

# *Carbon and sustainability reporting in the UK and lessons for EU policy*

World Biofuels Congress

12<sup>th</sup> March 2008

Brussels

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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



LowCVP 'Low Carbon Road Transport Challenge'

Proposals to reduce road transport CO<sub>2</sub> emissions in the UK to help mitigate climate change  
June 2006



**Fuel Economy**

<100 A		
101-120 B		
121-150 C		
151-180 D		
186-185 E		
186-225 F		
226+ G		

**Low Carbon Car**  
B 117 g/km

Fuel cost (estimated) for 12,000 miles: £662  
VED for 12 months: £50

**Environmental Information**

Make/Model: Low Carbon Car	Engine Capacity (cc): 1399
Fuel Type: Diesel	Transmission: 5 speed manual

Drive cycle	Litres/100km	Mpg
Urban	5.4	52.3
Extra-urban	3.8	74.2
Combined	4.4	64.2

Carbon dioxide emissions (g/km): 117 g/km  
Important note: Some specifications of this make/model may have lower CO<sub>2</sub> emissions than this. Check with your dealer.

LowCVP marketing challenge

**CARS NOT CARBON**  
A competition to promote greener motoring marketing

**Event outline**

Winners to be announced at the LowCVP Annual Conference  
28th June 2007  
DTI Conference Centre, Westminster

Accelerating the shift to low carbon vehicles and fuels



LowCVP Accelerating the shift to low carbon vehicles and fuels

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**Week notes**

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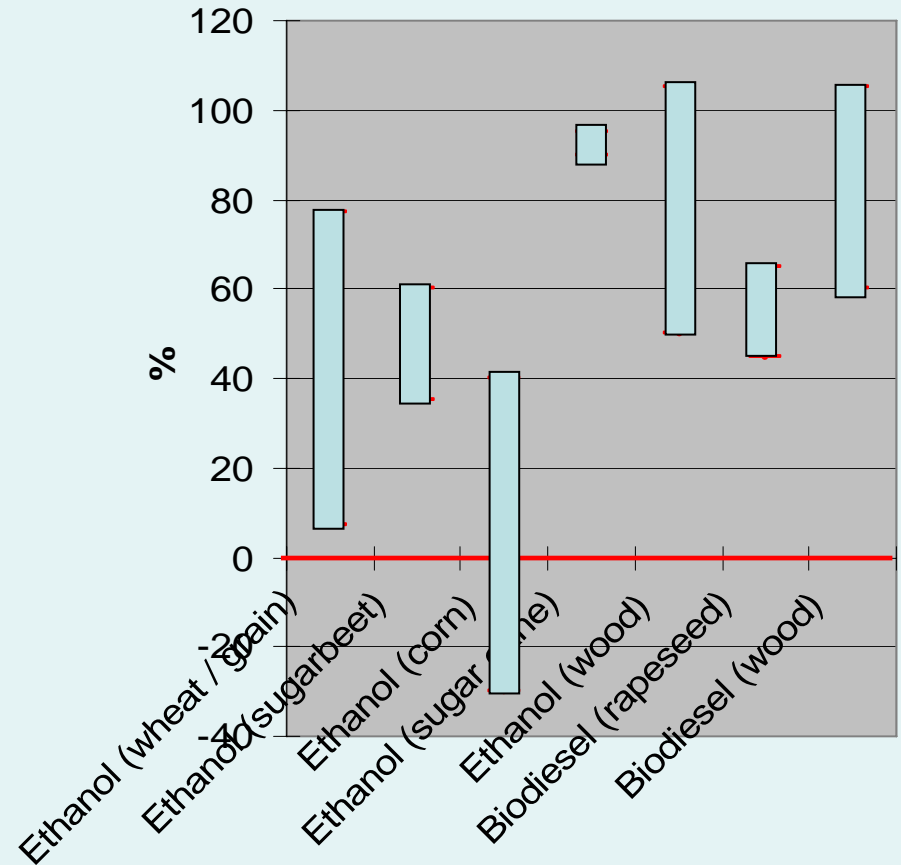
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# *There are good and bad biofuels – assurance schemes can distinguish between*



