

UK Perspectives on implementation of the RED & FQD

**Implementing Europe's Transport and Energy Policy
Hart World Refining Conferences
Brussels**

18th May 2009

**Greg Archer
Managing Director
Low Carbon Vehicle Partnership**

A quick plug !

- The climate imperative
- Auto-industry support - investing in a sustainable industry or bailing out past failures?
- Advanced and alternative fuels - including electric solutions
- Cutting road transport carbon driving local action
- Strategic marketing and technical approaches to delivering the car CO2 targets
- What Car? Green Awards and Revolve Brighton to London Eco-Rally
- Vehicle displays and inside exhibitions
- 'Open mic' session

The Changing Climate for Vehicles and Fuels

Monday 8 June 2009, City Hall, London

**Low Carbon Vehicle Partnership
Annual Conference 2009**



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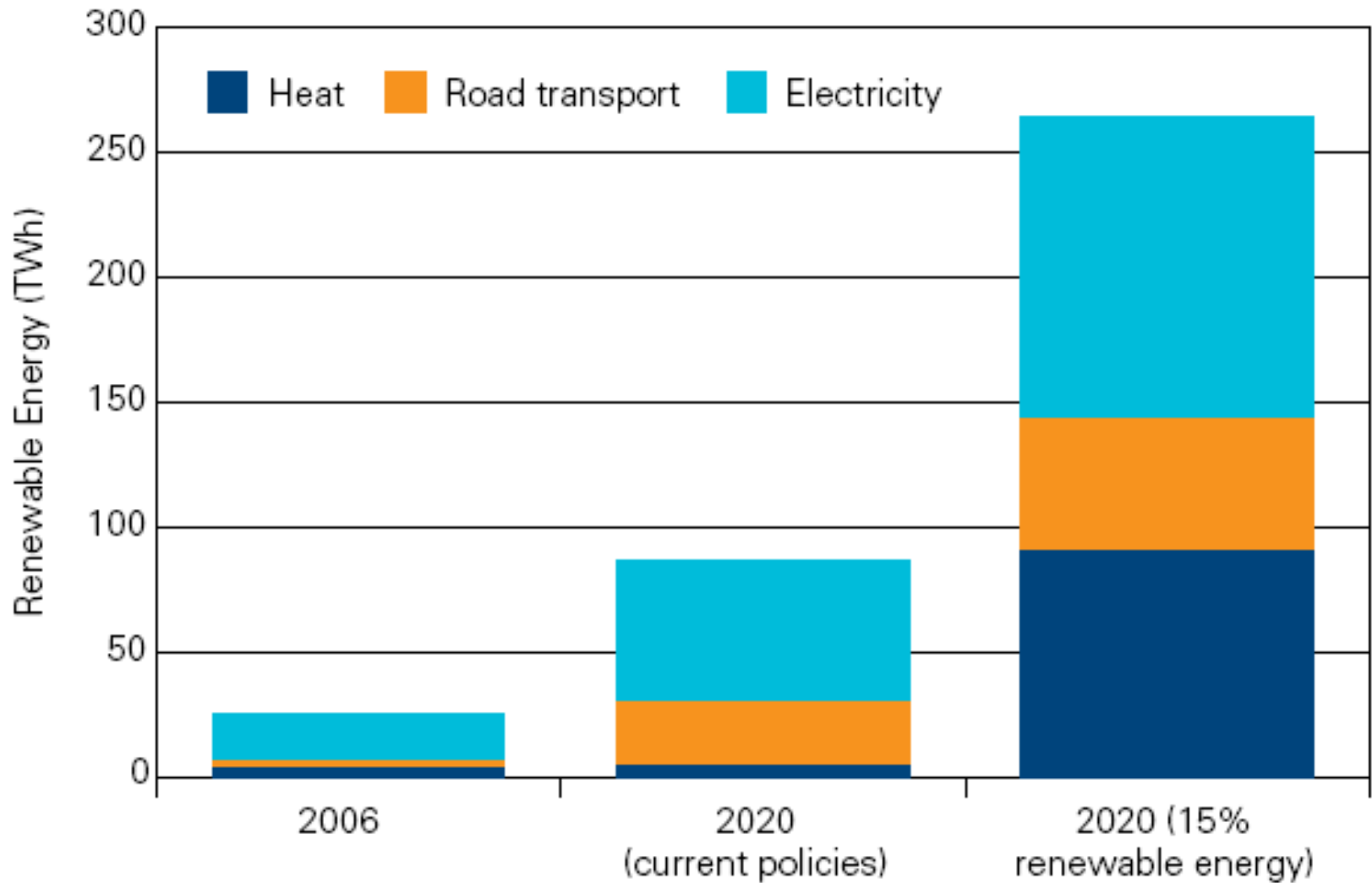
MAYOR OF LONDON

