

Can the Renewable Energy Directive deliver a sustainable biofuels market?

T&E AGM

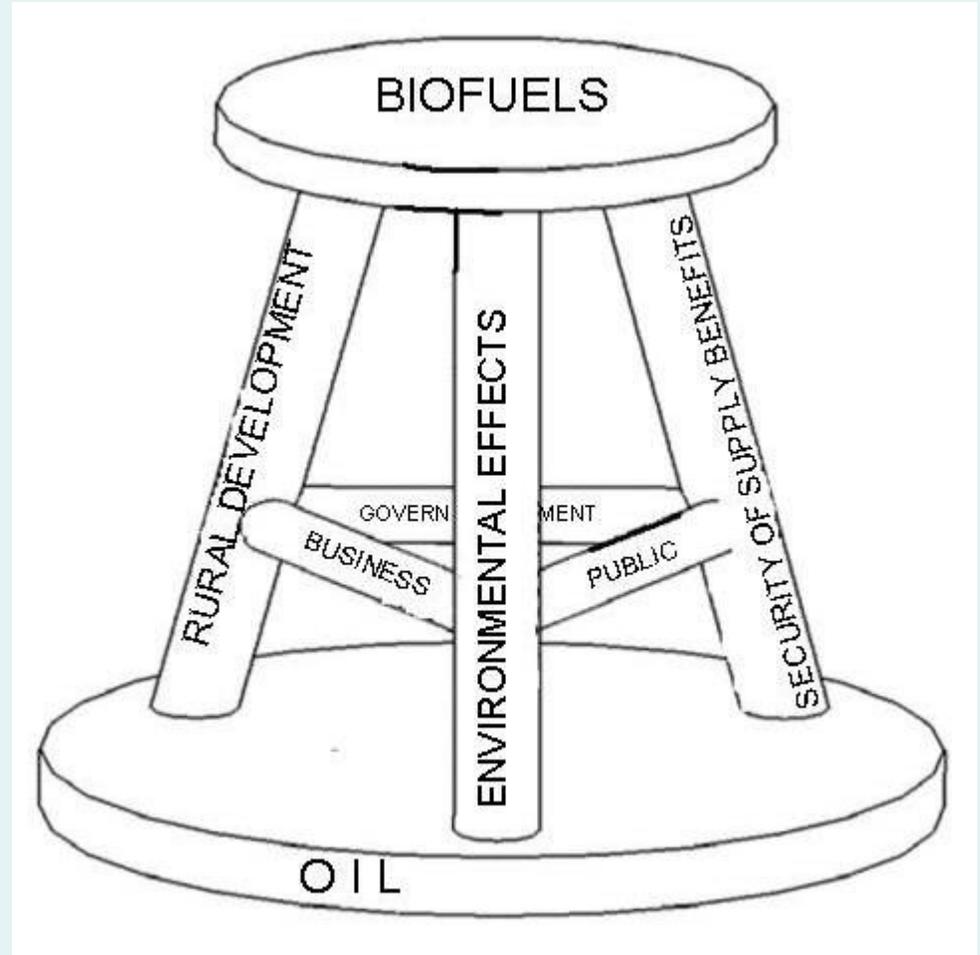
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Brussels