**% 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



*UK scheme is focussed on direct effects that can be managed by companies*

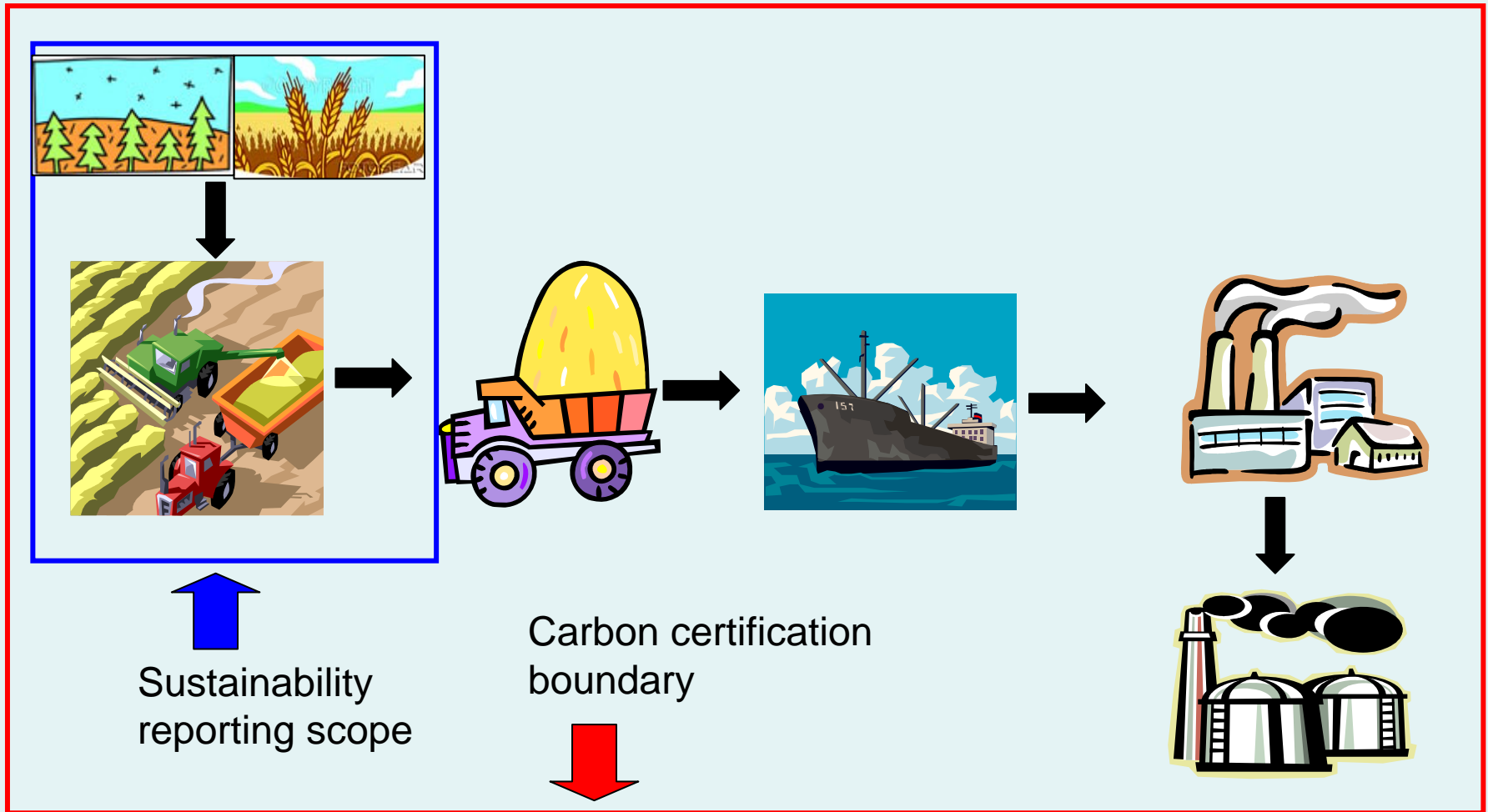
	Direct	Indirect
<input type="checkbox"/> Conservation of carbon		
<input type="checkbox"/> Conservation of biodiversity		
<input type="checkbox"/> Soil conservation		
<input type="checkbox"/> Sustainable water use		
<input type="checkbox"/> Protecting air quality		
<input type="checkbox"/> Workers rights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

