

Response to:

**Consultation on the implementation  
of the transport elements of the  
Renewable Energy Directive**

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# 1. Foreword

Directive 2009/28/EC on the promotion of the use of energy from renewable sources, commonly known as the Renewable Energy Directive (RED), was adopted on 23 April 2009; it amends and subsequently repeals Directives 2001/77/EC and 2003/30/EC. The transport elements of the RED (Renewable Energy Directive) require Member States to ensure that 10% of the energy used in transport is from renewable sources in 2020, as well as requiring the introduction of mandatory sustainability criteria for biofuels and bioliquids. Member States were required to transpose the RED (Renewable Energy Directive) by 5 December 2010.

This document sets out a summary of the responses to the Department for Transport's "Consultation on the implementation of the transport elements of the Renewable Energy Directive" and the Government's comments on those responses.

The consultation period began on 10 March 2011 and ran until 2 June 2011. The consultation was published on the Department for Transport website:

<http://www.dft.gov.uk/consultations/dft-2011-05>

This consultation ran in parallel with the consultation on the Fuel Quality Directive 'Consultation on proposals to implement Articles 7a to 7e of the EU Fuel Quality Directive (FQD) (Directive 98/70/EC as amended by 2009/30/EC) requiring suppliers to reduce the lifecycle greenhouse gas (GHG) intensity of transport fuels and introducing sustainability criteria for biofuels', which can be found at:

<http://www.dft.gov.uk/consultations/dft-2011-04>

We would like to thank all those who took the time to respond to this consultation, and the consultation on the FQD (Fuel Quality Directive) that ran in parallel. It is crucial that we had this opportunity to understand the concerns of not only those involved in the biofuels industry, the fossil fuel market and the related supply chains but also environmental groups and the wider public.

Biofuels policy is a complex and controversial area that has developed quickly over a relatively short time with biofuels winning and losing supporters along the way. Now, with GHG (greenhouse

gas) emission reduction targets, the development of advanced biofuels and better understanding of issues such as indirect land use change (ILUC is the indirect effects on land use resulting from the cultivation of biofuel feedstocks) we can expect this area to go through yet more change. As the Government we have to be able to take advantage of the opportunities these changes will bring while always ensuring that biofuels are developed, produced and supplied in a sustainable manner.

A number of responses, both those from members of the public and from environmental groups, called for all biofuel targets to be scrapped. The UK must, in law, comply with the RED (Renewable Energy Directive), which requires the UK to increase its use of renewable energy, and the FQD (Fuel Quality Directive), which requires suppliers to deliver a 6% reduction in lifecycle GHG (greenhouse gas) emissions from many transport and related fuels by 2020. Moreover, sustainable biofuels play a key role in our efforts to tackle climate change and reduce GHG (greenhouse gas) emissions from the transport sector which is why we are committed to delivering the targets set out in the RED (Renewable Energy Directive) and FQD (Fuel Quality Directive).

However, the Government fully accepts that there are legitimate concerns about the sustainability of some biofuels and there is some uncertainty about how best to deploy biofuels across transport sectors. We also recognise that there are understandable concerns that increased use of some biofuels may lead to an increase in GHG (greenhouse gas) emissions rather than a reduction. This effect is due to ILUC (Indirect Land-Use Change). We take the issue of ILUC very seriously and have called on the European Commission to work with Member States to develop detailed options to address ILUC (Indirect Land-Use Change) which can be subjected to full impact assessments. We expect the European Commission to make its decision on options for addressing ILUC soon.

Furthermore, as part of the RED (Renewable Energy Directive), the European Commission must monitor and report every two years on the impact of biofuel policy, and the increased demand for biofuel on social sustainability. This will include reporting on the availability of foodstuffs at affordable prices, in particular for people living in developing countries. The reports must address issues of land use rights and state the extent to which the

production of raw materials used to produce biofuel that is used in the EU complies with Conventions of the International Labour Organisation. If necessary, the European Commission must propose corrective action.

The nature and range of these issues demonstrates why it is so important that we continue to engage with the full range of people and organisations interested in biofuels and why we value the useful comments made on this consultation. We look forward to this dialogue continuing.

## 2. Executive Summary

### 2.1. Summary of respondents

There were a total of 4679 responses received from a cross-section of the transport fuel industry and individuals and organisations who are interested in the new legislation. Tables 1 and 2 provide a summary of those that responded to the consultation.

**Table 1. Summary of campaign and individual responses**

<b>Category of interest</b>	<b>Number of responses</b>
Biofuelwatch campaign	303
ActionAid text campaign	1655
ActionAid postcard campaign	2473
ActionAid campaign emails	103
ActionAid campaign letters	38
Individuals	32
<b>Total campaign and individual responses</b>	<b>4604</b>

**Table 2. Summary of responses from organisations and companies**

Category of interest	Number of responses
Academic	4
Agriculture	5
Aviation	4
Biofuel industry	39 <sup>1</sup>
NGO (Non-Government Organisations)	9
Oil industry	4
Other	3
Rail	1
Road vehicle manufacturer	1
Shipping/maritime	5
<b>Total</b>	<b>75</b>

Part One of this document summarises the responses to the questions posed in the consultation and the Government's Response.

Part Two summarises more general comments that were received outside of the formal structure of the consultation questionnaire.

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<sup>1</sup> To note that, due to a previous administrative error, an additional response to those summarised in the 'Summary of Responses to: Consultation on the implementation of the transport elements of the Renewable Energy Directive' document published on 9 September 2011 is now recorded in this document.

These views were taken into account when analysing the responses to specific consultation questions.

Part Three provides a list of those organisations that responded to the consultation.

## **2.2. Summary of final policy for Renewable Energy Directive implementation**

Our final policy for implementation is described in full detail under the relevant sections in Part One of this document but, in summary, we will:

- Amend the RTFO (Renewable Transport Fuel Obligation,, scheme obliging certain suppliers of liquid fossil fuel intended for road transport to supply a percentage of renewable fuel) to introduce the RED (Renewable Energy Directive sustainability criteria;
- Retain and update the RTFO (Renewable Transport Fuel Obligation) carbon and sustainability guidance, verifiers' guidance and process guidance;
- Require that verified sustainability information is reported to the RTFO (Renewable Transport Fuel Obligation) administrator before Renewable Transport Fuel Certificates (RTFCs – tradable certificates whose value is determined by the market which are awarded for the supply of renewable fuel) are awarded;
- Require suppliers to provide the additional sustainability information (the “appropriate and relevant” information referred to at Article 18(3) of the RED (Renewable Energy Directive)). This information must be verified within 120 days of the end of the obligation period;
- Require that all verification reports meet the requirements of limited assurance as set out in the International Standard on Assurance Engagements 3000, or meet a similar standard of verification;
- Require suppliers to report sustainability information that is “accurate” rather than “accurate to the best of the supplier’s knowledge and belief”;

- Allow biofuel that is produced from wastes, residues, non-food cellulosic material and ligno-cellulosic material feedstocks to be eligible for double reward;
- Extend the RTFO (Renewable Transport Fuel Obligation) such that all fuel suppliers (both fossil fuel road transport fuel suppliers and biofuel suppliers) are obliged to register with the RTFO (Renewable Transport Fuel Obligation) administrator and report on the fuel they supply (subject to the minimum supply threshold that will continue to apply);
- Treat any biofuel that does not meet the sustainability criteria as fossil fuel;
- Expand the RTFO (Renewable Transport Fuel Obligation) such that all renewable fuels of biological origin that are for use in road vehicles are eligible for RTFCs (Renewable Transport Fuel Certificates);
- Keep the issue of rewarding renewable hydrogen under the RTFO (Renewable Transport Fuel Obligation) under review;
- Determine the renewable fraction of a partially renewable fuel that is eligible for RTFCs (Renewable Transport Fuel Certificates) by reference to the total volume of the fuel that originated from renewable sources;
- Consider fatty acid methyl ester (FAME – a type of biofuel) as wholly renewable under the RTFO (Renewable Transport Fuel Obligation);
- Allow biofuels produced from non-biodegradable feedstock to be eligible for award of RTFC (Renewable Transport Fuel Certificates);
- Retain the recycling function of the buy-out fund;
- Place a duty on the Secretary of State for Transport to keep the issue of cross compliance under review;
- Amend the suite of civil penalties to ensure compliance;
- Require that suppliers submit a declaration stating that the renewable transport fuel for which they are claiming an RTFC (Renewable Transport Fuel Certificate) has not been used to discharge any other renewable energy obligation;

- Restrict carry over of RTFCs (Renewable Transport Fuel Certificates) from one obligation period to the next such that only RTFCs that meet the relevant minimum GHG (greenhouse gas) saving threshold for the next obligation period can be carried over;
- Make a number of changes to the timing of certain actions under the RTFO (Renewable Transport Fuel Obligation) related to the time period within which inaccuracies can be reported, the final date to apply for RTFCs (Renewable Transport Fuel Certificate), the deadline for the administrator to revoke RTFCs and the period to submit a verifiers' opinion; and
- Remove the duty of the RTFO (Renewable Transport Fuel Obligation) administrator to report to Parliament.

## 2.3. Timing to implementation

Table 2 provides an outline of the proposed timing to implementation.

**Table 2. Timeline to implementation of the Renewable Energy Directive**

Action	Date
RTFO (Renewable Transport Fuel Obligation) Guidance consultation	November 2011
Legislation laid in Parliament	November 2011
Legislation in force <sup>a</sup>	15 Dec 2011
RTFO (Renewable Transport Fuel Obligation) Guidance published	Early January 2012

<sup>a</sup> Subject to the Parliamentary process (Parliament must scrutinise the draft legislation before it can be made and come into force).

Should Parliamentary approval be delayed for any reason, the legislation will be implemented from the next 15<sup>th</sup> of the month in order to align with the cycle of fuel duty payment for the majority of fuel supplied into the UK.

## **2.4. Contact details**

If you have any questions regarding this response, please contact:

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## **3. Introduction**

### **3.1. Overview of the current Renewable Transport Fuel Obligation**

The current Renewable Transport Fuel Obligation (RTFO) was introduced in 2008 and places an obligation on owners, at the duty point (the point when a fuel becomes chargeable for duty), of liquid fossil fuel intended for road transport use to ensure that either a certain amount of biofuel is supplied or that a substitute amount of money is paid whether through the purchase of certificates or by buying out of the obligation. The amount of biofuel that must be supplied increases annually until April 2013 when it reaches 5% by volume (of total road transport fuel supplied) where for now it is set to remain for subsequent years.

Under the current scheme, biofuel suppliers must provide information on the GHG (greenhouse gas) savings, and the environmental and social impacts of their fuels in order to earn a certificate. The content of the information does not affect whether an RTFC (Renewable Transport Fuel Certificate – tradable certificates whose value is determined by the market which are awarded for the supply of renewable fuel) is issued.

More detailed information on the current RTFO (Renewable Transport Fuel Obligation) can be found at:

<http://www.dft.gov.uk/topics/sustainable/biofuels/rtfo/>

### **3.2. The Renewable Energy Directive**

The RED (Renewable Energy Directive) requires the UK to ensure that 15% of the energy used in electricity, transport, heating and cooling is from renewable sources in 2020. The RED (Renewable Energy Directive) also requires all Member States to ensure that the share of energy from renewable sources in all forms of transport is at least 10% in 2020.

If biofuels are to count towards the RED (Renewable Energy Directive) targets, they must meet minimum sustainability criteria. These criteria address issues such as the minimum GHG (greenhouse gas) savings delivered by biofuels and ensure that

biofuels are not produced from areas of high carbon stock or high biodiversity.

The RED (Renewable Energy Directive) also aims to incentivise the supply of biofuels produced from wastes, residues, non-food cellulosic material and ligno-cellulosic material. Such biofuels are counted twice towards the RED (Renewable Energy Directive) transport target.

### **3.3. The Fuel Quality Directive**

Article 7a of the FQD (Fuel Quality Directive) requires fuel and energy suppliers (principally those providing fuel and energy for land-based transport, and other non-road mobile machinery) to reduce the lifecycle GHG (greenhouse gas) intensity of the fuel/energy they supply by 6% per unit of energy by 2020.

This reduction target is relative to the EU average lifecycle GHG (greenhouse gas) emissions from fossil fuels in 2010 (still to be determined by the European Commission).

Suppliers must report on their performance (the total volume of each type of fuel/energy supplied and the associated lifecycle GHG (greenhouse gas) intensity) on an annual basis.

We propose to implement the FQD (Fuel Quality Directive which requires suppliers to reduce the lifecycle greenhouse gas (GHG) intensity of transport fuels), in part, through an amended RTFO (Renewable Transport Fuel Obligation - scheme obliging certain suppliers of liquid fossil fuel intended for road transport to supply a percentage of renewable fuel).

### **3.4. Links between the Renewable Energy Directive and the Fuel Quality Directive**

There are many links between the RED (Renewable Energy Directive) and the FQD (Fuel Quality Directive) in relation to the fuel used in transport.

Our analysis suggests that, given the practical constraints on the contribution of other sources of GHG (greenhouse gas) reduction in the timeframe to 2020, the reduction in GHG intensity of fuels required by the FQD (Fuel Quality Directive) will come largely from

the increased supply of the same sustainable biofuels that will simultaneously make up the majority of the renewable energy required to meet the transport target imposed by the RED (Renewable Energy Directive). We recognise that the two directives have a slightly differing scope (with the FQD (Fuel Quality Directive) not covering aviation). However, it has been our intention that implementing measures for these two Directives should mirror each other as far as possible which, in practice, means implementing them both through an amended RTFO (Renewable Transport Fuel Obligation) where possible.