Outline

- ❑ UK progress and proposals for increasing renewable energy
- ❑ Progress in implementation of the Renewable Transport Fuels Obligation
 - Relative company performance in sourcing sustainable fuels
 - Indirect effects – Gallagher Review
- ❑ Considerations in implementation of the RED / FQD for biofuels



*The challenge is substantial –
UK currently utilises just 2% renewable energy*



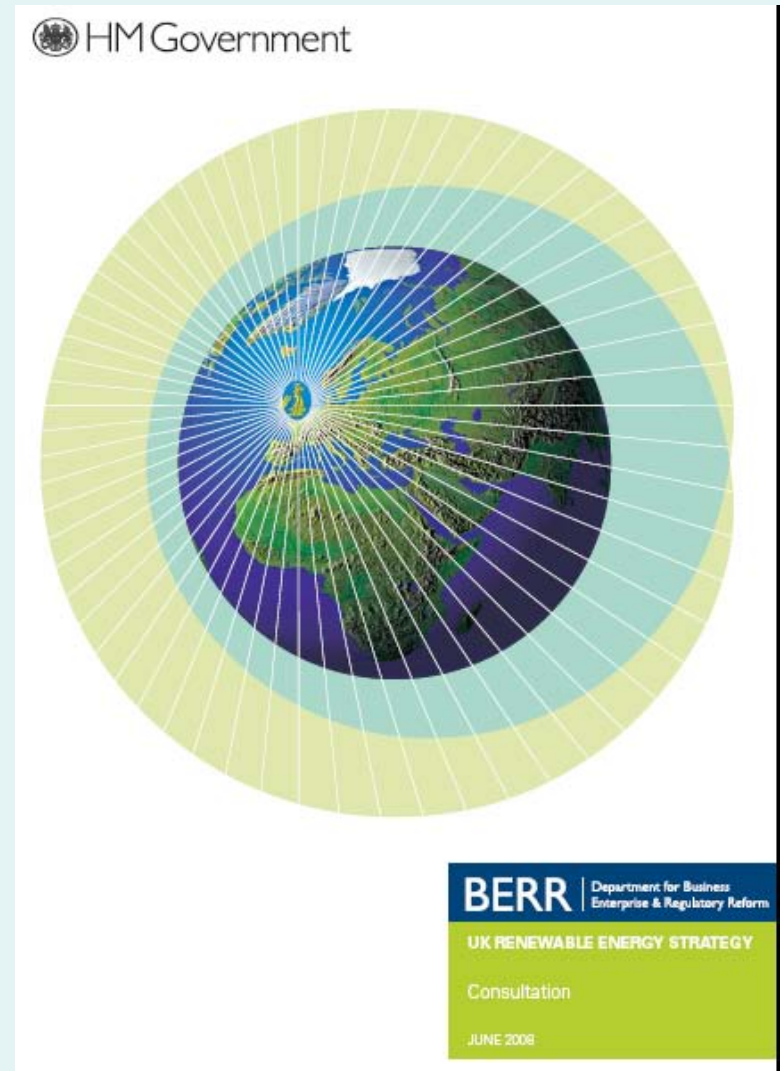
UK Renewable Energy Strategy Consultation

- ❑ 4 key drivers
 - Climate Change
 - Security of supply
 - Business benefits
 - Legal obligation