Greg Archer

Director, Low Carbon Vehicle Partnership, UK

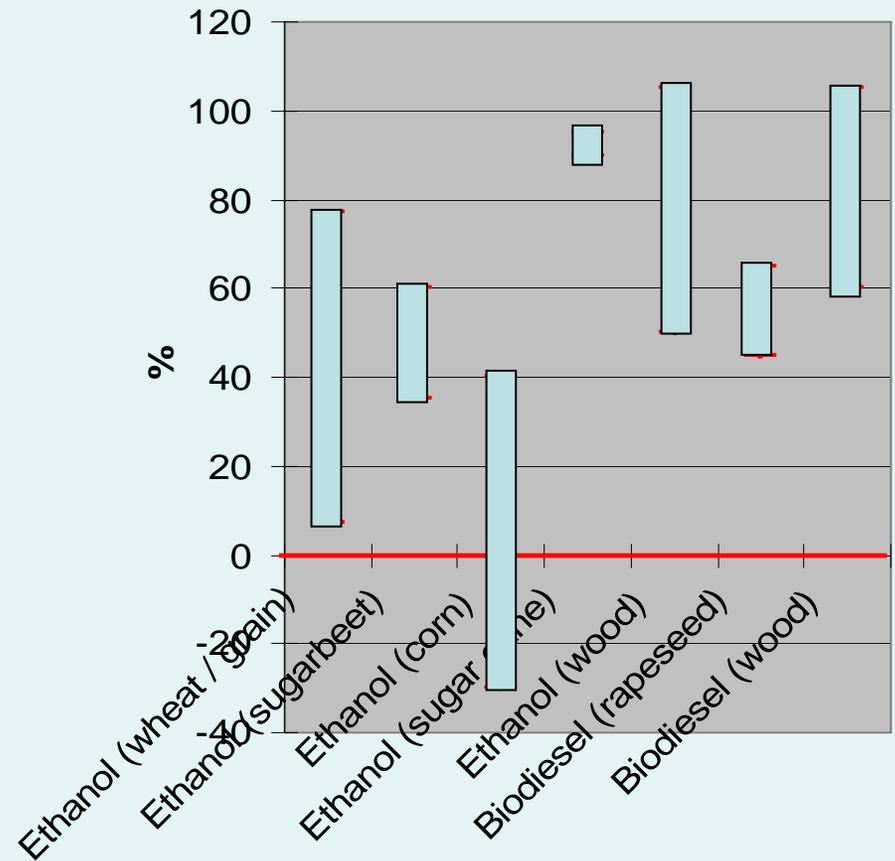
Environmental concerns are undermining the industry's "licence to operate"



There are good and bad biofuels – assurance schemes can distinguish between



% WTW GHG savings compared to petrol or diesel



Derived from Concawe 2006

UK biofuel policy is designed to deliver GHG savings sustainably

- ❑ Renewable Transport Fuels Obligation (RTFO) commences April 2008, requires suppliers of transport fuels to provide renewable transport fuels:
 - 2.5% (vol) 2008/9
 - 3.75% 2009/10
 - 5% 2010/11
- ❑ Target can be met by:
 - Selling a given amount of renewable transport fuel each year (for which they will receive certificates); or
 - Purchasing certificates from another company; or
 - Paying a “buy-out” price of 22c/l (duty differential of 45c/l retained)
- ❑ **From start - reporting of the carbon and sustainability (C&S) of biofuels**
- ❑ From 2010 – proposed to link issuing of Renewable Transport Fuel Certificates to the carbon intensity of the biofuel
- ❑ From 2011 – proposed to issue certificates only to sustainable biofuels



