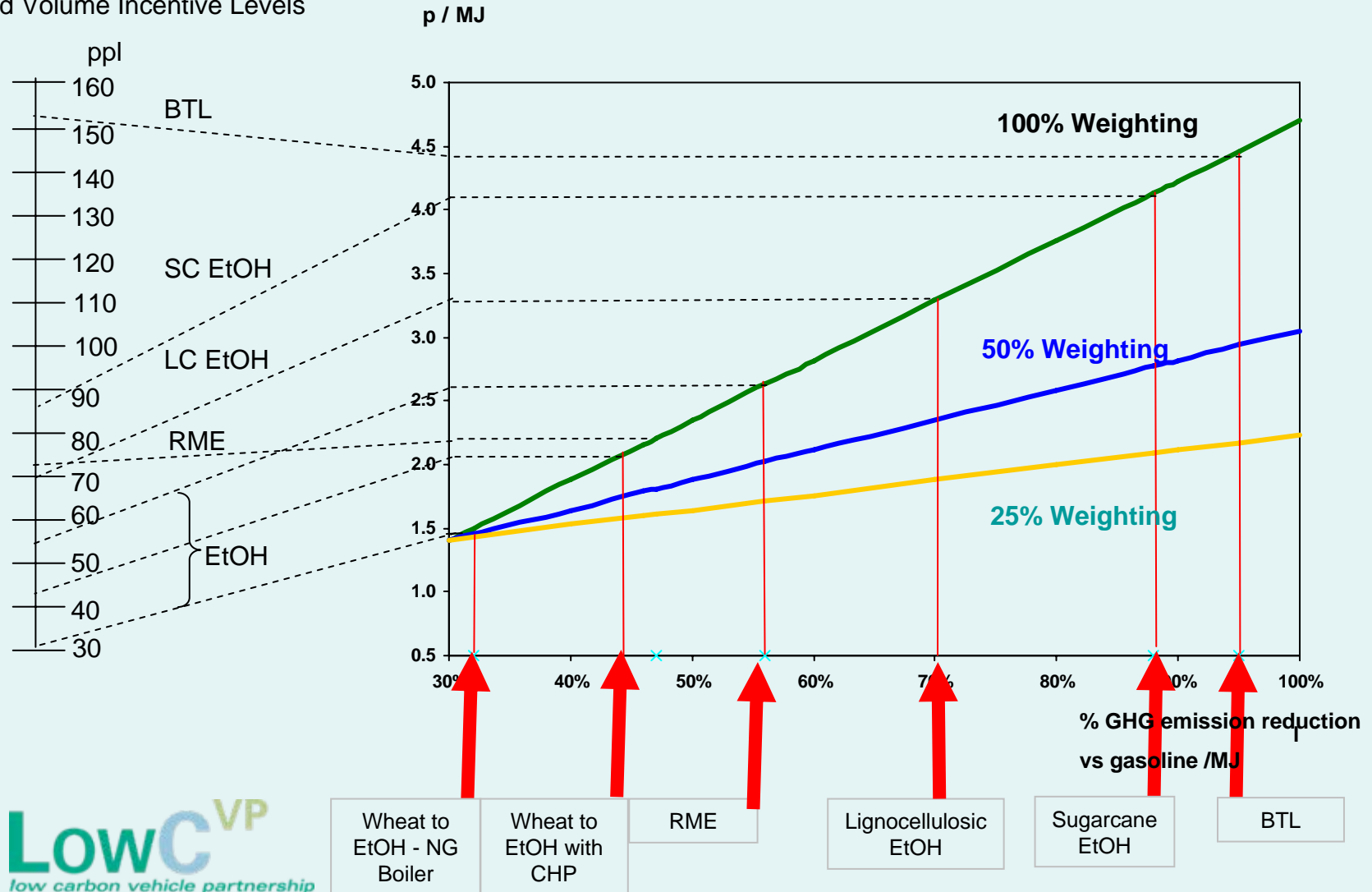
Sustainability criteria for biofuels will be constrained by trade rules