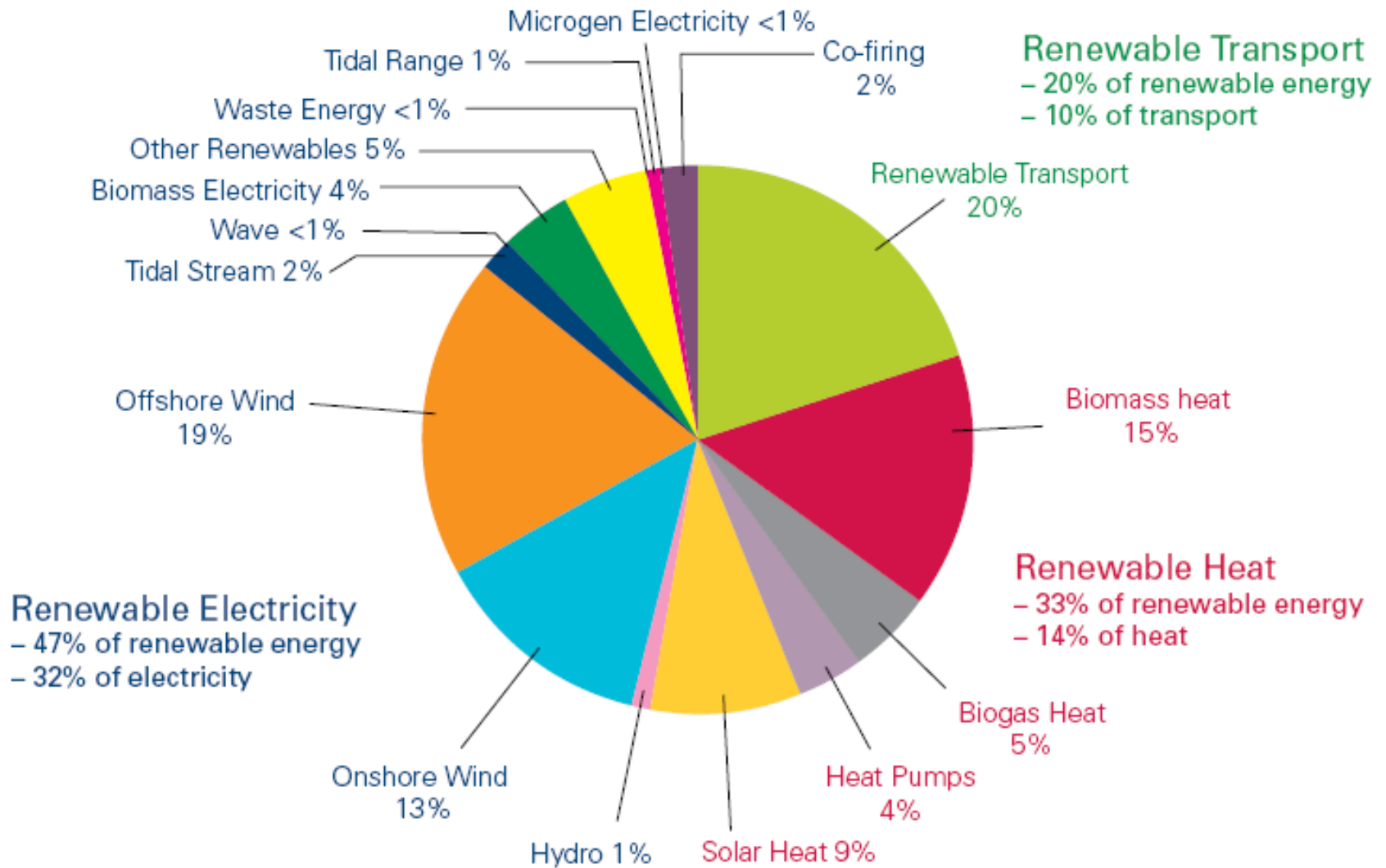
- ❑ Consultation June 2008

- ❑ Draft action plan comprised:
 - Financial mechanisms
 - Measures to enable deployment
 - Innovation stimulation
 - Engagement plan

- ❑ Renewable Energy Strategy – Summer 2009
- ❑ National Action Plan – Spring 2010
- ❑ 1st interim target (4-5%) – 2011/12