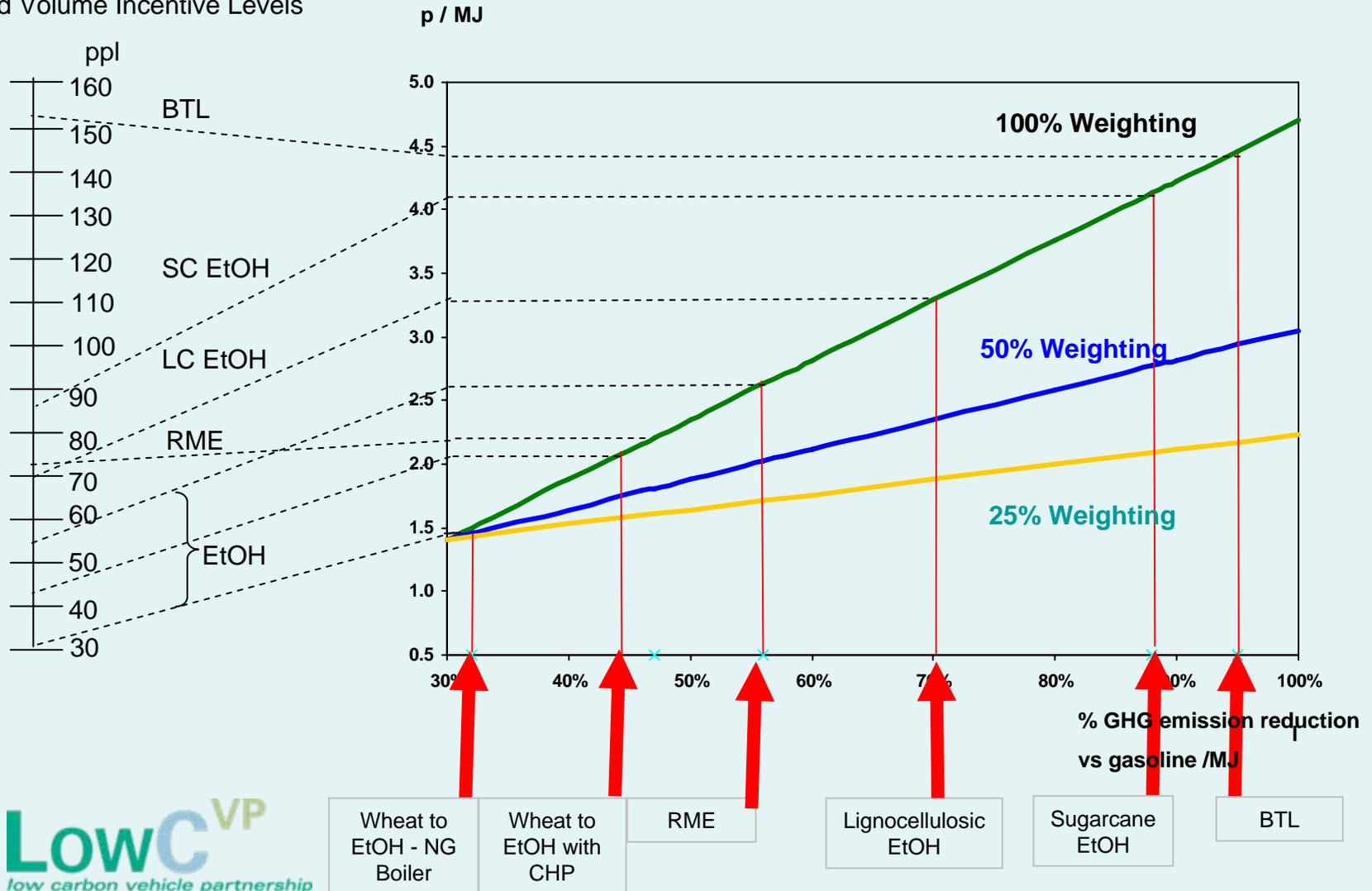
Key UK lessons for design of EU sustainability regulations

- ❑ Obligations provide essential flexibility that mandates cannot
- ❑ WTO rules may constrain proposals
- ❑ Defining & demonstrating compliance with mandatory criteria is a key challenge
 - Cross-compliance does not offer a consistent or adequate level of environmental assurance
 - Book and claim schemes can be more robust than mass-balance schemes and should be encouraged
- ❑ Reporting can complement mandatory criteria to address a wider scope of concerns
- ❑ Proposals should build upon existing schemes and encourage participation in these
- ❑ Incentives should encourage supply of low carbon intensity fuels – not specific technologies
- ❑ Targets need to recognise indirect effects



Rewarding fuels based upon their carbon intensity incentivises advanced technologies

Implied Volume Incentive Levels



The UK has initiated a review of the indirect effects of biofuels on land use and food prices

- ❑ Review focused on effects on
 - GHG-emissions
 - Food insecurity
- ❑ Review led by the independent Renewable Fuels Agency
- ❑ Review Comprises
 - Call for evidence
<http://www.dft.gov.uk/rfa/>
 - Expert studies and seminars in preparation
 - Stakeholder seminar with initial findings
 - May
- ❑ Report published end June 2008
 - Timed to input to EU considerations



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?