More details on the implementation of Articles 7a to e of the FQD (Fuel Quality Directive), including the consultation carried out and responses received, can be found at:

<http://www.dft.gov.uk/consultations/dft-2011-04>

### **3.5. High level overview of proposals**

In our consultation on proposals to implement the RED (Renewable Energy Directive – which requires Member States to ensure that 10% of the energy used in transport is from renewable sources in 2020 and the introduction of mandatory sustainability criteria), we proposed a number of amendments to the current RTFO (Renewable Transport Fuel Obligation – the scheme obliging certain suppliers of liquid fossil fuel intended for road transport to supply a percentage of renewable fuel) to meet the transport-related requirements of the RED (Renewable Energy Directive). Most notably, we proposed to introduce the mandatory sustainability criteria specified in the RED (Renewable Energy Directive) and to introduce double rewards for biofuels made from wastes, residues, non-food cellulosic material and ligno-cellulosic material. Our approach regarding which materials will be considered wastes and residues under the amended RTFO (Renewable Transport Fuel Obligation) will be specified in guidance rather than in legislation. Which particular materials will be considered a waste or residue is an issue being considered by Government and will be addressed in a further consultation on RTFO (Renewable Transport Fuel Obligation) Guidance, to be published shortly.

Full details of all proposals can be found in the consultation document: <http://www.dft.gov.uk/consultations/dft-2011-05>

## 4. PART ONE: Responses to each question in the consultation

### 4.1. Renewable Transport Fuel Obligation Guidance

#### Summary of proposal

The proposed amendments to the RTFO (Renewable Transport Fuel Obligation - scheme obliging certain suppliers of liquid fossil fuel intended for road transport to supply a percentage of renewable fuel) were structured to provide a legislative framework; we proposed to retain and update existing RTFO (Renewable Transport Fuel Obligation) Guidance, verifiers' guidance and process guidance to provide the finer detail needed to comply with the RTFO (Renewable Transport Fuel Obligation).

#### 4.1.1. Question 1: Do you agree to the proposed approach to developing the RTFO (Renewable Transport Fuel Obligation) Guidance? If not, please can you explain why?

#### Summary of responses

Agree: 34  
Disagree: 7

#### Main messages from respondents

The majority of respondents agreed that this was an appropriate way forward, with two emphasising the need for a consistent approach across Member States.

Those few that disagreed comprised mainly environmental groups, two transport companies and members of the public.

#### Individual responses/detailed points

There were ten comments, mostly from biofuel producers and environmental groups that focussed on the need for clarity on what

the RTFO (Renewable Transport Fuel Obligation) Guidance would cover and how it would develop in the future.

Five comments, from obligated suppliers and a supplier representative group, requested more lead-in time before the obligation becomes mandatory, to give industry more time to adjust to the new requirements.

Five comments (from a biofuel interest group, a biofuel producer, an environmental group, an energy consultant and a member of the public) emphasised the need for the RTFO (Renewable Transport Fuel Obligation) Guidance to be open to public scrutiny. Three obligated suppliers asked for the detail to be set out in the RTFO Order<sup>2</sup> rather than the RTFO (Renewable Transport Fuel Obligation) Guidance and one biofuel producer stated that the RTFO (Renewable Transport Fuel Obligation) Guidance should be for detail only, not substantive changes.

A further four comments (from the marine industry) noted their concern over the impacts of our proposal on the marine industry and three regretted the lack of detail on criteria.

#### **4.1.2. Government Response: RTFO (Renewable Transport Fuel Obligation) Guidance**

On the basis of the responses received we will proceed with our approach to develop the RTFO (Renewable Transport Fuel Obligation) Guidance. The RTFO (Renewable Transport Fuel Obligation) Guidance covering process, carbon and sustainability and verification issues will be published for public consultation allowing public scrutiny and providing clarity on the proposed content and future development. Further sections will be developed and added to the Guidance as necessary. The RTFO (Renewable Transport Fuel Obligation) administrator will continue to work closely with stakeholders as guidance is developed.

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<sup>2</sup> The Renewable Transport Fuel Obligations Order 2007. The legislation establishing the Obligation, which it is proposed to amend to implement the Renewable Energy and Fuel Quality Directives.

Comments received regarding the timing of implementation are addressed in our response to questions 2 to 4.

## 4.2. Sustainability criteria

### Summary of proposal

To directly transpose the sustainability criteria set out in the RED (Renewable Energy Directive – which requires Member States to ensure that 10% of the energy used in transport is from renewable sources in 2020 and the introduction of mandatory sustainability criteria) into the RTFO (Renewable Transport Fuel Obligation – scheme obliging certain suppliers of liquid fossil fuel intended for road transport to supply a percentage of renewable fuel) amendment Order and only award Renewable Transport Fuel Certificates (RTFCs – tradable certificates whose value is determined by the market which are awarded for the supply of renewable fuel) once verified evidence has been provided that the sustainability criteria have been met.

Furthermore, we proposed to require suppliers to provide the additional sustainability information required in the RED (Renewable Energy Directive), ensuring that it is also verified to an adequate standard. However, the provision of this information would not be directly linked to the issuing of an RTFC (Renewable Transport Fuel Certificate).

### 4.2.1. Question 2: Do you agree that we have correctly transposed the Renewable Energy Directive sustainability criteria in Article 25 of the draft amendment Order?

#### Summary of responses

Yes:	32
No:	4

#### Main messages from respondents

There was general agreement that the criteria had been transposed correctly; however, there were twelve comments from biofuel producers, obligated suppliers and environmental groups

noting the urgency of finalising further sustainability work streams, related to highly biodiverse grasslands, contaminated land criteria, social impacts and ILUC (Indirect Land-Use Change is the indirect effects on land use resulting from the cultivation of biofuel feedstocks) as soon as possible.

Respondents also called for harmonisation across Member States when defining which feedstocks are classified as wastes and residues and that application of the sustainability criteria should be consistent across Member States.

### **Individual responses/detailed points**

A further four respondents (mainly biofuel producers), though agreeing we had transposed correctly, asked for more clarity (two asking for 'installation' to be defined in the Order).

### **4.2.2. Question 3: Do you have any comments you wish to make regarding how we have transposed the Renewable Energy Directive sustainability criteria?**

#### **Summary of responses**

Commented: 32

#### **Main messages from respondents**

Ten respondents, mainly from environmental groups, stated that it would be preferable for us to put more sustainability criteria into the amending Order than is required by the RED (Renewable Energy Directive). In particular, these respondents requested that we include further criteria on GHG (greenhouse gas) savings, social issues and ILUC (Indirect Land-Use Change).

In addition, six respondents (from across the supply chain) stressed the need for consistency in approach across Europe.

Eight requests (from six biofuel producers and two obligated suppliers) were made for the removal of the references to the meta-standard, stating that reference to this standard is no longer necessary as it is the RED (Renewable Energy Directive) sustainability criteria that are important.

### **4.2.3. Question 4: Do you have any views on alternative approaches to implementing the sustainability monitoring and verification in a least burdensome manner?**

#### **Summary of responses**

Commented: 31

#### **Main messages from respondents**

Twelve respondents (biofuel producers, obligated suppliers or representatives) stated that the requirement for data to be verified before RTFCs (Renewable Transport Fuel Certificates) were granted would incur extra costs and would be generally over burdensome for industry, though no indications or evidence of the scale of this additional burden were provided.

Seven respondents (two biofuel producers, four large obligated suppliers and a representative group) suggested that companies should only be responsible (and liable) for their own part of the biofuel supply chain. The same suppliers and representative group added that there should be a twelve-month 'bridging' period between the finalising and enforcement of the sustainability criteria, claiming that not having such a bridging period would cause difficulty for obligated suppliers owing to insufficient time between the sustainability criteria being set in the RTFO (Renewable Transport Fuel Obligation) Guidance and coming into force. Furthermore, the same respondents raised concerns regarding a potential lack of qualified verifiers in the UK (owing to UK experienced verifiers being needed elsewhere in Europe where there has not been previous verification). They suggested a 12-month period during which RED (Renewable Energy Directive) and non-RED compliant certificates should still be tradable. Two of those who made these comments repeated their desire for a bridging period when responding to questions related to proposed changes to carry-over provisions and administrative changes (see responses to questions 30 and 35).

Five (mostly obligated suppliers) commented that our proposed approach lacks flexibility for suppliers. Seven (mostly obligated suppliers but also two representing biofuel producers and one biofuel producer) commented that there should be more methods

for having ‘guaranteed certificates’ than just being a member of an EC (European Commission) approved Voluntary Scheme; one of these explicitly suggested that a UK Voluntary Scheme should be developed.

Four environmental groups warned that allowing voluntary or self-certification schemes would heighten the risk of non-compliance with the sustainability criteria.

#### **4.2.4. Government Response: Sustainability Criteria**

The RED (Renewable Energy Directive) does not allow Member States to unilaterally introduce new sustainability criteria. Moreover, the introduction of further sustainability criteria would be most effective if applied across Europe. The UK along with many other Member States has called on the European Commission to finalise the RED (Renewable Energy Directive) sustainability criteria as soon as possible so that they can be introduced into national renewable energy schemes.

The UK takes the issue of ILUC (Indirect Land-Use Change) seriously and we are continuing to encourage the European Commission to address this issue on a Europe-wide scale.

At the time that we launched the consultation on proposals to implement the RED (Renewable Energy Directive) there were a number of uncertainties regarding how certain parts of the sustainability criteria would be interpreted by other Member States. We have made clear our desire to ensure our implementation of the RED (Renewable Energy Directive) is harmonised with that of other Member States and continue to work with other Member States through the RED (Renewable Energy Directive) Concerted Action group and through our membership of the Renewable Fuels Regulators Club (REFUREC). We now have a better understanding of the approaches that will be taken by other Member States. As a result, for example, we are now able to provide a definition of installation in the amended RTFO Order (the legislation establishing the Renewable Transport Fuel Obligation).

We intend to retain references to the Meta Standard in the RTFO (Renewable Transport Fuel Obligation) Guidance which is now referred to as the “RTFO (Renewable Transport Fuel Obligation) Biofuel Sustainability Standard”; however, there will be no

requirement for suppliers to meet this standard, or indeed to report against the Meta Standard requirements. Suppliers may choose to use the Meta Standard to demonstrate compliance with the RED (Renewable Energy Directive).

Under the current RTFO (Renewable Transport Fuel Obligation), it is the owner of the renewable fuel as it crosses the duty point that is responsible for reporting on the sustainability of their fuel. We do not propose to change this arrangement as we introduce the RED (Renewable Energy Directive). We firmly believe that the fuel supplier, at the end of the supply chain, should have complete oversight of that supply chain and must ultimately be responsible for ensuring and demonstrating that the fuel they supply complies with the sustainability criteria.

The RED (Renewable Energy Directive) requires that only biofuels that meet the sustainability criteria can be counted towards a Member State's national renewable energy scheme (in the case of transport fuel in the UK that is the RTFO (Renewable Transport Fuel Obligation)) and the RED (Renewable Energy Directive) targets. In addition, all information related to the sustainability of biofuels must be verified. To ensure that the sustainability criteria are met, and to encourage suppliers only to supply sustainable biofuel in the UK, we believe that the best approach is to require verification of sustainability before awarding RTFCs (Renewable Transport Fuel Certificates) (though to provide some flexibility we have proposed to allow this verification throughout the year). We understand and appreciate the concerns that have been raised regarding our proposals; however, in the absence of evidence to support a better alternative we have decided to proceed with our current proposals.

We believe that many of the flexibilities biofuel producers and obligated suppliers are requesting regarding verification of sustainability will be addressed through the use of Voluntary Schemes. The European Commission is in the process of approving a number of these schemes, in consultation with Member States. The UK and other Member States have urged the European Commission to speed up the approval process and improve the transparency of the approval process. Details of those Voluntary Schemes that have been approved can be found at:

[http://ec.europa.eu/energy/renewables/biofuels/sustainability\\_schemes\\_en.htm](http://ec.europa.eu/energy/renewables/biofuels/sustainability_schemes_en.htm)

The UK is already late in transposing the requirements of the RED (Renewable Energy Directive) into national legislation. Under the RTFO (Renewable Transport Fuel Obligation), obligated suppliers were encouraged to report on the sustainability of the biofuels they supplied, with much of the required information being very similar to that set out in the RED (Renewable Energy Directive) sustainability criteria. Many suppliers have been able to provide this information and have that information verified, demonstrating that it is possible to supply sustainable biofuels. These companies will now be well placed to meet the requirements of the amended RTFO (Renewable Transport Fuel Obligation). In addition, many biofuel suppliers have assured us that their products will meet RED (Renewable Energy Directive) sustainability criteria and have raised concerns that further delay to implementation of the RED (Renewable Energy Directive) will undermine their investment in supplying sustainable biofuels. While we acknowledge the concerns raised by some obligated suppliers regarding the timing of implementation, it is imperative that we introduce the sustainability criteria as soon as possible. As such, we will proceed with our plans to implement the RED (Renewable Energy Directive) by 15 December 2011.

### **4.3. Verification and cross compliance**

#### **Summary of proposal**

Article 17(6) of the RED (Renewable Energy Directive) requires that biofuel feedstock cultivated in the European Union is grown in accordance with the cross compliance regime. We proposed to place a duty on the Secretary of State for Transport to keep under review the extent to which UK grown feedstocks are cultivated in accordance with the cross compliance regime and to keep under consideration whether further measures are necessary to meet the requirement of the RED (Renewable Energy Directive).

The consultation set out three options that we had considered to address cross compliance. These are summarised below to aid interpretation of the summary of responses.