Illustrative renewable technology mix



Key consultation proposals

- ❑ Revisions to the Renewable Obligation
- ❑ Introducing renewable heat obligation
- ❑ Delivering financial support for small-scale heat and electricity technologies
- ❑ Addressing planning constraints
- ❑ Incentivising grid infrastructure and improving access to remove grid access as a barrier to renewable deployment;
- ❑ Exploiting energy from waste
- ❑ Requiring biofuels to meet strict sustainability criteria
- ❑ Promoting the development of new renewable technologies
- ❑ Maximising the benefits for UK business and jobs



The UK operates the world's only national carbon and sustainability reporting scheme for biofuels

- ❑ Requirement of the UK Renewable Transport Fuels Obligation
- ❑ Encourages supply of more sustainable biofuels
- ❑ Company performance published and compared against targets
- ❑ Increases awareness & understanding
- ❑ Practical but robust
- ❑ Non-discriminatory
- ❑ Developed through a multi-stakeholder process
 - Consultancy support from Ecofys / E4tech



Carbon and Sustainability Reporting Within the Renewable Transport Fuel Obligation

Technical Guidance Part One

Office of the Renewable Fuels Agency
V1.2

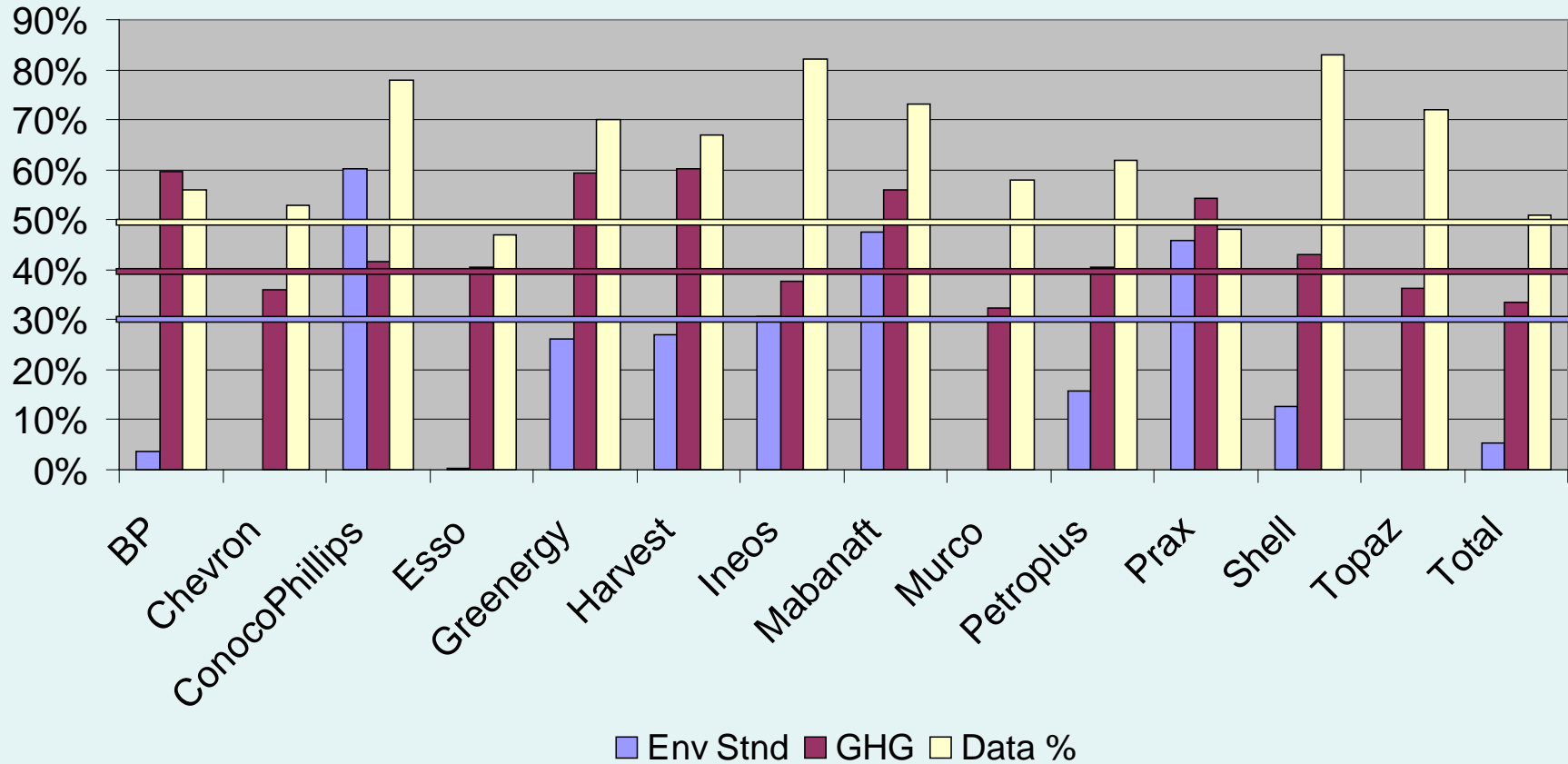
August 2008