## *RTF Certificates issued on receipt of an appropriate Carbon & Sustainability report*

- ❑ Reports must be supplied on all fuels for which RTFCs are claimed
- ❑ Monthly reports confidential – annual aggregate reports published
- ❑ Comparative reports of company performance produced by the RFA
- ❑ No exclusions of feedstock/fuel & “Not known” reports permissible
- ❑ Independent verification of reports & claims
- ❑ Annual targets for company performance (initially no penalty for failing to achieve)

<b>Company targets</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>
Percentage of feedstock meeting the ‘Qualifying’ Environmental Standard	<b>30%</b>	<b>50%</b>	<b>80%</b>
GHG saving	<b>40%</b>	<b>45%</b>	<b>50%</b>
Data provision	<b>50%</b>	<b>70%</b>	<b>90%</b>

*Carbon intensity calculated on a well to wheel basis;  
sustainability reports focused on feedstock production*






# Illustrative monthly report

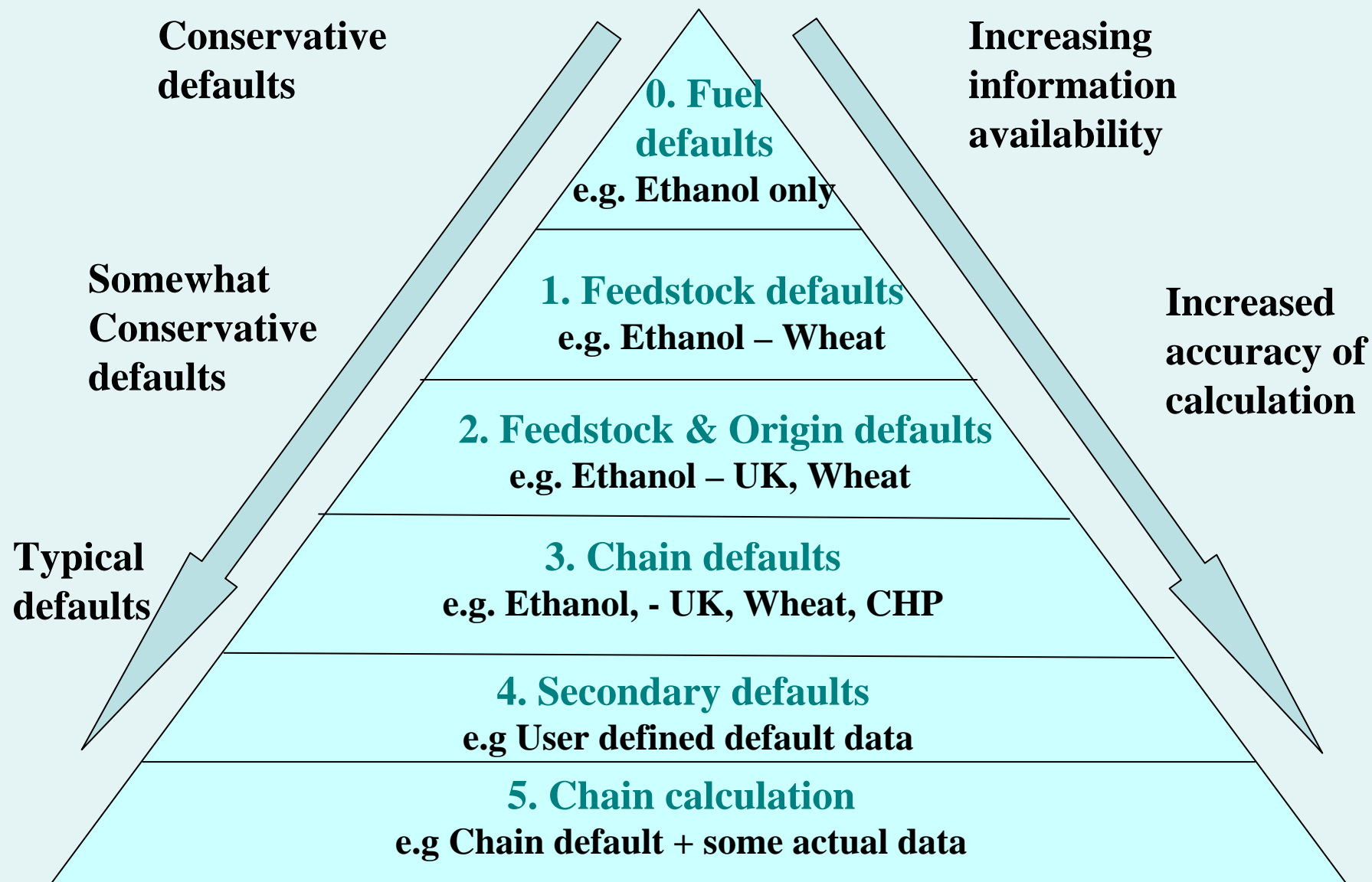