### Option (a)

Require suppliers to provide a verifier's opinion that the relevant feedstocks have met the cross compliance requirements before an RTFC (Renewable Transport Fuel Certificate – tradable certificates whose value is determined by the market which are awarded for the supply of renewable fuel) is issued.

### Option (b)

Require suppliers to provide verified information on cross compliance on an annual basis and enable the RTFO (Renewable Transport Fuel Obligation – scheme obliging certain suppliers of liquid fossil fuel intended for road transport to supply a percentage of renewable fuel) administrator to revoke RTFCs (Renewable Transport Fuel Certificates) if that information does not confirm that cross compliance requirements have been met.

### Option (c)

Place a duty on the Secretary of State for Transport to keep the issue of cross compliance under review. The duty would be to keep under review the extent to which UK feedstocks are cultivated in accordance with the cross compliance regime and, if necessary, take measures to address any issues that arise.

#### **4.3.1. Question 5: Do you have information on the likely impacts to suppliers of approaches (a) and (b)?**

##### **Summary of responses**

Yes:	16
No:	16

##### **Main messages from respondents**

Nine respondents, mostly biofuel producers but also obligated suppliers and agricultural industry representatives, agreed that Options (a) and (b) are overly burdensome and would disadvantage UK biofuel producers.

Six respondents (four obligated suppliers and two biofuel producers) noted that the RED (Renewable Energy Directive) does not specifically require this cross-compliance information to be collected and reported on by suppliers.

### **Individual responses/detailed points**

Three respondents pointed out that Voluntary Schemes (schemes run by independent organisations that offer a route to providing assurance that biofuels meet certain sustainability criteria.) should (and often already do) report on the cross compliance issues. One of these stated that, as Voluntary Schemes already collect the data, Option (a) would be achievable.

One biofuel producer said that it could be possible for biofuel producers to supply verified information related to the cross compliance regime annually, i.e., option (b) could be possible.

### **4.3.2. Question 6: Does approach (c) (placing a duty on the Secretary of State for Transport to keep cross compliance under review) represent the best approach for implementing Article 17(6)?**

#### **Summary of responses**

Agree:	26
Disagree:	6

#### **Main messages from respondents**

The majority of respondents that provided an answer to this question agreed with our proposal to place a duty on the Secretary of State to keep under review the extent to which biofuel feedstock grown in the European Union complies with the cross compliance regime. Many commented that this approach would be the least burdensome and most practical approach.

Five respondents (biofuel producers, agricultural representatives and obligated suppliers) noted that cross compliance reporting is not required under the RED (Renewable Energy Directive). Some pointed out that it is the responsibility of the Department for Environment, Food and Rural Affairs to monitor the cross compliance regime and stated that they did not think it was appropriate for the Department for Transport to also monitor such compliance.

## Individual responses/detailed points

A large obligated supplier and small biofuel producer representative group stated that Option (c) could place extra burdens on UK biofuel producers compared to those in other Member States. The obligated supplier suggested that Option (c) should be extended to include feedstocks grown elsewhere in Europe.

An agricultural interest group pointed out that cross compliance is monitored as part of CAP (European Union's common agricultural policy) and, therefore, the Secretary of State for Transport should use this information to ensure criteria are being met.

A biofuel producer stated that if cross compliance is monitored at the high level suggested by Option (c), biofuel producers should be permitted to pre-verify their fuels in respect of other sustainability criteria. A small biofuel producer stated that Option (b) would not be overly burdensome and should be adopted.

### 4.3.3. Government response: Verification and cross compliance

As many respondents pointed out, though the RED (Renewable Energy Directive) requires that feedstock which is cultivated in the EU and rewarded by a national renewable energy scheme must be grown to criteria within the cross compliance regime, it does not require suppliers to report specifically on data related to this regime. However, the RED (Renewable Energy Directive) does require that raw materials cultivated in the European Union and used for the production of biofuels must be cultivated in accordance with the cross compliance regime if those biofuels are to be counted towards national renewable energy targets and the RED (Renewable Energy Directive) renewable energy targets.

On the basis of the responses received, we will proceed with our proposal to place a duty on the Secretary of State for Transport to keep under review the extent to which agricultural raw materials cultivated in the UK and used for the production of renewable transport fuel have been obtained in accordance with the cross compliance requirements. In practice, the Department for Transport will work with the Department for Environment, Food and Rural Affairs, and the Rural Payments Agency to assess the

level of compliance with the cross compliance regime; through this assessment the Department for Transport will determine whether any adjustments need to be made to the amounts of renewable energy supplied that are reported by the UK to the European Commission.

The Secretary of State for Transport will also have a duty to keep under review whether this measure is sufficient to meet the requirements set out in the RED (Renewable Energy Directive which requires Member States to ensure that 10% of the energy used in transport is from renewable sources in 2020 and the introduction of mandatory sustainability criteria).

## 4.4. Additional sustainability information

### Summary of proposal

The RED (Renewable Energy Directive) requires that suppliers provide additional sustainability information (on issues such as soil, water and air protection, the restoration of degraded land and social issues); this information is called “appropriate and relevant information”.

We proposed to require suppliers to provide this information on an annual basis and that the verification of this information is not linked to the issuing of an RTFC (Renewable Transport Fuel Certificate – tradable certificates whose value is determined by the market which are awarded for the supply of renewable fuel). This information would be required to be submitted to the RTFO (Renewable Transport Fuel Obligation) Administrator by 12 August following the end of an obligation period and failure to provide a verified report on the additional sustainability information would leave a supplier liable to a civil penalty of up to the lesser of £50,000 or 10% of turnover.

### 4.4.1. Question 7: Do you agree with our proposed approach for requiring information on the “appropriate and relevant information”?

#### Summary of responses

Agree:	20
Disagree:	16

## **Main messages from respondents**

Most respondents commented that no additional reporting should be necessary for suppliers operating under a Voluntary Scheme (schemes run by independent organisations that offer a route to providing assurance that biofuels meet certain sustainability criteria) approved by the European Commission.

Eight comments were made on the issue of de-linking the reporting of verified “appropriate and relevant information” and the award of RTFCs (Renewable Transport Fuel Certificates). Four respondents supported de-linking while two did not. A number of respondents also asked for clarity around what information would need to be reported.

## **Individual responses/detailed points**

One obligated supplier asked that the information expected should be explicitly set out as only that included in Commission Decision 2011/13/EU.

### **4.4.2. Question 8: Are there any other approaches that might be more appropriate?**

#### **Summary of responses**

Yes:	19
No:	10

## **Main messages from respondents**

The prevailing message from respondents was that whatever approach is decided on, it must be consistent across Europe. In addition, a number of respondents pointed out that under a Voluntary Scheme, no additional reporting will be necessary.

## **Individual responses/detailed points**

Two comments were made (by a biofuel producer and a biofuel producer representative group) that the additional sustainability information should be included in the standard sustainability declaration attached to each consignment of fuel to avoid the burden of having separate reporting.

Two large obligated suppliers and a supplier representative group requested a period of flexibility on the reporting of the “appropriate and relevant information” and for no penalties to be applied for failure to report while decisions were still being finalised regarding the exact nature of what information should be reported.

A comment from a small obligated supplier encouraged us to continue the current system of publishing details of company’s performance against the additional information without imposing additional verification or penalties while another, large obligated supplier, opposed the continuation of this practice

A heating representative group advised the UK to set up a national Voluntary Scheme to cover this additional information.

A biofuel producer representative organisation and one biofuel producer called on the Department to gather all “appropriate and relevant information” and report this to the European Commission.

#### **4.4.3. Government response: Additional sustainability information**

Article 2(1) of the draft amending Order inserts a definition of “additional sustainability information” into the RTFO Order (the legislation establishing the Renewable Transport Fuel Obligation) which mirrors the “appropriate and relevant information” referred to at article 18(3) of the RED (Renewable Energy Directive). This Article defines this information as being that set out in Commission Decision 2011/13/EU of 12 January 2011 on certain types of information about biofuels and bioliquids to be submitted by economic operators to Member States. As such, this information must be reported by suppliers to the UK.

The Commission Decision defines the “appropriate and relevant information” as consisting of a statement as to whether the consignment (batch) of biofuel has been certified under a Voluntary Scheme that has been approved by the European Commission and if it has, the name of that scheme. In addition, for biofuels not derived from wastes or residues, suppliers are required to state whether GHG (greenhouse gas) saving bonuses related to certain land criteria have been used in the calculation of the GHG emissions of the consignment of biofuel (as set out in

Annex V, part C, points 1, 7 and 8 of the RED (Renewable Energy Directive)) .

Therefore, the current draft Order requires suppliers to report whether a consignment of biofuel has been certified under a Voluntary Scheme and if so the name of that scheme as well as whether any of the GHG (greenhouse gas) saving bonuses related to certain land criteria. The draft Order also requires that this information is verified by an independent auditor. As such, we are only requiring suppliers to report and verify the information required under the RED (Renewable Energy Directive) and will therefore proceed with our proposal.

## **4.5. Verification of information — level of assurance**

### **Summary of proposal**

We propose that verification of sustainability information should be carried out to at least the International Standard on Assurance Engagements (ISAE) 3000.

### **4.5.1. Question 9: Do you agree that we should require verification to at least the ISAE 3000 standard of limited assurance?**

#### **Summary of responses**

Agree: 30  
Disagree: 3

#### **Main messages from respondents**

The vast majority of respondents agreed that the ISAE (International Standard on Assurance Engagements) 3000 standard should be used.

More information was requested by several respondents. Five respondents (three obligated suppliers, one biofuel producer and one representative organisation) asked for a list of approved verifiers and two of these also asked for a check list of “key points” that verifiers should check. One biofuel producer asked for a list of acceptable verification standards.

Two respondents (one obligated supplier and one representative organisation) requested that if an assessment has been made by another Member State that a batch of biofuel is compliant (and this information has been verified to a standard deemed acceptable by that Member State) that the RTFO (Renewable Transport Fuel Obligation) administrator should accept that verification.

Several obligated suppliers and a representative organisation requested that a clear and independent appeals process is established in order that suppliers are able to dispute non award/revocation of RTFCs (Renewable Transport Fuel Certificates – tradable certificates whose value is determined by the market which are awarded for the supply of renewable fuel) in circumstances where the RTFO (Renewable Transport Fuel Obligation) administrator deems the verification of information to be inadequate.

### **Individual responses/detailed points**

One obligated supplier noted that it would be important to take into account the views of auditors and verifiers and that representatives of these organisations should be consulted when developing the RTFO (Renewable Transport Fuel Obligation) Guidance.

One industry association representing biofuel producers noted that assurance and verification should not be required if biofuel is produced under a European Commission approved Voluntary Scheme.

### **4.5.2. Question 10: Are there any other suitable, or more appropriate, standards that we should consider?**

#### **Summary of responses**

Yes:	8
No:	20

#### **Main messages from respondents**

The majority of respondents either did not know of other suitable standards or did not suggest any suitable standards. In total eight other standards were suggested, these are detailed in Table 3

**Table 3. Suggested assurance standards**

Standard suggested	Description
ISO <sup>3</sup> 19011; 14065, 14064–3 ISO Guide 65	Various ISO standards related to conformity audits for environmental management systems, GHG (greenhouse gas) emission validation and verification, and product certification systems. <sup>4</sup>
AA1000/AA1000AS	AccountAbility’s AA1000 series are principles-based standards for helping organisations become more accountable, responsible and sustainable. The AA1000AS is a standard for assessing and strengthening the credibility and quality of an organisation’s social, economic and environmental reporting.
Global Reporting Initiative Reporting Framework	The Global Reporting Initiative (GRI) produces standards for sustainability reporting.
BS EN 45011 (1998)	This is a standard for bodies operating product certification systems.
ISO/IEC DIS 17065	ISO standard on the certification of products, services and processes and for the bodies providing these activities.
ISAE 3410	This is a proposed standard dealing with both limited and reasonable assurance engagements on GHG

<sup>3</sup> International Organisation for Standardisation

<sup>4</sup> These standards were referenced (along with the ISAE 3000 standard) in European Commission communication 2010/C 160/01 on Voluntary Schemes and default values in the EU biofuels and bioliquids sustainability scheme

	(greenhouse gas) reporting.
ISO 19011	ISO standard for quality management systems auditing and environmental management systems auditing.

### Individual responses/detailed points

One obligated supplier acknowledged that different verification standards could be used across Europe and that Member States must be responsible for determining which verification standards are appropriate.

Again it was pointed out that for fuels covered by Voluntary Schemes, no further assurance should be necessary.

#### 4.5.3. Government Response: Verification — level of assurance

The majority of respondents supported the ISAE (International Standard on Assurance Engagements) 3000 standard (even when others were suggested). We will continue with our proposal that reported information must be verified to meet the requirements of limited assurance as set out in ISAE (International Standard on Assurance Engagements) 3000, or to a similar level of verification.

We are mindful of the need to ensure consistency between the RTFO (Renewable Transport Fuel Obligation – scheme obliging certain suppliers of liquid fossil fuel intended for road transport to supply a percentage of renewable fuel) and the Renewables Obligation (the “RO” is a scheme to promote the supply of renewable electricity) in order that verifiers are able to work to standards that are acceptable across both schemes and as such this approach is in line with that taken under the Renewables Obligation for the verification of sustainability information for bioliquids.

We do not propose to publish a list of verifiers as it could be discriminatory against verifiers not on that list. However, the RTFO (Renewable Transport Fuel Obligation) Guidance will

provide more detail on the verification process, including how to appoint verifiers and the verification criteria.