- ❑ Key trade issues are whether:
 - Biofuels “like-product”
 - Biofuels are agricultural products, environmental products or industrial goods!
 - The scheme objectives and design are appropriate
- ❑ To maximise effectiveness and minimise the risk of successful challenge criteria should:
 - Ideally be based upon Internationally agreed standards
 - Also apply to indigenous producers
 - Allow flexibility in how to comply
 - Be based on robust science
- ❑ In addition:
 - There should be bilateral and multi-lateral discussions
 - Time should be allowed for adaptation
 - Appropriate due process should be followed

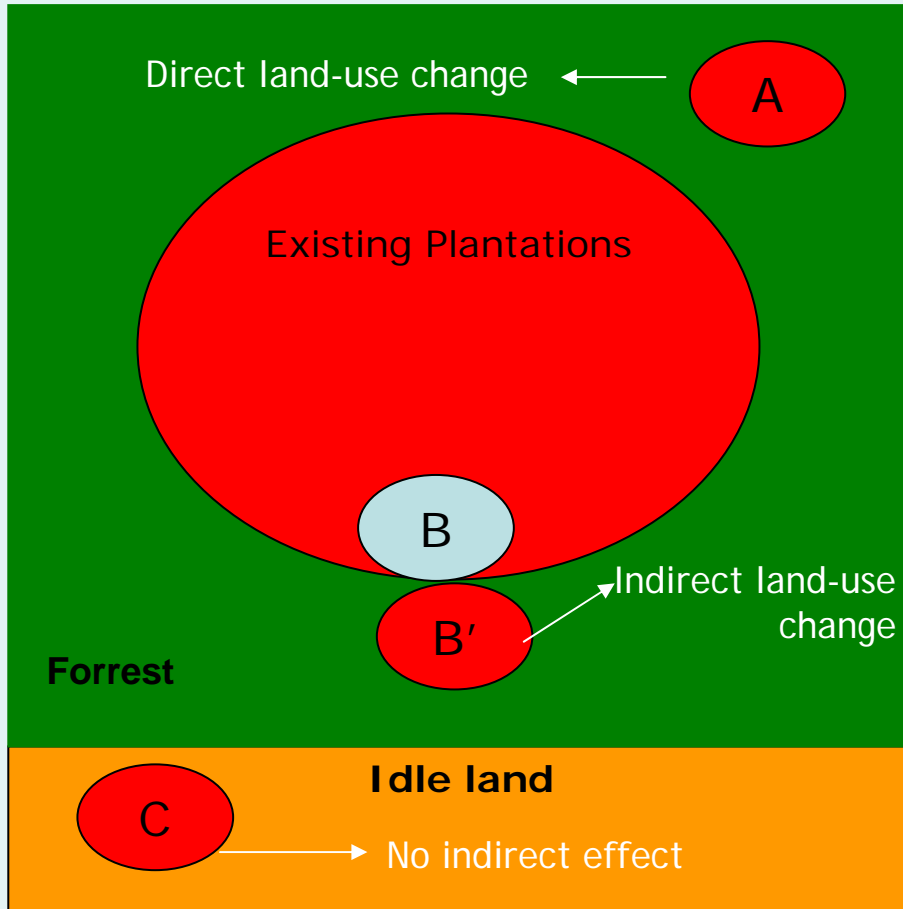


Rewarding fuels based upon their carbon intensity could incentivise advanced technology - but overcompensate some fuels

Implied Volume Incentive Levels



Indirect effects on land use and food prices have emerged as a key concern and future influence on biofuel targets



The right policy can deliver benefits for all; the wrong policy will destroy the credibility of the industry and harm the planet

- ❑ Conflicting policy objectives are creating an unsustainable market
- ❑ EU policy should:
 - Link incentives for biofuels to their lifecycle carbon intensity in a technology neutral manner – as proposed in the Fuel Quality Directive
 - Ensure there is rigorous enforcement and a European Standard for operating the chain of custody
 - Encourage participation in voluntary agri-environmental and social schemes
 - Commence negotiations in the WTO and with key supplying nations and design policy to reduce the risk of successful challenge
 - Broaden the scope of addressed issues through complementary mandatory reporting
- ❑ Future targets should be based on GHG-savings and take account of indirect effects
- ❑ All stakeholders have a responsibility to deliver a sustainable market

Any Questions?

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