General Information				Sustainability Information				Carbon Information	
Fuel type	Quantity of fuel (litres)	Biofuel Feedstock	Feedstock Origin	Standard	Env Level	Social Level	Land use on 30 Nov 2005	Carbon intensity incl LUC g CO <sub>2</sub> e / MJ	Accuracy level
Bioethanol	250,000	Wheat	UK	LEAF	QS	-	Cropland	61	2
Bioethanol	100,000	Wheat	France	GlobalGAP	-	-	Grassland	122	2
Bioethanol	250,000	Sugar beet	UK	ACCS	QS	-	Cropland	35	5
Bioethanol	1,000,000	Sugar cane	Brazil	Meta-Standard	RTFO	RTFO	Cropland	24	2
Bioethanol	500,000	Unknown	Unknown	Unknown	-	-	Unknown	61	0
Biodiesel	1,000,000	Oilseed rape	UK	ACCS	RTFO	RTFO	Cropland	55	2
Biodiesel	250,000	Oilseed rape	Unknown	Unknown	-	-	Unknown	55	2
Biodiesel	500,000	Palm oil	Malaysia	RSPO	QS	QS	Cropland	45	2
Biodiesel	500,000	Soy	Argentina	Basel	QS	QS	Grassland	177	2
Biodiesel	250,000	UCO	UK	By-product	QS	QS	By-product	13	2
Biomethane	150,000	Dry manure	UK	By-product	QS	QS	By-product	36	2