In addition this Guidance will also provide details of the RTFO (Renewable Transport Fuel Obligation) enforcement regime, including details on the process that will be followed for non-award of RTFCs (Renewable Transport Fuel Certificates), revocation of RTFCs and appeals against enforcement decisions.

The UK supports the approach of mutual recognition in respect of sustainability across Europe. Consignments of biofuel assessed as sustainable by other Member States, outside of a Voluntary Scheme, will be treated in the same way as consignments of fuel supplied through Voluntary Schemes that have been approved by the European Commission. Fuel supplied through Voluntary Schemes that have not been approved by the European Commission will not automatically be accepted by the RTFO (Renewable Transport Fuel Obligation) Administrator.

We aim to assess verifiers' opinions within four weeks of receiving them and, if satisfactory, to issue RTFCs (Renewable Transport Fuel Certificates – tradable certificates whose value is determined by the market which are awarded for the supply of renewable fuel) at the next monthly issuing point thereafter.

#### **4.6. Determining who is obligated under the RTFO (Renewable Transport Fuel Obligation)**

##### **Summary of proposal**

We proposed to extend the RTFO (Renewable Transport Fuel Obligation) obligation such that all fuel suppliers (both fossil road transport fuel suppliers and biofuel suppliers) are obliged to register with the RTFO (Renewable Transport Fuel Obligation) administrator and report on the fuel they supply.

#### **4.6.1. Question 11: Do you agree with our assessment that amending the Renewable Transport Fuel Obligation such that all fuel suppliers are obliged to register with the RTFO administrator and report on the fuel they supply will not result in any significant impact? If not, please can you explain why?**

##### **Summary of responses**

Agreed: 27  
Disagreed: 3

##### **Main messages from respondents**

The vast majority of respondents agreed that there would be no significant impact to the industry if the RTFO (Renewable Transport Fuel Obligation) is extended such that all fuel suppliers are obliged to register with the RTFO administrator and report on the fuel they supply. Many respondents also commented on the need to ensure alignment of both the amended RTFO (Renewable Transport Fuel Obligation) and regulations implementing the FQD (Fuel Quality Directive which requires suppliers to reduce the lifecycle greenhouse gas (GHG) intensity of transport fuels).

Three comments (from two biofuel producers and an obligated supplier) explicitly supported publicly listing all parties registered with the RTFO (Renewable Transport Fuel Obligation).

There was support from obligated suppliers and a biofuel producer for retaining the obligation at the duty point though some respondents requested more clarity on how this arrangement works in practice for fuel supplied on a duty deferred or suspended basis. Furthermore we were asked by obligated suppliers and a biofuel producer to clarify how the obligation will work under the FQD (Fuel Quality Directive), especially for sole biofuel producers.

Three respondents representing the aviation industry encouraged us to include aviation in the RTFO (Renewable Transport Fuel Obligation).

## Individual responses/detailed points

One obligated supplier raised a concern that the impact could be significant on small suppliers but recognised that this approach would ensure greater compliance with the RED (Renewable Energy Directive) and FQD (Fuel Quality Directive).

One respondent (representing the agricultural sector) remarked that those entities that produce biofuel solely for their own use (i.e. do not supply into the market) should not be considered as an obligated party and therefore should not be caught by the amended RTFO (Renewable Transport Fuel Obligation).

### **4.6.2. Government Response: RTFO (Renewable Transport Fuel Obligation) obligation**

The majority support our assessment of the impacts. We will continue with our proposal to extend the RTFO (Renewable Transport Fuel Obligation) such that all fuel suppliers (both fossil road transport fuel suppliers and biofuel suppliers) are obliged to register with the RTFO administrator and report on the fuel they supply.

We will continue to actively update our published list of all parties that hold an RTFO (Renewable Transport Fuel Obligation) account, and continue to publish annually a list of those who are obligated.

We do not propose to make any changes regarding fuels that are supplied on a duty suspended or duty deferred basis under the RTFO (Renewable Transport Fuel Obligation). The RTFO will continue to apply to the owner of the fuel at the duty point. The RTFO Guidance will provide details on this issue.

As is the case under the current RTFO (Renewable Transport Fuel Obligation), biofuel producers of less than 2,500 litres of fuel per annum (who are not charged duty by HM Revenue and Customs) will continue to be exempt from the RTFO as will those who fall below the minimum threshold (see section 4.8 below).

## 4.7. Expanding the scope of the Renewable Transport Fuel Obligation to include fuels used in non-road mobile machinery

### Summary of proposal

We proposed to expand the scope of the RTFO (Renewable Transport Fuel Obligation) to include fuels used in non-road mobile machinery (NRMM)<sup>5</sup>. The consultation set out our preferred approach: to expand the scope of the RTFO (Renewable Transport Fuel Obligation) and adjust the percentage obligation levels such that the absolute volume of biofuel required to be supplied in the UK remained the same as that which would have been supplied by the current, unamended, RTFO (Renewable Transport Fuel Obligation).

The consultation set out three options that we had considered. These are summarised below to aid interpretation of the summary of responses.

### **Option A: Expand certification and obligation to cover fuel supplied for NRMM — keep RTFO (Renewable Transport Fuel Obligation) obligation levels the same**

Under this option biofuel supplied in NRMM fuel would be eligible to be counted towards an unchanged obligation level (percentage target). In practice, pursuing this option would lead to an increase in the absolute volume of biofuel supplied owing the same obligation level now applying to a larger volume of fossil fuel (via the inclusion of low sulphur gas oil).

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<sup>5</sup> “NRMM” is used to collectively refer to the FQD specified end uses, namely: road vehicles; non-road mobile machinery (including inland waterway vessels when not at sea); agricultural and forestry tractors; and recreational craft when not at sea

**Option B: Expand certification and obligation to cover fuel supplied for NRMM — adjust RTFO (Renewable Transport Fuel Obligation) obligation levels to ensure the same absolute volume of biofuel is supplied**

Under this option biofuel supplied in low sulphur gas oil for use in NRMM would be eligible to be counted towards an adjusted percentage target. The RTFO (Renewable Transport Fuel Obligation) obligation levels would be adjusted downwards so that the absolute volume of biofuel supplied is the same as that which would have been supplied had the obligation not been expanded to include low sulphur gas oil used in NRMM.

**Option C: Expand only certification to cover NRMM fuel — keep RTFO (Renewable Transport Fuel Obligation) targets the same and keep obligation on road fuel only**

Under this option biofuel supplied in low sulphur gas oil for use in NRMM would be eligible to be counted towards an unchanged RTFO (Renewable Transport Fuel Obligation) target. In practice, this option would not increase a supplier's obligation to supply biofuel but would reward any biofuel blended with low sulphur gas oil. Consequently, while the volume of biofuel required by the RTFO (Renewable Transport Fuel Obligation) would remain unchanged, suppliers might choose to supply biofuel blended with low sulphur gas oil which may lead to an overall increase in the absolute volume of biofuel supplied.

**4.7.1. Question 12: Do you agree with our proposal to pursue Option B, to expand the scope of the Renewable Transport Fuel Obligation to include fuels intended for use in NRMM but to revise the obligation levels?**

**Summary of responses**

Yes:	13
No:	30

**Main messages from respondents**

Sixteen respondents preferred Option A, ten preferred Option C and eight prefer our proposed Option B (note that while some

respondents said that they agreed with our proposed approach, they nevertheless stated a preference for a different option).

Ten respondents raised concerns over the possible lack of availability of biofuel free gas oil should we proceed with Option B.

Those who preferred Option A were almost all biofuel producers or associated companies. They stated that the RED (Renewable Energy Directive) sustainability criteria are sufficiently stringent to ensure that only sustainable biofuel is supplied and therefore the percentage obligation levels should not be lowered. The respondents warned that lowering the percentage obligation levels would harm investment in the UK biofuel industry, especially in advanced biofuels, and would reduce the likelihood of the UK attaining the 10% target in 2020.

Those respondents that preferred Option C were mostly obligated suppliers or retailers. They warned that under Options A and B the burden of the obligation would be spread unevenly across the industry and would not have a uniform effect because different fuel suppliers have different supply portfolios (i.e. some suppliers will see the overall volume of biofuel they are required to supply increase, while others' will decrease). Others commented that the proposal goes beyond the requirements of the RED (Renewable Energy Directive). Some remarked that, as there are currently no proposed interim GHG (greenhouse gas) reduction targets under the FQD (Fuel Quality Directive), it would not matter if there were fewer GHG (greenhouse gas) savings and Option C would mitigate the risk of biofuel free gas oil not being available. A comment was also made that Option C would allow the gas oil market to prepare for the introduction of biofuel and that the costs associated with this option are estimated to be lower.

Those respondents that preferred Option B comprised obligated suppliers, biofuel suppliers, environmental groups and members of the public. Their comments welcomed the implementation of the FQD (Fuel Quality Directive) through the RTFO (Renewable Transport Fuel Obligation) and agreed that a cautious approach to implementing the RED (Renewable Energy Directive) was required. Respondents also asked for future reviews into the volume levels obligated and expansion of the RTFO (Renewable Transport Fuel Obligation) into other end-uses.

Several respondents raised concerns regarding assumptions made in the Impact Assessment. In particular, respondents were concerned that the baseline was not representative and that we had incorrectly estimated the total volume of gas oil used in NRMM. Respondents were also concerned that the full effect of double counting of biofuels derived from biofuels derived from wastes/residues and interaction with the proposed expansion of the RTFO (Renewable Transport Fuel Obligation) scope was not taken into account.

### **Individual responses/detailed points**

An aviation company requested that aviation fuel is also obligated under the RTFO (Renewable Transport Fuel Obligation).

An environmental group stated that the RTFO (Renewable Transport Fuel Obligation) should only apply to aviation and shipping where there is no alternative to liquid fuel.

#### **4.7.2. Question 13: Do you agree with the assumptions made in our Impact Assessment that accompanies the proposal to expand the scope of the Renewable Transport Fuel Obligation? If not, are you able to provide additional evidence?**

### **Summary of responses**

Yes:	7
No:	13

### **Main messages from respondents**

The six respondents that agreed with the assumptions made in our Impact Assessment comprised one obligated supplier, one biofuel producer representative body, one biofuel producer, an energy provider and two respondents from the marine/inland waterway sector. One of these respondents commented that although they agreed with the assumptions, they felt that the results of the Impact Assessment suggested that Option C should be adopted. Another respondent suggested that the actual costs to the marine and inland waterway sectors could be higher than estimated in the Impact Assessment.

Those that did not agree comprised obligated suppliers, biofuel producers, fuel retailers and representative organisations from these sectors. These respondents provided a variety of comments which are summarised below:

- Queries were raised regarding price projections for biofuel and fossil fuel;
- Several respondents did not agree with our assumption that cost savings would be passed through to the consumer; however, one obligated supplier did support this assumption;
- Concerns were raised that the proposal would result in no biofuel free gas oil being available and that the impact of this action was not fully accounted for in the Impact Assessment;
- More information was requested on the assumptions and estimates made for the supply of gas oil for use in NRMM;
- Several respondents commented that our estimates of likely GHG (greenhouse gas) savings were too conservative;
- Respondents were concerned with some assumptions made in developing the baseline;
- Concern was raised regarding the interaction of the double counting of biofuels derived from wastes/residues and the expansion of the scope of the RTFO (Renewable Transport Fuel Obligation – scheme requiring suppliers of fossil fuel intended for road transport use to ensure to supply a percentage of renewable fuel);
- Some respondents commented that owing to incompatibility of NRMM equipment with biofuel, assumptions regarding use of biofuel in NRMM (road vehicles; non-road mobile machinery (including inland waterway vessels when not at sea); agricultural and forestry tractors; and recreational craft when not at sea) equipment were overly optimistic;
- Several respondents felt that the price of gas oil would increase when biofuel was blended into the fuel and that this increase was not adequately captured in the Impact Assessment; and

- One respondent felt that the impact on the rail industry had not been adequately accounted for and suggested that the predicted increase in cost of gas oil would lead to costs of around £8 million per year in the rail sector.

### **4.7.3. Question 14: What impacts (both desirable and perverse) does our proposal present?**

#### **Summary of responses**

Number of comments: 25

#### **Main messages from respondents**

Twelve respondents (mostly biofuel producers) warned that our proposal to keep the absolute volume of biofuels the same would reduce investor certainty in the UK biofuels industry. Many added that this would particularly hit the advanced biofuels industry.

Seven respondents from across the supply chain and a respondent with an interest in the marine/inland waterway sector mentioned the higher risk of biofuel free fuel not being supplied and emphasised that this would be problematic for the marine/inland waterway sector and also for operators of emergency generators. Concerns were raised regarding the additional housekeeping required for storage of fuel containing biofuel and the need for additional time to prepare for this change.

Two respondents reiterated their concerns about the non uniform impact that expansion of the RTFO (Renewable Transport Fuel Obligation) scope to include fuel used in NRMM would have.

Six respondents requested that the RTFO (Renewable Transport Fuel Obligation) be extended to include other end-uses including aviation, shipping and renewable electricity (including for traction purposes) in order to encourage investment in these areas.

Four respondents comprising biofuel producers and an obligated supplier felt that pursuing Option B could put the UK at risk of not meeting the RED (Renewable Energy Directive) 2020 target.

#### **4.7.4. Government response: Renewable Transport Fuel Obligation scope**

In our consultation on proposals to implement the FQD (Fuel Quality Directive), we proposed to implement the FQD (Fuel Quality Directive) in part through amendment of the RTFO (Renewable Transport Fuel Obligation).