The Low Carbon Vehicle Partnership
+44 (0)20 7340 2690

secretariat@lowcvp.org.uk

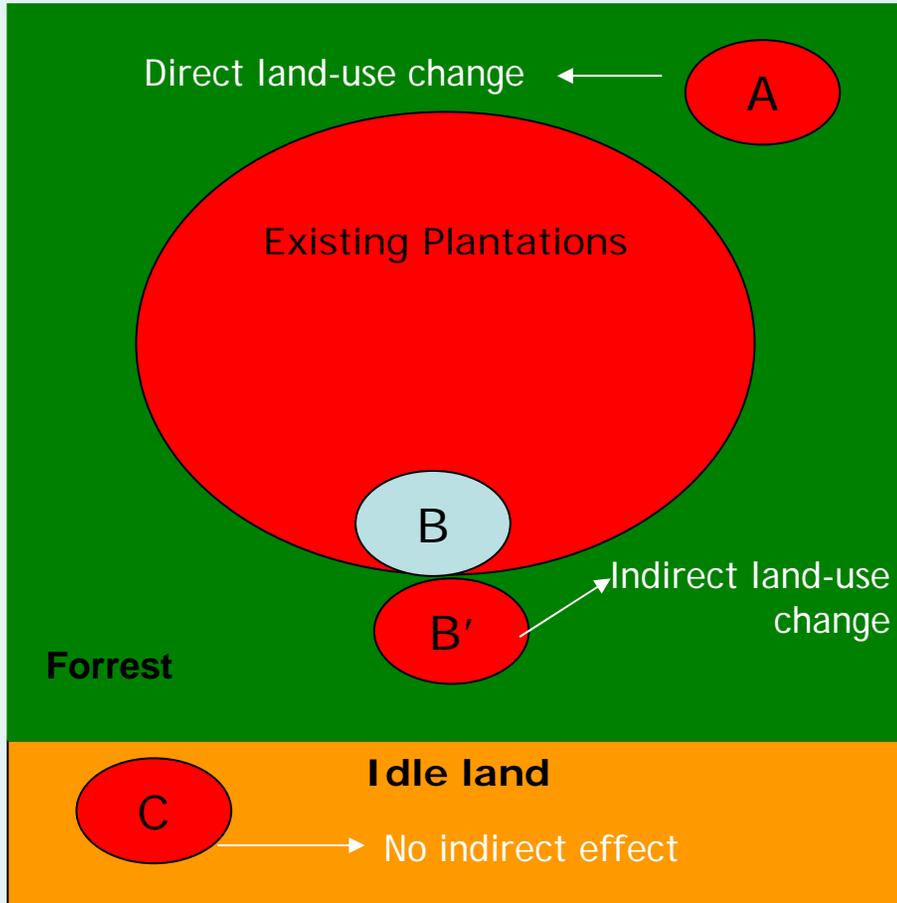
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If WTO rules prevent legislating on all criteria then reporting on the wider issues should be required

Mandatory	Reporting Obligation
<p data-bbox="255 532 799 678">Conservation of carbon</p> <p data-bbox="255 758 799 903">Conservation of biodiversity</p> <p data-bbox="255 983 799 1129">Minimum GHG saving</p>	<p data-bbox="1117 525 1671 608">Soil conservation</p> <p data-bbox="1117 691 1671 836">Sustainable water use</p> <p data-bbox="1117 893 1671 976">Air quality</p> <p data-bbox="1117 1045 1671 1128">Land rights</p> <p data-bbox="1117 1182 1671 1265">Workers rights</p>

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



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 bi and multi-lateral discussions
 - Time should be allowed for adaptation
 - Appropriate due process should be followed