RTFO April 2008 - January 2009

- ❑ 987 million litres supplied (2.7%); target 2.5%
- ❑ Biodiesel 84%; bioethanol 16%
 - UK origin fuels just 8% supplies
 - American soy (26% of biodiesel supplied); German OSR (15%); US tallow (8%)
 - Brazilian sugarcane (81% of bioethanol supplied)
- ❑ 18% of biofuels met an appropriate environmental standard, (target of 30%)
 - 99% of the fuel of UK origin met environmental standards
- ❑ GHG-saving 46% (target 40%)
 - Excludes the emissions from indirect and unknown land-use changes
- ❑ ConocoPhillips and Mabanft are meeting all three of the Government targets.
 - All companies are now meeting at least one target.

There is a wide range of performance against targets

Company Performance against targets ytd



RFA pressure has encouraged improved performance

Targets met ytd (out of 3)	Fossil fuel company	Q2
3	<i>ConocoPhillips Ltd</i>	3
	<i>Mabanaft UK Ltd</i>	3
2	<i>BP Oil UK Ltd</i>	2
	<i>Greenenergy Fuels Ltd</i>	3
	<i>Harvest Energy Ltd</i>	2
	<i>Ineos Refining Ltd</i>	1
	<i>Petroplus Refining Teesside Ltd</i>	2
	<i>Prax Petroleum Ltd</i>	0
	<i>Shell UK Ltd</i>	2
1	<i>Chevron Ltd</i>	1
	<i>Esso Petroleum Company Ltd</i>	0
	<i>Murco Petroleum Ltd</i>	1
	<i>Topaz Energy Ltd</i>	0
	<i>Total UK Ltd</i>	1