While we are clear that there is a need to expand the scope of the RTFO (Renewable Transport Fuel Obligation) to ensure that the FQD (Fuel Quality Directive) is properly implemented, it is apparent from the responses that we need to consider further how best to expand the scope of the RTFO (Renewable Transport Fuel Obligation) into the NRMM (road vehicles; non-road mobile machinery (including inland waterway vessels when not at sea); agricultural and forestry tractors; and recreational craft when not at sea) sector. There was no consensus on the approach we should take on this issue. It is important that we make the right decisions when implementing the FQD (Fuel Quality Directive which requires suppliers to reduce the lifecycle greenhouse gas (GHG) intensity of transport fuels) through an amended RTFO (Renewable Transport Fuel Obligation), and it is apparent that the fuel supply industry and those within the NRMM sector need more time to prepare for this change.

As this stage, we do not propose to make any amendment to the RTFO (Renewable Transport Fuel Obligation) in respect of expanding the scope to include fuels used in NRMM.

#### **4.8. Minimum threshold**

##### **Summary of proposal**

At this stage we do not have a preferred option regarding any changes to the minimum threshold and seek consultees views on our Impact Assessment and the likely opportunities and impacts.

##### **4.8.1. Question 15: What would the impact be of removing the minimum threshold?**

##### **Summary of responses**

Commented: 23

## Main messages from respondents

We received sixteen comments from biofuel producers, obligated suppliers and groups representing transport users stating that removing the minimum threshold would increase costs to small/medium sized businesses. A further thirteen comments, made by a similar spread of respondents, suggested that removing the minimum threshold would also increase the burden on the RTFO (Renewable Transport Fuel Obligation) administrator.

## Individual responses/detailed points

One biofuel producer said removal of the minimum threshold would lead to an increase in the amount of biofuel supplied with another pointing out that this could lead to an increase in GHG (greenhouse gas) savings as more biofuel (and less fossil fuel) is supplied.

Another biofuel producer thought that it would reduce the amount of biofuel being used, making the target more difficult to reach.

One small obligated supplier thought that the trading of RTFCs (Renewable Transport Fuel Certificates) would increase as smaller obligated suppliers would need to meet the obligation but not have the infrastructure to blend themselves.

A biofuel producer stated that it would level the playing field across all biofuel producers while another thought it could create unfair competition.

### **4.8.2. Question 16: Would there be any significant advantages to raising the minimum threshold to the Renewable Transport Fuel Obligation?**

#### Summary of responses

Yes:	8
No:	7

## Main messages from respondents

Opinion was divided between those respondents who answered this question. Seven respondents (mainly biofuel producers) identified that an increase to the minimum threshold would lead to

reductions in costs/burdens on small/medium sized businesses and that the proposals were only likely to have minimal impact on the overall level of GHG (greenhouse gas) reduction. Several respondents commented that there would also be an increased risk of suppliers evading the obligation through splitting their operations into smaller companies that fell below the obligation threshold.

Nine comments (mostly from biofuel producers but also from two obligated suppliers) pointed out that raising the minimum threshold would reduce the burden on the RTFO (Renewable Transport Fuel Obligation) administrator.

### **Individual responses/detailed points**

One biofuel producer commented that while increasing the minimum threshold would result in small administrative savings, it would reduce the visibility of small scale biofuel production facilities/companies.

One obligated supplier commented that raising the threshold could reduce the burdens associated with non compliance for small companies that are not part of the mass fuel market; this supplier continued to say that raising the threshold could allow the RTFO (Renewable Transport Fuel Obligation) administrator to be more targeted in their approach to enforcement/compliance while having little effect on the overall impact of the RTFO (Renewable Transport Fuel Obligation – scheme requiring suppliers of fossil fuel intended for road transport use to ensure to supply a percentage of renewable fuel) and GHG (greenhouse gas) savings delivered.

Another obligated supplier suggested that 5 million litres would be a more appropriate minimum threshold and that this level of threshold would likely exclude fossil fuel additive suppliers from the RTFO (Renewable Transport Fuel Obligation) scheme.

One trade organisation representing the agricultural sector argued that an increase in the minimum threshold would be welcomed and would encourage local or onsite fuel production, while another trade organisation representing biofuel producers stated that this approach would be a backward step for regulation aimed at increasing the volume of biofuel supplied in the UK.

### **4.8.3. Question 17: Would there be any perverse impacts of raising the current minimum threshold?**

#### **Summary of responses**

Yes: 9  
No: 5

#### **Main messages from respondents**

Nine respondents (both biofuel producers and obligated suppliers) raised concerns that raising the minimum threshold might lead to loopholes being encouraged when importing biofuel cargoes. For example, a supplier could import from many different companies therefore avoiding the obligation. Respondents believed that such action would distort the market and disadvantage obligated suppliers that were not exploiting this potential loophole. Biofuel producers also raised concerns that raising the threshold would lead to a decrease (though small) in the overall volumes of biofuel supplied, which would consequently lead to missed opportunities for GHG (greenhouse gas) savings.

#### **Individual responses/detailed points**

An obligated supplier raised concerns that if the minimum threshold is applicable to both fossil fuel suppliers and biofuel producers (through extension of the RTFO (Renewable Transport Fuel Obligation) such that both fossil fuel and biofuel suppliers are required to report to the RTFO (Renewable Transport Fuel Obligation) administrator) raising the minimum threshold might discourage small biofuel producers from starting businesses, especially those who could be considering producing biofuel from wastes and residues.

### **4.8.4. Question 18: Do you have any comments on the accompanying Impact Assessment?**

#### **Summary of responses**

Yes: 3  
No: 15

## Main messages from respondents

Three respondents provided comments on the accompanying Impact Assessment. Two representing the maritime and inland waterways sectors were concerned that the Impact Assessment did not fully take into account the potential additional burden on their sectors. However, both these respondents agreed that the cost impacts already provided to the Department and included in the Impact Assessment are probably the best estimate that can be used at the moment.

One respondent, representing fuel distributors, was disappointed that social impacts were not examined.

### 4.8.5. Question 19: Do you have any further evidence you would like us to consider?

#### Summary of responses

Yes:	6
No:	11

## Main messages from respondents

A supplier representative and three obligated suppliers stated that the Department should set a minimum level and/or mechanism to ensure that additive suppliers and any other companies that clearly are not fossil fuel suppliers are excluded from the obligation as they are not intended to be targeted by the RTFO (Renewable Transport Fuel Obligation).

#### Individual comments

One obligated supplier commented that, if the potential loophole (of having a multitude of imports just under the threshold level) is closed, a threshold of 5 million litres could be a better compromise.

Another obligated supplier commented that we have not tried to account for the physical resource potential of, or likely proportion of the obligation that will be met by, wastes and residues. The supplier suggested that, to date, the limiting factor for making progress on sustainability standards has been the lack of benchmarked standards, traceability standards and tools for land use verification.

#### 4.8.6. Government response: Minimum threshold

In our consultations on proposals to implement the RED (Renewable Energy Directive) and FQD (Fuel Quality Directive) we explained that we wished to seek information on the likely opportunities and impacts of possible changes to the RTFO (Renewable Transport Fuel Obligation) minimum threshold. In particular, the FQD (Fuel Quality Directive) does not make any allowance for a minimum threshold.

Through the consultation exercise we have received some useful comments. While we do not currently propose to make any changes to the RTFO (Renewable Transport Fuel Obligation) minimum threshold, we will keep this issue under review.

### 4.9. Partially Renewable Fuels

#### Summary of proposal

We propose to remove the specific list of renewable fuels which may count towards a supplier's obligation to supply renewable transport fuel in article 5(3) of the RTFO Order (the legislation establishing the Renewable Transport Fuel Obligation). Instead the Order will allow the renewable part of any transport fuel derived from biological sources and for use in road vehicles to be eligible for an appropriate number of RTFCs (Renewable Transport Fuel Certificates).

#### 4.9.1. Question 20: Do you agree with our proposal to allow the renewable part of any transport fuel to be eligible for Renewable Transport Fuel Certificates?

#### Summary of responses

Agree:	40
Disagree:	1

#### Main messages from respondents

The majority of respondents agreed with our proposal to allow the renewable part of any transport fuel (for use in road vehicles) to be eligible for RTFCs (Renewable Transport Fuel Certificates).

Five respondents (three biofuel producers, one representative group and one obligated supplier) stated that the Department should publicise this proposal so that it is widely known and taken advantage of. Three of the same group commented that the UK should use the UK's average level of renewable electricity rather than the EU-wide average when assessing the contribution of renewable electricity to the RED (Renewable Energy Directive) targets.

Three obligated suppliers and a biofuel producer supported the proposal, believing it would encourage investment in advanced biofuels.

Two companies from the aviation industry stated that they agreed with the proposal as long as transport fuel extends to include aviation fuel.

Only one respondent, from the aviation industry, disagreed with our proposal and instead requested that the scope of the RTFO (Renewable Transport Fuel Obligation– scheme requiring suppliers of fossil fuel intended for road transport use to ensure to supply a percentage of renewable fuel) was expanded such that biokerosene for use in aviation could be eligible for RTFCs (Renewable Transport Fuel Certificates).

### **Individual responses/detailed points**

One obligated supplier emphasised that all RTFCs (Renewable Transport Fuel Certificates), whether from a double counted biofuel or not, should be considered the same.

A respondent from an energy think-tank thought that renewable electricity should be included under the RTFO (Renewable Transport Fuel Obligation).

### **4.9.2. Government response: Partially Renewable Fuels**

The vast majority of respondents supported this proposal. We will continue with our proposal to expand the RTFO (Renewable Transport Fuel Obligation) such that all renewable liquid/gaseous fuels of biological origin that are for use in road vehicles are eligible for RTFCs (Renewable Transport Fuel Certificates) and thus eligible to be counted towards discharging the obligation.

The Department is currently conducting a scoping exercise to inform the development of a sustainable framework for UK aviation. In March 2011 the Department published a scoping document which seeks views from interested parties, including the aviation industry, environmental organisations and other interest groups, on a range of strategic aviation issues including the role of sustainable biofuels in aviation<sup>6</sup>. Responses to the scoping document will inform the Government's sustainable framework for UK aviation, which is due to be published March 2012. The responses will also feed into our work on biofuels trajectories after 2014.

The Renewable Fuels Agency, as RTFO (Renewable Transport Fuel Obligation) administrator, had a legislative duty to promote the RTFO (Renewable Transport Fuel Obligation). When the Department for Transport assumed the role of RTFO (Renewable Transport Fuel Obligation) administrator, we also assumed the role of promoting the RTFO (Renewable Transport Fuel Obligation); as such we have updated the biofuels related parts of our website and will continue to keep these up to date with information related to the RTFO (Renewable Transport Fuel Obligation).

## **4.10. Renewable hydrogen**

### **Summary of proposal**

We do not propose any amendment to the RTFO (Renewable Transport Fuel Obligation) to allow renewable hydrogen to be eligible for RTFCs (Renewable Transport Fuel Certificates) at this time and propose to keep this issue under review.

#### **4.10.1. Question 21: Do you have information you would like to share regarding how renewable hydrogen should be counted towards Renewable Energy Directive targets in the future?**

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<sup>6</sup> <http://www.dft.gov.uk/consultations/dft-2011-09>

## Summary of responses

Yes: 11  
No: 19

## Main messages from respondents

Five obligated suppliers, a supplier representative and three biofuel producers commented that it is important that we wait for the European Commission proposals to be published to ensure that policy is applied across Europe. Indeed, some of these respondents noted that the European Commission were in the process of consulting on the issue of renewable hydrogen at the same time as our consultation was running.

Several respondents raised the point that suppliers of renewable hydrogen must prove, with verified evidence, the sustainability of the renewable hydrogen that they supplied and the associated lifecycle GHG (greenhouse gas) emissions and that this reporting should be in line with the requirements set out for other renewable fuels such as biofuels and bioliquids.

## Individual comments

A methane fuel producer asked that we ensure that hydrogen does not receive unfair subsidy, i.e. if the hydrogen is produced using wind power, which is subsidised, then this subsidy should be taken into account.

A biofuel producer pointed out that as there is no assessment of hydrogen in the Impact Assessment, it should not be considered as contributing to the 2020 target.

An academic think tank thought it surprising that hydrogen was being considered at this time as they believed that renewable electricity will be many times more significant in the period to 2020.

A transport advisory body thought we needed to provide a framework to promote hydrogen vehicles, fuels and technology.

A biofuel producer commented that if the UK moved to an energy based RTFO (Renewable Transport Fuel Obligation), then renewable hydrogen should be counted on the basis of its energy density and that if the UK retains a volume based RTFO (Renewable Transport Fuel Obligation) then, in order that

renewable hydrogen is properly accounted for, there will need to be a conversion factor in place to account for the amount of hydrogen supplied in volume terms.

A hydrogen producer was positive about the inclusion of hydrogen in the RTFO (Renewable Transport Fuel Obligation – scheme requiring suppliers of fossil fuel intended for road transport use to ensure to supply a percentage of renewable fuel) and made three points:

- The Department should publish a timetable for considering the inclusion of hydrogen in the RTFO (Renewable Transport Fuel Obligation) which commits to including hydrogen in the RTFO (Renewable Transport Fuel Obligation) as soon as is practical after the Commission has published their methodology.
- Low carbon hydrogen is currently very expensive to produce. However, if RTFCs (Renewable Transport Fuel Certificates – tradable certificates whose value is determined by the market which are awarded for the supply of renewable fuel) were granted for any hydrogen where renewable or low carbon hydrogen is also provided it would begin to provide the economies of scale necessary. This could be further stimulated by mandating an ever increasing percentage of renewable hydrogen supplied by hydrogen producers.
- Where hydrogen is being produced as a by-product of industrial processes it should be considered renewable.