*Sustainability reporting based on existing voluntary standards that have been benchmarked against a Meta-Standard*

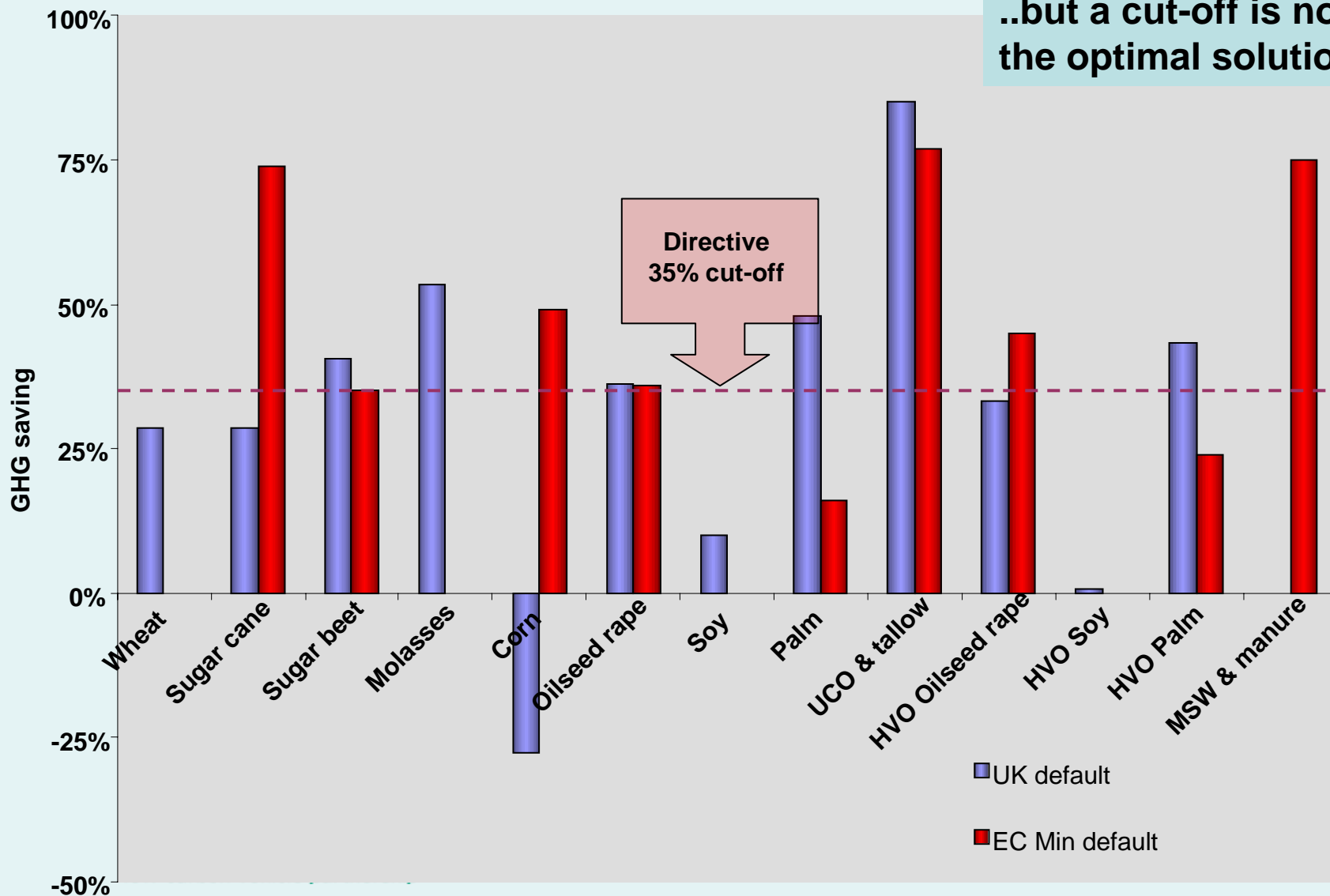
	<b>Environmental standard</b>	<b>Social standard</b>
<b>RTFO Meta Standard</b> 	Full audit against criteria OR A standard + supplementary checks	Full audit against criteria OR A standard + supplementary checks
<b>Qualifying Standard</b> 	ACCS      FSC Basel      RSPO LEAF      SAN/RA A benchmarked standard + supplementary checks	Basel RSPO SAN/RA A benchmarked standard + supplementary checks
<b>Benchmarked Standard</b> 	Genesis crops module; Scottish Quality Cereals Qualitat und Sicherheit; Fedioil; SA8000; GlobalGAP; IFOAM; ProTerra	