The Gallagher Review has led to a slow down in the introduction of biofuels

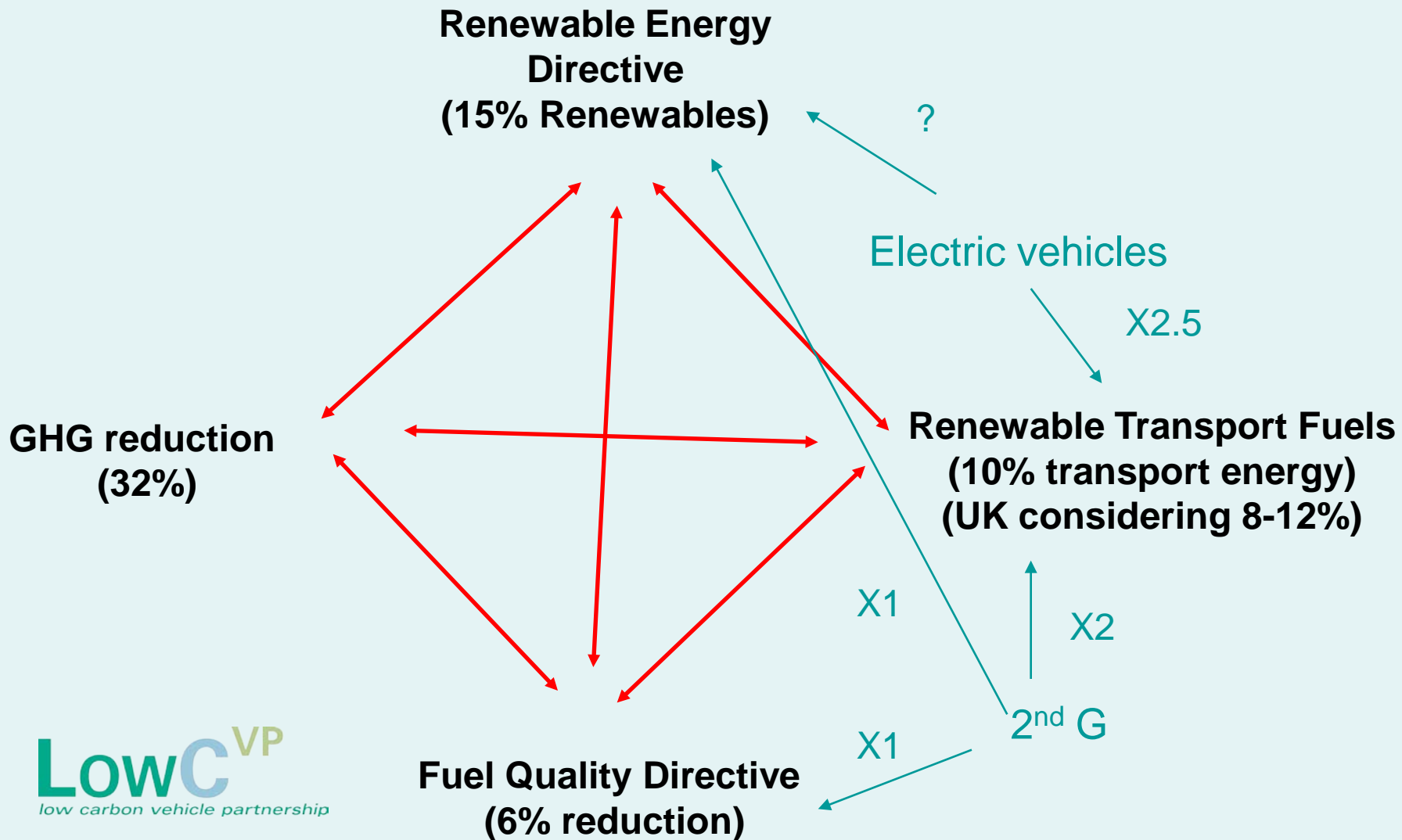
“Biofuels can only contribute GHG savings if significant emissions from land-use change are avoided and appropriate production technologies employed”

- ❑ There is a future for a sustainable biofuels industry - but
- ❑ Feedstock production *must* avoid agricultural land that would otherwise be used for food production
 - Current policies will reduce biodiversity and may even cause greenhouse gas emissions
- ❑ The introduction of biofuels should be significantly slowed until adequate controls to address displacement effects are implemented and are demonstrated to be effective
- ❑ A slowdown and shift in biofuel feedstock production will reduce the impact of biofuels on food commodity prices that have a detrimental effect upon the poorest people