One respondent foresaw two possible uses for renewable hydrogen in the transport sector and suggested that this renewable hydrogen would be best produced from bio-syngas. The respondent suggested that renewable hydrogen could be used directly in fuel cell equipped vehicles or used as a substitute for mineral/fossil derived hydrogen that is used in the production of transport fuels including advanced biofuels. The respondent suggested that renewable hydrogen produced from bio-syngas should qualify for double reward under the RED (Renewable Energy Directive) provided that the hydrogen was produced from waste biogas.

## 4.10.2. Government response: Renewable Hydrogen

There is interest in the production and use of renewable hydrogen and respondents were clear that it is important to ensure rules regarding the accounting of renewable hydrogen under the RED (Renewable Energy Directive) are robust and harmonised across Europe.

The European Commission has recently completed a consultation regarding how renewable hydrogen should be counted under the RED (Renewable Energy Directive) and Article 3 of the RED (Renewable Energy Directive) requires the European Commission to present (if appropriate) a methodology for calculating the contribution from renewable hydrogen to the RED (Renewable Energy Directive) targets by the end of 2011.

Taking into account the comments received, we will proceed with our proposal to keep this issue under review and as such will not, for the time being, allow renewable hydrogen to count towards the RTFO (Renewable Transport Fuel Obligation). However, this issue will be kept under review, especially given the requirement for the European Commission to consider how the contribution from renewable hydrogen could be accounted.

## 4.11. Partially Renewable Fuels

### Summary of proposal

We proposed that the renewable fraction of a partially renewable fuel that is eligible for RTFCs (Renewable Transport Fuel Certificates) would be determined by reference to the total standard energy content of the fuel that originated from renewable sources. We proposed that for those partially renewable fuels that are listed in Annex III of the RED (Renewable Energy Directive), the renewable fractions listed would be used and for all other partially renewable fuels the appropriate energy content would need to be determined.

### 4.11.1. Question 22: Is the proposed approach to determining the renewable fraction of a partially renewable fuel suitable?

## Summary of responses

Yes: 23

No: 6

## Main messages from respondents

Most of those who commented agreed with our proposal. Those that did not were mainly biofuel and advanced biofuel producers and were principally concerned about how the renewable parts of such fuels would be counted.

In total, six respondents were concerned about the use of the carbon-14 ratio as a physical test for renewable fractions of partially renewable fuels that are not listed in Annex III of the RED (Renewable Energy Directive). Four respondents specifically requested that a detailed example of how such a methodology would work should be set out in the RTFO (Renewable Transport Fuel Obligation) Guidance.

An obligated supplier suggested that suppliers not only determine the fraction attributable but also set default values for pathways and two obligated suppliers and an obligated supplier representative group suggested that small amounts of non renewable fuel should be ignored in order to reduce burden.

Alternative suggestions put forward were to:

- move to an energy based system;
- normalise ether energy by the alcohol energy it is replacing;
- use a mass balance approach for well known/characterised processes;
- consider the carbon footprint of the non renewable fractions of the fuel; and
- allow suppliers to determine the fraction attributable and set default values for pathways.

## 4.11.2. Question 23: Are there any other approaches that we should consider?

### Summary of responses

Yes: 16  
No: 6

### Main messages from respondents

Two energy interest groups suggested that we should consider a mass balance approach, taking into account the various feedstocks that are used when producing partially renewable fuels.

Two companies involved in the biofuel industry suggested that the renewable ether energy content should be normalised relative to the alcohol it is replacing; this approach would compensate for the different energy densities of fuels which are not recognised under a volume based scheme.

A large obligated supplier commented that we should consider any other approach that minimises the burden on industry.

Two companies involved in biofuel production thought that an energy based obligation would be better than a volume based obligation.

Three biofuel producers and a large obligated supplier considered that defaults for common processes across the UK would be most appropriate.

In total six respondents suggested that the RTFO (Renewable Transport Fuel Obligation) should become an energy-based scheme in order that the energy densities of different fuels are accounted for. One respondent commented that if the RTFO (Renewable Transport Fuel Obligation) remains a volume based scheme, then the method used to determine the renewable fraction of partially renewable fuels should be based on a volumetric measurement to ensure consistency.

A biofuel producer thought any measures that reduced the reporting burden for producers of partially renewable fuels should be considered.

### **4.11.3. Government response: Fractions of partially renewable fuels**

We have considered the comments received and understand the concerns raised regarding the energy densities of different fuels. In order to minimise impact on industry as we implement the RED (Renewable Energy Directive), we had proposed to retain the RTFO (Renewable Transport Fuel Obligation) as a volume-based obligation.

However, it is clear that determining what fraction of a partially renewable fuel was derived from renewable sources by using the energy ratios of the inputs would disadvantage some partially renewable fuels and we do not wish to disincentivise the use of these fuels.

As such, we propose that the renewable fraction of a partially renewable fuel is determined on a volume basis.

This approach mirrors that taken in the predecessor Directive to the RED (Renewable Energy Directive) (Article 2(2) of Directive 2003/30/EC) “on the promotion of the use of biofuels or other renewable fuels for transport” (which was recently repealed by the RED (Renewable Energy Directive)).

The percentage of any fuel that comes from wastes or residues (whether this is agricultural or non-agricultural), ligno-cellulosic or non-food cellulosic material will also be determined on a volume basis.

This approach will ensure that the RTFO (Renewable Transport Fuel Obligation) remains a volume-based obligation.

For those fuels for which a relevant percentage is listed in Article 2(2) of Directive 2003/30/EC we will include those percentages for renewability in the RTFO Order (the legislation establishing the Renewable Transport Fuel Obligation). We will set out a methodology for calculating the renewable percentage fraction of other fuels in the RTFO (Renewable Transport Fuel Obligation) Guidance.

## 4.12. Fatty acid methyl ester

### Summary of proposal

The current RTFO (Renewable Transport Fuel Obligation) treats fatty-acid-methyl-ester<sup>7</sup> (FAME) as being wholly renewable, we do not propose any substantive changes to the current RTFO (Renewable Transport Fuel Obligation) in respect of FAME (fatty-acid-methyl-ester), i.e., the amended RTFO (Renewable Transport Fuel Obligation) will consider FAME (fatty-acid-methyl-ester) to be wholly renewable.

### 4.12.1. Question 24: Do you agree with the proposed approach that FAME (fatty-acid-methyl-ester) should continue to be treated as a wholly renewable fuel? If you do not agree with this proposal, please can you explain why?

#### Summary of responses

Yes: 23

No: 6

#### Main messages from respondents

The majority of respondents agreed with the proposal to continue to count FAME (fatty-acid-methyl-ester – a type of biofuel) as wholly renewable.

Three respondents (a biofuel producer, a producer representative and an agricultural sector representative group) emphasised the importance of treating FAME (fatty-acid-methyl-ester) consistently across Europe. Two comments (from a fuel distributor representative group and a maritime interest group) focussed on the need for FAME (fatty-acid-methyl-ester) to only be considered renewable when it complies with the sustainability criteria.

Those that disagreed with our proposal (two bioethanol producers, one organisation representing fuel distributors, a member of the public, an environmental advisory body and an energy interest

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<sup>7</sup> A type of biofuel

group) stated that it was not appropriate to continue to consider FAME (fatty-acid-methyl-ester) as wholly renewable and that such action would continue to disincentivise the use of renewable methanol in the production of FAME (fatty-acid-methyl-ester).

### **Individual responses/detailed points**

Two comments from biofuel producers suggested that, as FAME (fatty-acid-methyl-ester) can be produced using renewable methanol, this should be promoted through some kind of incentive policy.

An environmental advisory body and an agricultural sector representative agreed that we should treat FAME (fatty-acid-methyl-ester) the same as other Member States but that the issue should be reconsidered at the European level as treatment of FAME (fatty-acid-methyl-ester) as a wholly renewable fuel is at odds with the concept of partially renewable fuels.

### **4.12.2. Question 25: Do you agree that our proposal is consistent with the approaches of other Member States and will reduce the potential for market distortions?**

#### **Summary of responses**

Yes: 24

No: 4

#### **Main messages from respondents**

The majority of those respondents that answered this question agreed that our proposal is consistent with that of other Member States. However, several asked for this issue to be kept under review.

Of the four respondents that disagreed, one stated that they did not know the position of other Member States and two commented that the proposed approach would lead to market distortions owing to FAME (fatty-acid-methyl-ester) being considered wholly renewable while other similar partially renewable fuels (such as some hydrolysed vegetable oils and fatty-acid-ethyl-ester) are not.

## Individual responses/detailed points

One biofuel producer representative organisation, commented that all Member States consider FAME (fatty-acid-methyl-ester) as wholly renewable and that this was also the situation in non-EU countries that use biodiesel.

One energy interest group raised the issue of the RTFO (Renewable Transport Fuel Obligation) remaining as an energy based scheme; in particular, the respondent was concerned that this action would result in market distortions owing to the different energy densities of renewable fuels. A biofuel producer stated that our proposed approach would reduce the potential for market distortions.

### 4.12.3. Government response: FAME (fatty acid methyl ester)

As respondents clearly stated, it is important that our approach is consistent with that taken by the European Commission and the other Member States. On that basis, we will proceed with our proposal to consider biodiesel produced from FAME (fatty-acid methyl-ester – a type of biofuel) as wholly renewable under the RTFO (Renewable Transport Fuel Obligation – scheme requiring suppliers of fossil fuel intended for road transport use to ensure to supply a percentage of renewable fuel).

## 4.13. Non-biodegradable renewable feedstocks

### Summary of proposal

We proposed to allow non-biodegradable, renewable feedstocks to be eligible for reward under the RTFO (Renewable Transport Fuel Obligation).

### 4.13.1. Question 26: Do you have any evidence/comments to make regarding the benefits of allowing non-biodegradable feedstocks to count towards meeting the Renewable Transport Fuel Obligation targets?

## Summary of responses

Yes: 20  
No: 13

### Main messages from respondents

The majority of respondents made no comments; however, of those that did, some biofuel companies and interest groups supported the use of residues, waste and other sustainable advanced generation feedstocks for renewable energy and agreed that this proposal would open up opportunities for biofuels and energy produced from waste streams. However, one environmental interest group was cautious that this development should not come at the expense of other measures to reduce GHG (greenhouse gas) emissions from transport.

One obligated supplier and supplier representative group considered that the proposals went beyond the minimum requirements of the RED (Renewable Energy Directive) and as such should not be pursued.

Several obligated suppliers commented that it is important to align transposition of the RED (Renewable Energy Directive which requires Member States to ensure that 10% of the energy used in transport is from renewable sources in 2020 and the introduction of mandatory sustainability criteria) and the FQD (Fuel Quality Directive which requires suppliers to reduce the lifecycle greenhouse gas (GHG) intensity of transport fuels) and noted that in this instance, the Department had proposed different approaches for implementation of the Directives.

### Individual responses/detailed points

A biofuel producer representative organisation felt that non-biodegradable feedstocks should not be counted on the basis these fall outside of the spirit of the RED (Renewable Energy Directive) definition of renewable fuels. A biofuel producer stated that biofuels made from renewable but non-biodegradable feedstocks should be allowed to count towards meeting the RTFO (Renewable Transport Fuel Obligation) targets.

One agricultural representative organisation suggested that the concept of biodegradable feedstocks is an issue that has arisen

following an error in defining renewable fuel under the RED (Renewable Energy Directive) and that there is incorrect correlation of biodegradable and renewable; the organisation suggested that the Department should encourage this issue to be addressed at a European level to ensure consistency with the RED (Renewable Energy Directive) and across Member States.

One biofuel producer noted that while the proposal offered a practical solution, it was not aligned with the proposals for implementing the FQD (Fuel Quality Directive).

Two respondents (one biofuel producer and one biofuel producer representative organisation) suggested that the Department was looking for ways to increase the supply of renewable energy without increasing the supply of biofuels.

#### **4.13.2. Question 27: Do you agree with our proposed approach? If not, why?**

##### **Summary of responses**

Yes:	12
No:	11

##### **Main messages from respondents**

Those respondents that agreed with our proposed approach comprised biofuel producers, obligated suppliers, biofuel interest groups and an aviation company. Most commented that the proposed approach would reduce the burden on industry.

Those respondents that disagreed with our approach comprised obligated suppliers and their representative organisations and biofuel producers and their representative groups. These reiterated comments that the proposal went beyond the minimum required by the RED (Renewable Energy Directive) and that the approach would not be consistent with that proposed under the FQD (Fuel Quality Directive).

##### **Individual responses/detailed points**

One respondent from the aviation industry supported the proposal, but commented that the continued exclusion of the aviation sector from the RTFO (Renewable Transport Fuel Obligation) prevents a

level playing field for aviation and road transport in terms of developing a low carbon economy.

One respondent that supported the proposal raised concerns that it would result in less renewable energy being supplied by the UK against the RED (Renewable Energy Directive) target and that this issue would be exacerbated by the retention of a volume based obligation.

A biofuel producer and biofuel producer representative group reiterated their comments that the Department was looking for ways to increase the supply of renewable energy without increasing the supply of biofuels.

One obligated supplier commented that differentiating between biodegradable and non-biodegradable feedstocks would be difficult and could not be achieved by the carbon-14 method physical testing method that can be used to assess the renewable portion of a partially renewable fuel.

A biofuel producer stated that the biodegradability of a material is irrelevant for fuels and that it is more important, from an environmental perspective, that the fuel is made from renewable materials.