*Flexible calculation method uses both tiered default values and real data*



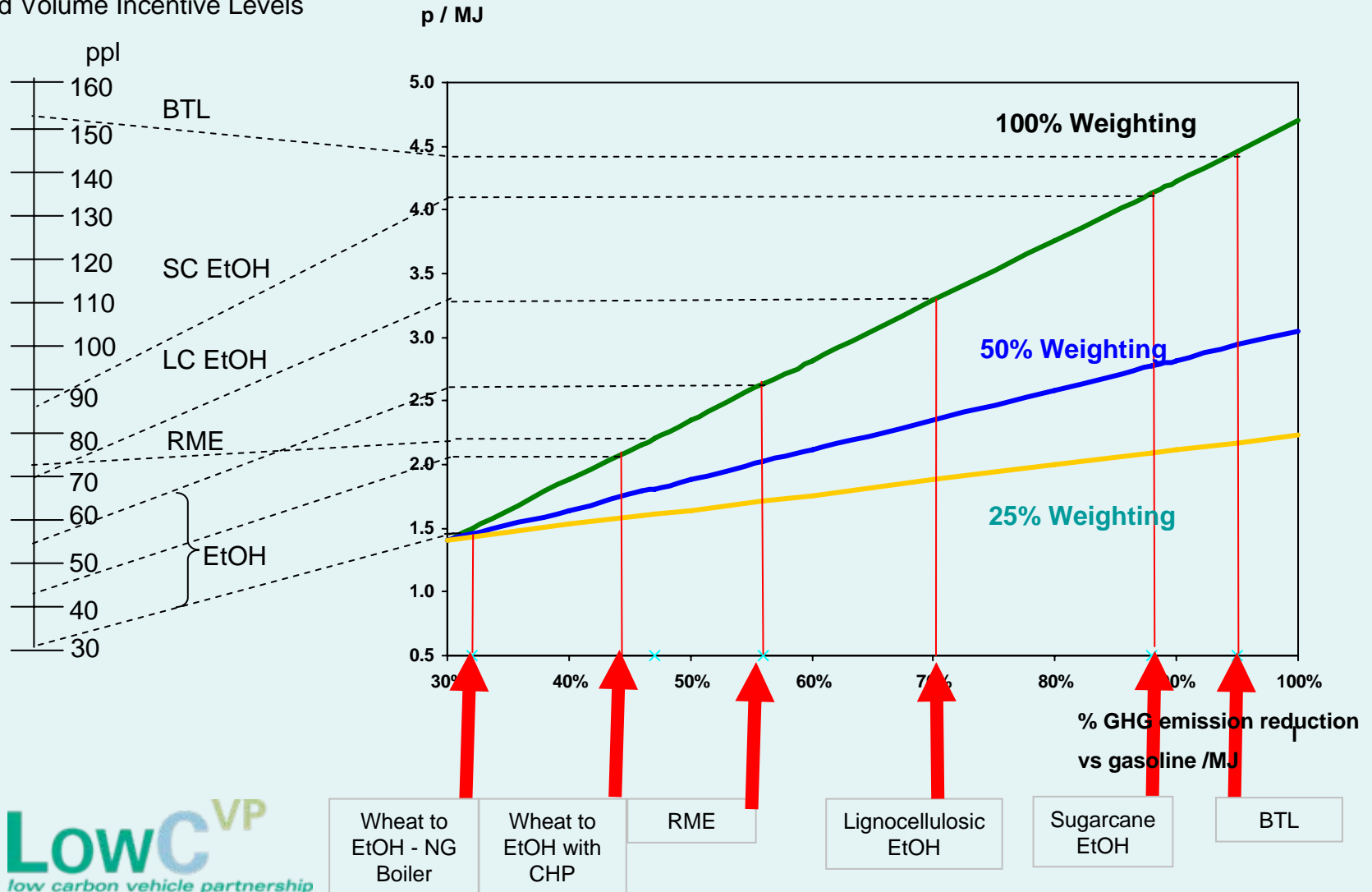
*EU proposals allow oilseed rape and sugar beet to make the cut but palm and wheat need to prove their processes give better results*