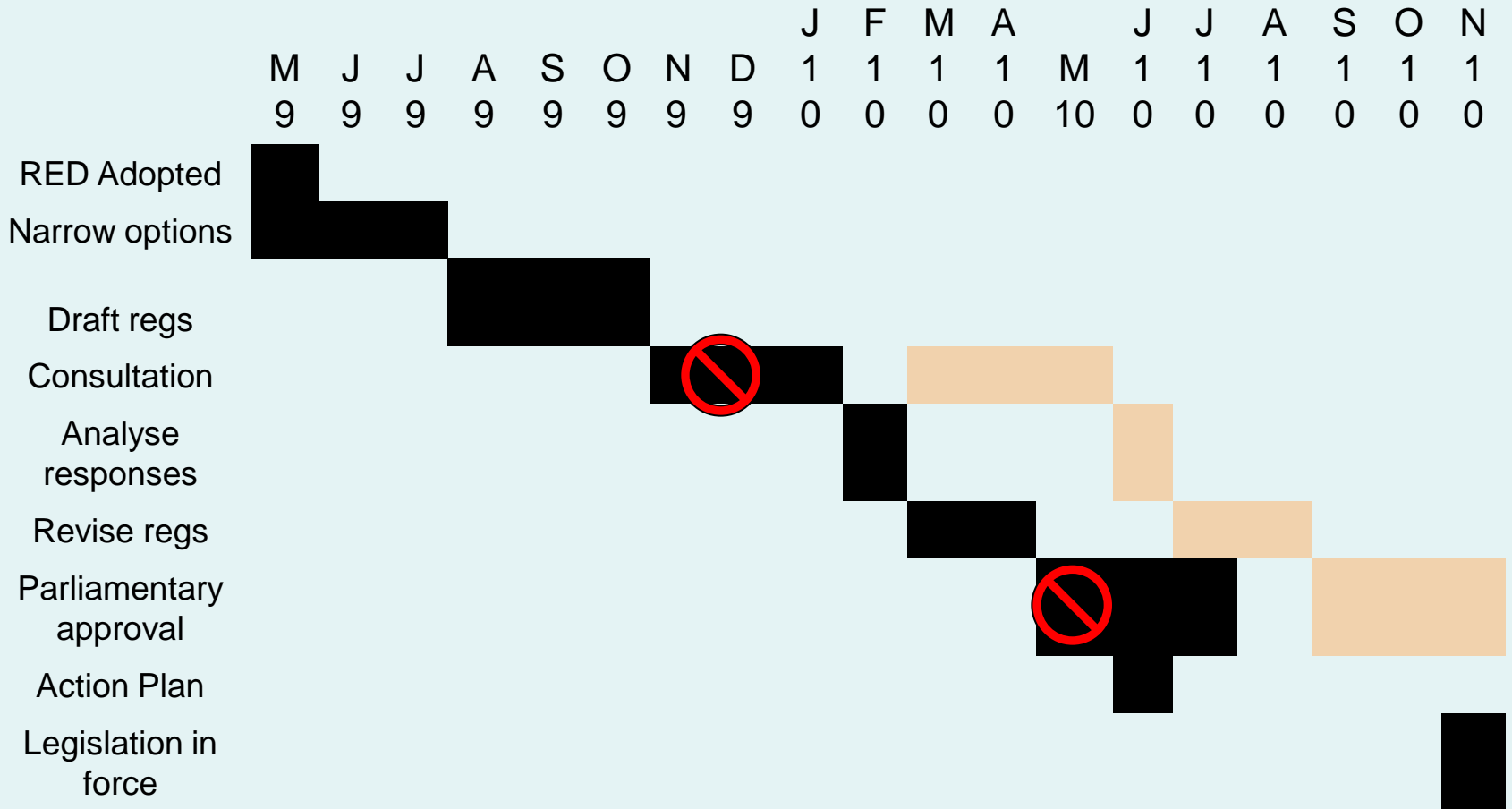
RED biofuel implementation challenges

- ❑ Limited time available to transpose RED
 - Key guidance will not be available until December 2009
 - ILUC report due Spring 2010
- ❑ Incentives for EVs and 2nd G biofuels require increased proportions of non-transport renewables
- ❑ Integrating RED & FQD targets
 - One target rewarding biofuels with higher GHG-saving; or, separate targets for biofuel supply and GHG-saving; or, just 1 target for supply
- ❑ Incentivising high GHG-saving fuels
 - FQD targets are insufficient to drive high biofuels GHG-saving
- ❑ Limited scope of sustainability criteria but reporting can only be voluntary for most criteria
- ❑ Amending existing legislations part-way through a year
- ❑ Scrapping the “Obligation” and “buy-out” elements of the current RTFO

Supply of advanced biofuels and electric vehicles create issues with balancing Renewable Energy Directive targets