#### **4.13.3. Government response: Non-biodegradable renewable feedstocks**

Opinion is divided on this issue and it is clear that respondents wish to see consistency in transposition of the RED (Renewable Energy Directive) and FQD (Fuel Quality Directive) in respect of non-biodegradable feedstocks.

Some respondents acknowledged that our proposed approach to allowing biofuel produced from non-biodegradable feedstock to be counted towards the RTFO (Renewable Transport Fuel Obligation) would reduce burden on industry.

With this in mind, we will continue with our proposal to allow biofuels produced from non-biodegradable feedstock to be eligible for award of RTFCs (Renewable Transport Fuel Certificates).

Under our proposals, fuel suppliers will be able to count biofuel produced from renewable non-biodegradable feedstocks towards

discharging their obligation under the RTFO (Renewable Transport Fuel Obligation) (providing that those feedstocks meet the relevant sustainability criteria); however, the UK will not be able to count biofuel produced from non-biodegradable feedstocks towards meeting the RED (Renewable Energy Directive) targets. As such, the Department will need to undertake an assessment of how much biofuel produced from non-biodegradable feedstock is supplied in the UK so that we are able to properly demonstrate how much RED-compliant renewable fuel has been supplied.

## 4.14. Buy-out recycling

### Summary of proposal

We proposed to end the recycling of the buy-out fund. Instead we proposed that any buy-out fund will be sent to HM Treasury; as a consequence we would remove the facility to surrender certificates.

#### 4.14.1. Question 28: Do you agree with our proposal to end the recycling of the buy-out fund? If not, please can you explain why?

### Summary of responses

Agree: 12  
Disagree: 17

Three respondents neither disagreed nor agreed with the proposals. Their comments focussed on the need to consider ethical principles when evaluating the policy; to ensure redistribution functions are effective; and to assess secondary impacts across all areas of the supply chain before a decision is made. Their comments have been taken into account when considering all responses though not in the numbers above.

### Main messages from respondents

Obligated suppliers, a supplier representative group, a biofuel producer trade association and a biofuel producer agreed with the proposal to end buy-out recycling but little explanation of why was provided.

Biofuel producers, producer representative groups, agricultural sector representative bodies, and others suggested that arguments for ending recycling of any buy-out fund were weak and that ending recycling sent the wrong message if the Government wished to support sustainable biofuels.

One biofuel producer thought that the recycling element was essential to ensure that there is no bias towards end users and obligated suppliers in comparison to biofuel producers.

Several respondents suggested that the recycling function was retained, but in an amended format. Some respondents suggested that any buy-out fund should be recycled in a manner that incentivised the supply of more sustainable biofuels such as those that are double counted under the RED (Renewable Energy Directive). One respondent suggested that the buy-out price is reviewed to ensure compliance with the RTFO (Renewable Transport Fuel Obligation).

#### **4.14.2. Government response: Buy-out recycling**

Under normal market conditions, buy-out is not expected; however, we will keep the buy-out mechanism (including the buy-out price) under review.

Should a buy-out occur, it is not expected that the extra incentive to supply biofuel provided by the recycling mechanism would be sufficient to affect agricultural commodity prices. The volumes of feedstock involved in the RTFO (Renewable Transport Fuel Obligation) alone are thought to be too small to significantly affect the prices of globally traded agricultural commodities. Based on this analysis, and taking into account the comments received during the consultation, we do not propose to make any changes, at this stage, to the current buy-out recycling functions.

We note the comments made regarding the way in which any buy-out fund is recycled. We are minded to use the buy-out revenues to support the production of waste-derived or advanced biofuels. Subject to state aid approval which may be required from the European Commission, we will introduce the necessary amendments to the RTFO Order (the legislation establishing the Renewable Transport Fuel Obligation), in due course.

In the mean time, any buy-out fund that is accumulated will continue to be recycled as before.

## **4.15. Carry over of Renewable Transport Fuel Certificates**

### **Summary of proposal**

We proposed to restrict carry over of RTFCs (Renewable Transport Fuel Certificates) from the current RTFO (Renewable Transport Fuel Obligation) scheme into the amended RTFO (Renewable Transport Fuel Obligation) scheme, such that only those RTFCs (Renewable Transport Fuel Certificates) awarded for fuels that can be demonstrated to meet the RED (Renewable Energy Directive) sustainability criteria can be carried over (i.e. a verifier's opinion must be provided to demonstrate compliance with the RED sustainability criteria and in respect of the additional sustainability information).

### **4.15.1. Question 29: Will the proposed approach to the carry through of Renewable Transport Fuel Certificates from the current Renewable Transport Fuel Obligation to the amended Renewable Transport Fuel Obligation cause any unintended consequences?**

#### **Summary of responses**

Yes:	4
No:	18

## Main messages from respondents

Those who thought there would be unintended consequences comprised a biofuel producer, two biofuel producer representative groups and a respondent with an interest in trading RTFCs (Renewable Transport Fuel Certificates). The main concern related to the timing of the ending of the current excise duty differential for biofuel derived from used cooking oil and the introduction of double counting of waste-derived biofuel. Our proposals result in a short period from 15 December 2011 to 31 March 2012 where both incentives will be operational. The respondents were concerned that having two incentives in place for used cooking oil-derived biofuel would undermine investment in other sustainable biofuels.

Those who did not think there would be any unintended consequences comprised biofuel producers, obligated suppliers, and groups representing the agricultural sector. Five of these respondents (all obligated suppliers) emphasised how crucial they view the carry-over provisions to be.

Three respondents (comprising obligated suppliers and a representative group) commented that good guidance and an updated ROS<sup>8</sup> IT system would be important to effectively implement this approach.

### **4.15.2. Question 30: Does our proposed approach to the carry over retain sufficient flexibility whilst ensuring compliance with the sustainability criteria?**

#### Summary of responses

Yes:	19
No:	2

Three respondents did not answer question 30, but did provide some useful comments. Their comments have been taken into

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<sup>8</sup> Renewable Transport Fuel Obligation operating system. The IT system used to administer the obligation.

account when considering all responses to question 30 but not included in the numbers above.

### Main messages from respondents

The majority of respondents that answered this question agreed that our proposal retained sufficient flexibility whilst ensuring compliance with the RED (Renewable Energy Directive) sustainability criteria. One biofuel producer remarked that it was very important to have this flexibility during the transition period but that it would, nonetheless, be a difficult time.

One obligated supplier and an obligated supplier representative group did not agree that the proposal retained sufficient flexibility. Their comments focussed on the difficulties that will arise from moving to mandatory sustainability reporting and requested that suppliers are given more time to adjust to the new RTFO (Renewable Transport Fuel Obligation). In particular, these respondents were concerned that because verification of sustainability can take some time, suppliers might not know with certainty that the fuels they have supplied meet the RED (Renewable Energy Directive) sustainability criteria until after the end of the 2011/2012 obligation period which may result in the need to buy-out part of the 2011/2012 obligation.

Six respondents stressed the need for details of the sustainability criteria to be published as soon as possible. Three respondents raised the issue of double incentives for used cooking oil-derived biofuel in the period 15 December 2011 to 31 March 2012 and requested that the removal of the excise duty differential for used cooking-derived biofuel occurs at the same time that double counting of waste-derived biofuel is introduced.

Several obligated suppliers asked for a one year transitional period where all biofuel supplied would be awarded RTFCs (Renewable Transport Fuel Certificates) irrespective of the sustainability of that biofuel.

These suppliers made an alternative suggestion for the transition arrangements of:

- RTFCs (Renewable Transport Fuel Certificates) awarded for all biofuels that are supplied in the period 15 December 2011 to 14 April 2012; any biofuels made from wastes/residues

that are to be double counted must meet the RED (Renewable Energy Directive) sustainability criteria;

- No restriction on carry over of RTFCs (Renewable Transport Fuel Certificates) from 2011/2012 obligation period to 2012/2013 obligation period in respect of sustainability;
- From December 2012 RTFCs (Renewable Transport Fuel Certificates) only awarded for biofuel that meets the RED (Renewable Energy Directive) sustainability criteria; and
- Only RTFCs (Renewable Transport Fuel Certificates) awarded for fuel that meets the RED (Renewable Energy Directive) sustainability criteria can be carried over from the 2012/2013 obligation period to the 2013/2014 obligation period.

#### **4.15.3. Question 31: What would the impact be of not allowing any carry over from the current Renewable Transport Fuel Obligation to the amended Renewable Transport Fuel Obligation?**

##### **Summary of responses**

Commented: 20

##### **Main messages from respondents**

Nineteen out of the twenty comments made on this question stated that not allowing any carry over of RTFCs (Renewable Transport Fuel Certificates) awarded under the current RTFO (Renewable Transport Fuel Obligation) to the amended RTFO (Renewable Transport Fuel Obligation) would increase costs and decrease flexibility.

In addition, two obligated suppliers and a supplier representative organisation thought that there should be no limit to the number of certificates that can be carried over, conversely, one obligated supplier recommended that the current carry over limit should be retained.

Two respondents (one biofuel producer and one obligated supplier) made suggestions regarding the “shelf life” of RTFCs

(Renewable Transport Fuel Certificates). The obligated supplier suggested that RTFCs should remain valid in perpetuity for redemption against any obligation; the biofuel producer suggested that all RTFCs have a 12 month “shelf life”. These suggestions were made because the respondents had concerns regarding potential RTFC (Renewable Transport Fuel Certificate) market distortions towards the end of RTFO (Renewable Transport Fuel Obligation) obligation periods as some RTFCs become too old to be carried over into the new obligation period or surrendered to the RTFO (Renewable Transport Fuel Obligation) administrator in order to gain access to any buy-out fund that might be recycled.

#### **4.15.4. Government response: Carry over**

The main concerns raised by respondents regarding our proposals for carry over of RTFCs (Renewable Transport Fuel Certificates) related to the timing of implementation of the RED (Renewable Energy Directive). The UK is already late in transposing the RED (Renewable Energy Directive) and any further delay to implementing the RED (Renewable Energy Directive) will undermine investments that have been made to produce and supply sustainable biofuel.

Under the current RTFO (Renewable Transport Fuel Obligation), obligated suppliers have been encouraged to supply sustainability information that is very similar to that required by the RED (Renewable Energy Directive) and many suppliers have been able to provide this information and have that information verified. When the RED (Renewable Energy Directive) is implemented those UK suppliers that have invested in ensuring their biofuels will meet the mandatory sustainability criteria introduced under the RED (Renewable Energy Directive) and FQD (Fuel Quality Directive) will be well placed to benefit from the RTFO (Renewable Transport Fuel Obligation) post implementation.

We have considered the alternative suggestion put forward by several obligated suppliers and do not believe that this approach is compatible with the requirements of the RED (Renewable Energy Directive). Article 17(1) of the RED (Renewable Energy Directive) specifically requires that all biofuels counted towards national renewable energy obligations (of which the RTFO (Renewable Transport Fuel Obligation) is the UK’s national renewable energy obligation) must meet the RED (Renewable Energy Directive) sustainability criteria. As such, RTFCs (Renewable Transport Fuel

Certificates) must only be awarded for the supply of fuel that meets the sustainability criteria.

Taking into account the responses received and the need to put in place mandatory sustainability criteria, we will proceed with our proposals regarding carry over of RTFCs (Renewable Transport Fuel Certificates).

## 4.16. Civil Penalties

### Summary of proposal

We proposed to alter the basis under which a supplier must provide information such that suppliers would be required to provide information that is 'accurate' rather than 'accurate to the best of the supplier's knowledge and belief' (as at present); consequently, suppliers may be liable for a civil penalty if they provide information that is inaccurate.

#### 4.16.1. Question 32: Do you have any comments on our proposed changes (altering the basis for a supplier being liable for a civil penalty)?

### Summary of responses

Yes: 13  
No: 4

### Main messages from respondents

A majority of obligated suppliers called for proposals which were consistent, and not exceeding, the existing provisions under the 'Motor Fuels (Composition & Content) Regulations' (Paragraph 8(3)). These regulations do not have a paragraph 8(3); however, we believe the respondents intended to refer to Article 8(3) of the current RTFO Order (the legislation establishing the Renewable Transport Fuel Obligation), which states that the information provided must be 'accurate to the best of the account holder's knowledge or belief'. Taking this assumption to be correct, seven obligated suppliers argued for keeping the existing wording.

Three respondents felt that the proposal was proportionate.

## Individual comments

One obligated supplier suggested that the current provision (that information is accurate to the best of the supplier's knowledge and belief) should at least remain for two years to reduce the burden on suppliers that must cope with the other changes being made through the RED (Renewable Energy Directive).

One biofuel producer and an obligated supplier thought that the current wording should remain because the term 'accurate' is a more absolute term that the process of limited assurance can deliver — the supplier pointed out that an unintended consequence of this is that suppliers would be conservative on their reporting, thereby penalising "better" biofuels (i.e. suppliers might be encouraged to report conservatively on GHG (greenhouse gas) savings leading to better biofuels being penalised).

One obligated supplier and a biofuel producer thought that it should be made clear, in the RTFO Order (the legislation establishing the Renewable Transport Fuel Obligation), that deliberate inaccuracy will be penalised, and that this should then be enforced.

One biofuel producer commented that requiring information to be accurate did not seem consistent with a limited assurance approach to auditing and verification. Another commented that suppliers can only provide information regarding sustainability within the limits of the science surrounding the accuracy of information in the supply chain and as such it is not appropriate to increase the burden of proof on suppliers.

### 4.16.2. Government response: Civil Penalties

As we move from a system of voluntary sustainability reporting to mandatory sustainability reporting we need a more robust system to ensure the integrity of sustainability reporting and to prevent fraudulent reporting.