**..but a cut-off is not the optimal solution**



# Rewarding fuels based upon their carbon intensity could incentivise advanced technology

Implied Volume Incentive Levels



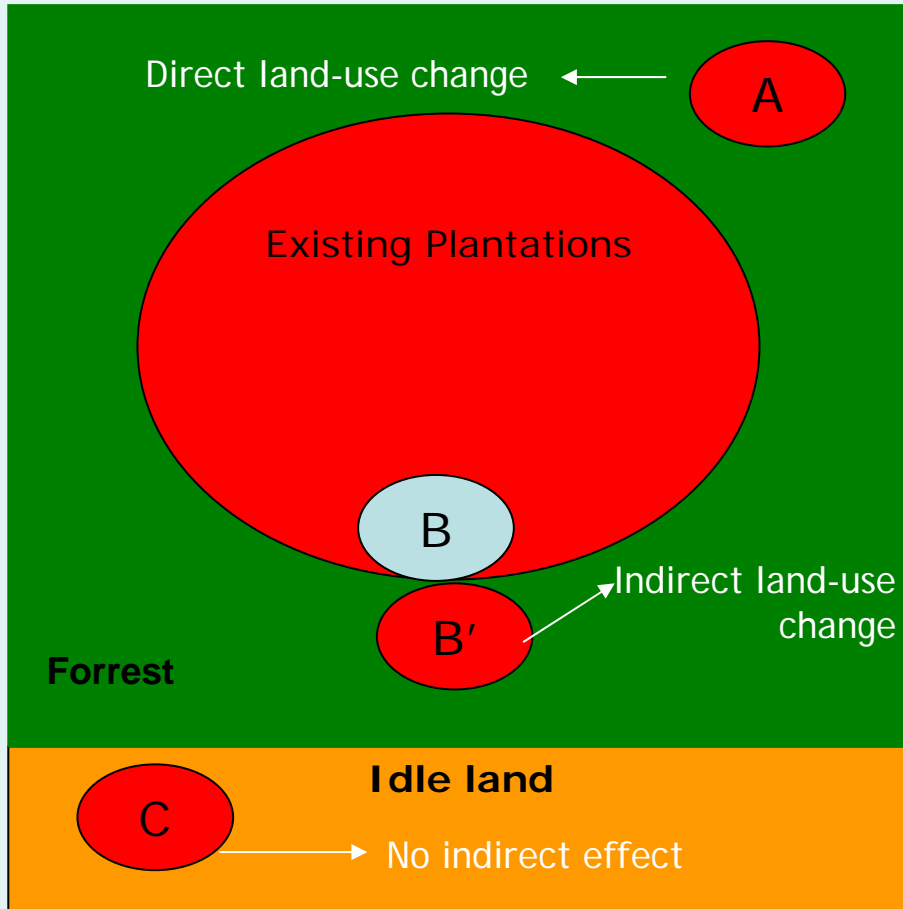
# *Key lessons for design of EU sustainability regulations*

- ❑ Targets need to recognise indirect effects
- ❑ WTO rules may constrain proposals
- ❑ Demonstrating compliance with mandatory criteria is a key challenge
- ❑ Incentives should encourage supply of low carbon intensity fuels – not specific technologies
- ❑ Book and claim schemes can be more robust than mass-balance schemes and should be encouraged
- ❑ Build upon existing schemes and encourage participation in these





*Indirect effects on land use and food prices are emerging as a key concern and influence on future policy & targets*