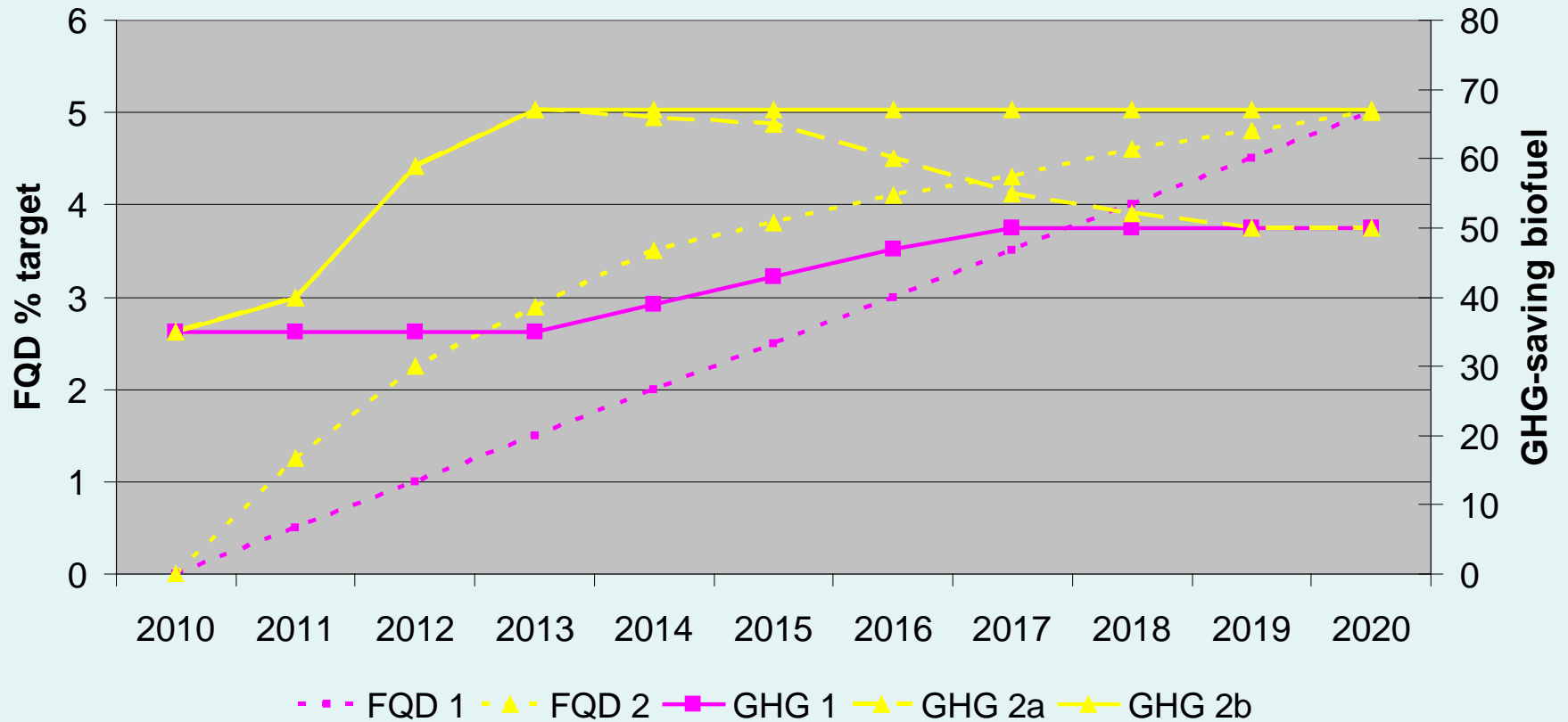


Implementation programme does not leave sufficient time



FQD target is insufficient to incentivise biofuel GHG-saving with a 10% RED target

Options for linking FQD and RED



Key messages

- ❑ Delivery of the RED 15% UK target is a huge challenge
- ❑ RTFO C&S reporting provides a basis for guidelines in preparation
- ❑ **Biofuels can only contribute GHG savings if significant emissions from land-use change are avoided – ILUC must be managed**
- ❑ **The design of the RED and FQD creates numerous implementation challenges:**
 - Timing of transposition with key issues unresolved
 - Incentives for EVs and 2nd G biofuels leading to increased requirements for non-transport renewables
 - How to reward high GHG-saving fuels

Any Questions?

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