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

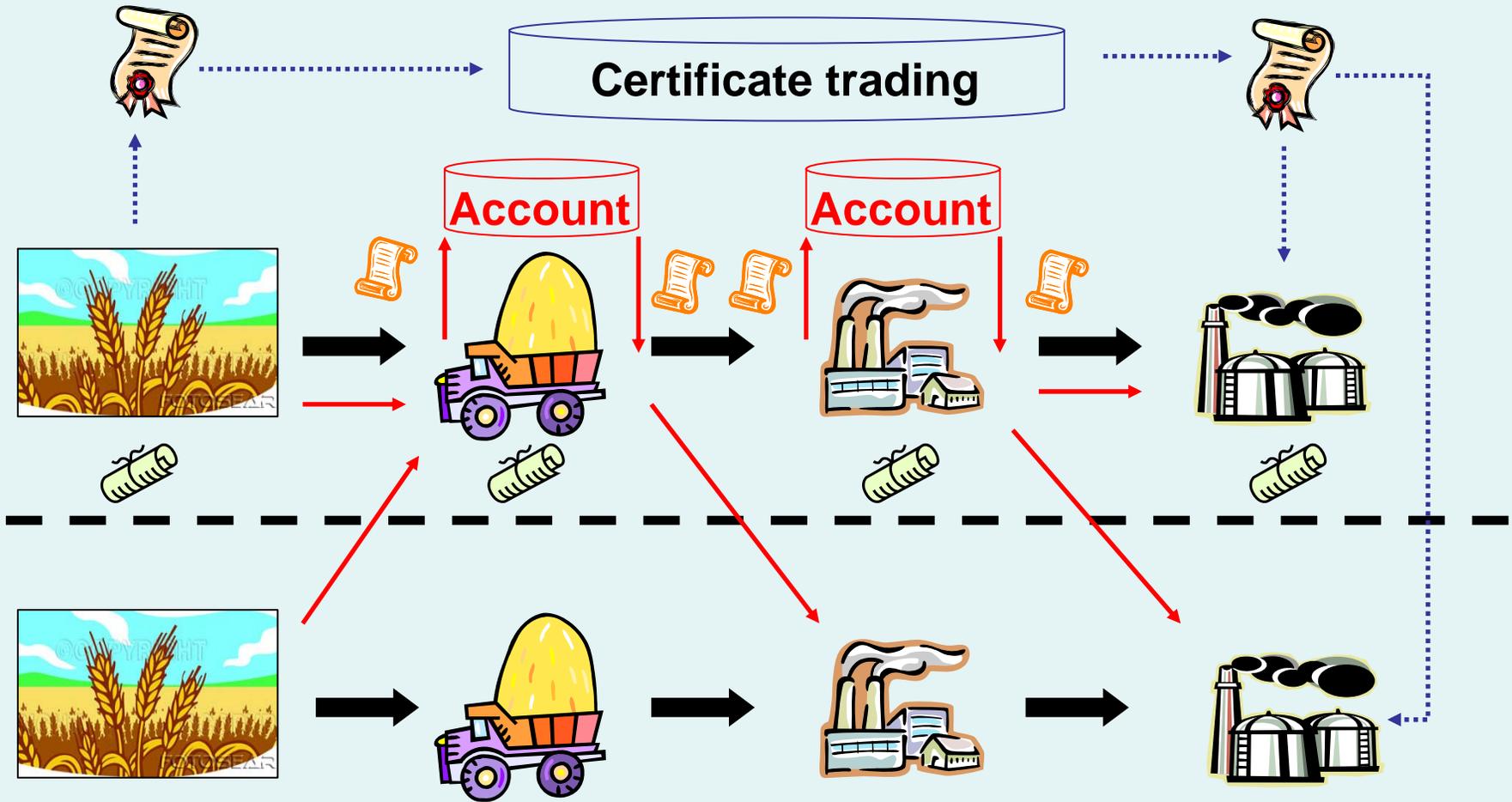
- ❑ Unbalanced policy objectives are creating an unsustainable market

- ❑ Policy should:
 - Link incentives for biofuels to their lifecycle carbon intensity in a technology neutral manner
 - Exclude unsustainable feedstock from incentive schemes
 - Compliment mandatory criteria with publicly available supplier carbon and sustainability reports
 - Set targets that recognise and manage indirect effects

- ❑ Markets should be opened up in return for delivering sustainable feedstock

- ❑ All stakeholders have a shared responsibility to ensure the benefits of biofuels are realised through creation of a sustainable market

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



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