## *Sustainability criteria for biofuels may be constrained by trade rules*

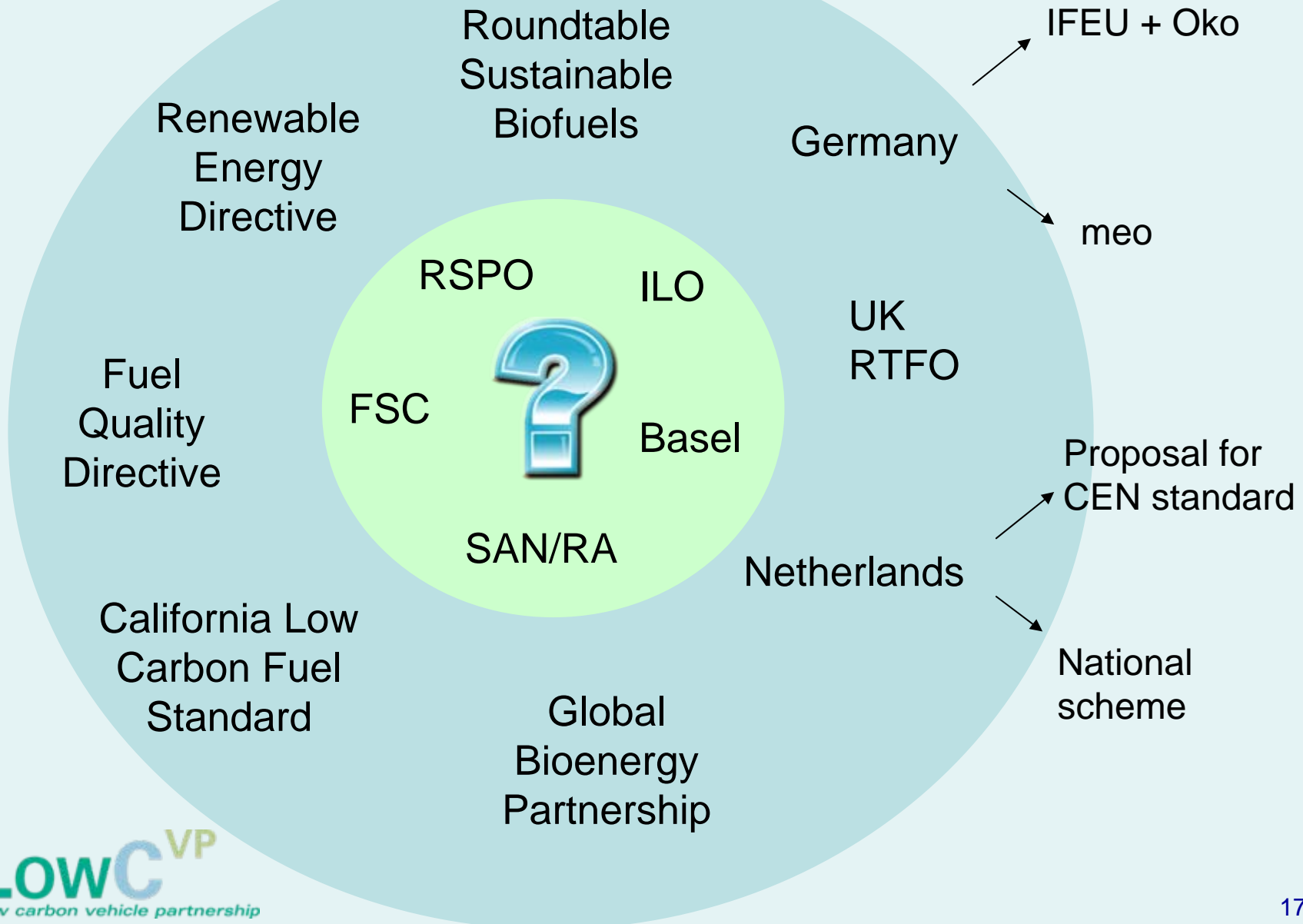
- ❑ Key trade issues are whether:
  - Biofuels “like-product”
  - Biofuels are agricultural products, environmental products or industrial goods!
  - The scheme objectives and design are appropriate
- ❑ To maximise effectiveness and minimise the risk of successful challenge criteria should:
  - Ideally 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



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

<b>Mandatory</b>	<b>Reporting Obligation</b>
<p data-bbox="255 532 799 679"><b>Conservation of carbon</b></p> <p data-bbox="255 758 799 905"><b>Conservation of biodiversity</b></p> <p data-bbox="255 983 799 1130"><b>Minimum GHG saving</b></p>	<p data-bbox="1117 525 1671 608"><b>Soil conservation</b></p> <p data-bbox="1117 691 1671 838"><b>Sustainable water use</b></p> <p data-bbox="1117 893 1671 976"><b>Air quality</b></p> <p data-bbox="1117 1043 1671 1126"><b>Land rights</b></p> <p data-bbox="1117 1182 1671 1265"><b>Workers rights</b></p>

*There are plenty of schemes with criteria and/or GHG methodologies – the focus should be on harmonisation and implementation*



## *Key messages*

- ❑ UK carbon and sustainability reporting scheme commences 14<sup>th</sup> April as part of Obligation
- ❑ Future UK policy (subject to EU agreement) intended to:
  - Link GHG savings to reward of biofuels (2010)
  - Introduce mandatory criteria
- ❑ Key lessons for EU policy are:
  - To link incentives for biofuels to carbon intensity in a technology neutral manner – as proposed in the Fuel Quality Directive
  - Design rigorous enforcement mechanisms built upon existing schemes
  - Recognise and address WTO constraints
  - Broaden the scope of addressed issues through complementary mandatory reporting
- ❑ Future targets should be based on GHG-savings and take account of indirect effects



# Any Questions?

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