It is important to note that under our proposed change a supplier still has open to it the defence that the supplier or other person took reasonable steps to ensure the information reported was accurate, or in circumstances where the inaccuracy became known, that the supplier acted swiftly to correct it.

Additionally, this provision mirrors the requirements of the RED (Renewable Energy Directive) that a supplier must obtain a verifier’s opinion that the systems used by the supplier to derive the sustainability information are ‘accurate, reliable and protected against fraud’.

Given the need to ensure the environmental integrity of the amended RTFO (Renewable Transport Fuel Obligation) we will continue with our proposal that suppliers be required to report information that is “accurate” rather than “accurate to the best of the supplier’s knowledge and belief”.

## **4.17. Imposing a new civil penalty and extension of time related to notification of the reporting of inaccurate information**

### **Summary of proposal**

We proposed to introduce a liability for a penalty for suppliers failing to submit a verifier’s opinion on the additional sustainability information (see section 4.4 above).

We also propose to extend the time within which a supplier has to inform the administrator of inaccurate information from 5 to 20 days.

### **4.17.1. Question 33: Do you have any comments on these proposed changes?**

#### **Summary of responses**

Yes: 14

No: 5

#### **Main messages from respondents**

The proposal to extend the time limit from 5 to 20 days was supported by ten respondents comprising obligated suppliers and biofuel producers. However, one of these suppliers believed that the proposal would disadvantage UK suppliers in comparison to other European suppliers; this supplier suggested that a voluntary approach for reporting the additional sustainability information

should be adopted until there is an EU-wide common approach for reporting this data.

Two comments were received regarding the proposal to introduce a civil penalty for failure to supply the additional sustainability information. One biofuel producer believed that the introduction of this civil penalty went beyond the spirit of the RED (Renewable Energy Directive) and would impose additional and unnecessary burdens on industry. One biofuel producer representative group commented that imposing civil penalties for not reporting this additional information would be disproportionate and believed that it is the Member States' responsibility to obtain these data.

### **Individual comments**

One biofuel producer pointed out that no additional reporting should be necessary for fuel supplied under a Voluntary Scheme.

An obligated supplier thought that it is important that the additional information is not lost during the usually long (8 months) process of verifying and auditing and data.

### **4.17.2. Government response: reporting of inaccurate information**

The RED (Renewable Energy Directive) explicitly requires Member States to ensure that suppliers report the required “appropriate and relevant” information that is termed “additional sustainability information” in the draft amending Order. Section 4.4 sets out our proposed approach for requiring this information. In order to properly enforce this obligation, we believe it is appropriate to introduce a civil penalty for failure to supply the required additional sustainability information.

European Commission Decision 2011/13/EU defines “appropriate and relevant” information as a statement as to whether or not a consignment of biofuel has been produced under the auspices of a Voluntary Scheme, whether the GHG (greenhouse gas) bonus for degraded land and whether GHG (greenhouse gas) savings factor related to soil carbon accumulation (as set out in Annex V, part C, points 1, 7 and 8 of the RED (Renewable Energy Directive)) have been used in the calculation of GHG (greenhouse gas) emissions. Therefore, a supplier must state either that the biofuel was produced under the auspices of a Voluntary Scheme and provide

the name of that scheme, or that the biofuel was not produced under the auspices of such a scheme. In addition, suppliers will be required to provide information as to whether the bonus and GHG (greenhouse gas) savings for carbon accumulation mentioned above have been used. It is the failure to submit any information at all in respect of this reporting requirement that will result in a civil penalty. Further details on this issue will be addressed in the RTFO (Renewable Transport Fuel Obligation) Guidance.

As such, we will proceed with our proposal to introduce a new civil penalty regarding failure to provide verified additional sustainability information.

The majority of respondents that provided comments agreed with our proposal to increase the amount of time a supplier is permitted to inform the RTFO (Renewable Transport Fuel Obligation) administrator that it has become aware that information supplied is not accurate. Taking into account the comments received, we will proceed with this proposal.

## **4.18. Administration — key dates in the administrative process**

### **Summary of proposal**

We proposed to introduce a final date for application for RTFCs (Renewable Transport Fuel Certificates – tradable certificates whose value is determined by the market which are awarded for the supply of renewable fuel) (and the submission of verified information related to the additional sustainability information). We proposed that this final date for application is 120 days after the end of an obligation period, i.e., the 12th August immediately following the obligation period.

### **4.18.1. Question 34: Do you agree that 120 days after last day of an obligation period is sufficient for a supplier to provide a verifier's opinion on any remaining data for that year (and apply for Renewable Transport Fuel Certificates)?**

## Summary of responses

Yes: 17  
No: 4

### Main messages from respondents

Generally, obligated suppliers and biofuel producers agreed that 120 days after the last day of an obligation period would be a sufficient amount of time for a supplier to provide a verifier's opinion. However, one obligated supplier added that this was dependent on the understanding that verification could happen on a continual basis throughout the year. Another thought the deadline would be difficult for larger suppliers.

Those that did not agree were two smaller obligated suppliers, an obligated supplier representative group and a respondent with an interest in RTFC (Renewable Transport Fuel Certificate) trading.

### Individual responses/detailed points

A supplier representative group requested that we provided more information on the circumstances in which the administrator would use its discretion to extend the 120 days and requested that there is some flexibility, at least for the first year, as suppliers, verifiers and the administrator get used to the new system (this comment, focussing on verifiers, was echoed by another supplier).

One large obligated supplier commented that, when a batch of biofuel has been verified, the decision to award RTFCs (Renewable Transport Fuel Certificates) for that batch should only be changed retrospectively where deliberate fraud has taken place. Furthermore, the awarding of certificates should happen within 30 days of the verifier's positive opinion.

## 4.18.2. Question 35: Do you have any other comments on the proposed changes to key administrative dates?

### Summary of responses

Yes: 9  
No: 16

## Main messages from respondents

On verification, four obligated suppliers (or a supplier representative organisation) were concerned over the possible lack of verifiers available during the transition period and one commented that there should be no reporting requirement for data before verification. A biofuels producer stated that RTFCs (Renewable Transport Fuel Certificates) should be automatically accepted once a verifier has approved, regardless of the reporting period. An obligated supplier stated that verification before certification is unnecessarily costly and restrictive.

On revocation, one obligated supplier stated that though they supported revocation this should only occur after annual verification is completed so as to give flexibility to compliant traders but a substantial penalty to non-compliant suppliers.

A large obligated supplier requested that a timetable is set out stating the reporting, verification submission and RTFC (Renewable Transport Fuel Certificate) award obligations.

An agricultural representative mentioned that implementing on the 15 December 2011 (as planned) is very late considering the new crop year starts on 1 July, while an obligated supplier supported this implementation date. Furthermore, more clarity was requested on what exactly grain and feed growers are obligated to do and what the documentary requirements are for suppliers.

One respondent requested that the new system is aligned with the current RTFO (Renewable Transport Fuel Obligation) timing rather than December while another simply noted that the RED (Renewable Energy Directive) and FQD (Fuel Quality Directive) accounting periods should be aligned.

In relation to our proposal to remove the duty of the RTFO (Renewable Transport Fuel Obligation) administrator to report to Parliament, one obligated supplier commented that the requirement for Member State reporting should be met at Member State level and not at obligated supplier level.

### **4.18.3. Government response: Key administrative dates**

The majority of respondents that provided comments on this issue agreed with the proposal that 120 days after the end of an obligation period was a sufficient timeframe for a supplier to provide a verifier's opinion. We will continue with this proposal.

We have noted the concerns raised regarding the need for flexibility during the transition from a voluntary to a mandatory sustainability regime.

Under the current RTFO (Renewable Transport Fuel Obligation), obligated suppliers have been able to provide verified information on the sustainability of the biofuels that they have supplied. The RED (Renewable Energy Directive) is explicit in requiring sustainability information to be verified by an independent auditor and therefore we will proceed with our proposals regarding verification.

The RTFO (Renewable Transport Fuel Obligation) Guidance will explain the detail of the reporting and verification requirements as well as a timeline for these processes and the award of RTFCs (Renewable Transport Fuel Certificates). There will be a consultation on the RTFO (Renewable Transport Fuel Obligation) Guidance to ensure that the views of industry are sought and taken into account.

Guidance will also include information on the processes that will be followed should the Administrator need to revoke RTFCs (Renewable Transport Fuel Certificates).

## **4.19. Impact Assessment**

We asked a general question regarding the Impact Assessments that accompanied the consultation document. Received responses/comments are summarised below.

### **4.19.1. Question 36: Do you agree the Impact Assessment correctly identifies the economic impacts?**

## Summary of responses

Yes: 4  
No: 19

## Main messages from respondents

The following comments were received:

- The Impact Assessments do not take into account the social impacts of increased biofuel use;
- GHG (greenhouse gas) emission savings are not correct/representative (some respondents claimed that the estimates used were too conservative, while others argued that they were too optimistic);
- Several respondents commented on the fuel price projections used in the Impact Assessments and requested that more up-to-date data were used that reflected the current fuel supply mix and the decline in fuel supply that has been observed recently
- Many respondents provided comments on our Impact Assessment that considered the expansion of the scope of the RTFO (Renewable Transport Fuel Obligation) to include fuels used in NRMM (road vehicles; non-road mobile machinery (including inland waterway vessels when not at sea); agricultural and forestry tractors; and recreational craft when not at sea); some respondents suggested that we had overestimated the size of the NRMM market and others were concerned that the impact of double reward of wastes was not properly accounted when considering the issue of NRMM fuel;
- Several respondents commented that the Impact Assessments did not take into account the benefits of sustainable biofuel production in the UK;
- Two respondents did not agree with assumptions that cost savings would be passed through to consumers;
- Several biofuel producers that supply biofuel derived from used cooking oil raised concerns that the Impact

Assessments did not fully consider the impact of the removal of the current excise duty differential for used cooking oil-derived biofuel;

- One respondent commented that there is no assessment of the impact of the UK failing to meet the RED (Renewable Energy Directive) targets while others requested that the potential impacts of non compliance with the RTFO (Renewable Transport Fuel Obligation) were quantified and assessed.

In addition, respondents provided further evidence related to:

- The costs associated with verification
- High level information on the likely impacts of expanding the scope of the RTFO (Renewable Transport Fuel Obligation) to include fuels used in NRMM (non-road mobile machinery)
- Poor coordination between different incentives for bioenergy
- The impact of double counting of biofuels derived from wastes/residues and the removal of the excise duty differential for used cooking oil-derived biofuel.

#### **4.19.2. Government response: Impact Assessment**

##### **Social impacts due to increased biofuel use**

It is expected that lower volumes of crop-derived biofuel will be supplied due to double certification of waste-derived biofuel (see Impact Assessment 5). Social standards relating to biofuel production are expected to improve due to sustainability criteria being introduced (see Impact Assessment 1). Unfortunately no additional evidence has been provided and so, at this time, we are unable to factor any further impacts into our assessments.

##### **GHG (greenhouse gas) impacts**

The estimated GHG (greenhouse gas) savings used in the RED (Renewable Energy Directive) Impact Assessments are based upon actual carbon savings reported under the RTFO (Renewable Transport Fuel Obligation). The final Impact Assessments take

into account the most recent publicly available data<sup>9</sup>. Potential indirect emissions have not been taken into account due to a lack of robust evidence.

### **Benefits of sustainable UK biofuel production**

The Impact Assessments acknowledge that the introduction of sustainability criteria — which require more sustainable biofuel production — may benefit UK producers (who employ more sustainable practices) and bring economic benefits to the UK. It has not been possible to monetise this potential impact.

### **Fuel prices and fuel supply mix**

Fuel prices are based upon the current Department of Energy and Climate Change oil price scenarios. Fuel supply mix projections have been updated in the final Impact Assessments to reflect the most recent National Transport Model assumptions.

### **Non Road Mobile Machinery**

The NRMM analysis is currently under review so we can more fully take into account the concerns raised in response to Questions 12 – 14 of this consultation. Please see the Government Response at Section 4.7.4 for further discussion of this issue.

### **Cost pass-through**

Costs incurred by suppliers (due to the RTFO (Renewable Transport Fuel Obligation – scheme requiring suppliers of fossil fuel intended for road transport use to ensure to supply a percentage of renewable fuel) are assumed to be passed through to final consumers of road transport fuel as the transport fuel supply market is assumed to be highly competitive. Anecdotal evidence on low UK refining profit margins lends support to this assumption.

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<sup>9</sup> Department for Transport website - <http://www2.dft.gov.uk/pgr/statistics/datatablespublications/biofuels/>; RFA (Renewable Fuels Agency) website (archived) - <http://webarchive.nationalarchives.gov.uk/2011061511445/http://renewablefuelsagency.gov.uk/carbon-and-sustainability/rtfo-reports>

## **Used cooking oil duty differential**

The most recently available RTFO (Renewable Transport Fuel Obligation) data shows the impact of the temporary 20ppl duty differential for used cooking oil-derived biodiesel on supply figures. This data has now been used to inform the analysis of the impact of double certification of used cooking oil-derived biodiesel.

## **Target compliance**

The Impact Assessments are based on the assumption that obligated suppliers comply with the RTFO (Renewable Transport Fuel Obligation). As is usual practice for Impact Assessments, no assessment of potential failure to comply with the RTFO (Renewable Transport Fuel Obligation) has been undertaken.

Similarly, no assessment of the UK failing to meet the RED (Renewable Energy Directive) 10% transport target has been undertaken.

## **5. PART TWO: General responses**

The vast majority of respondents did not provide specific answers to the questions posed in the consultation. Instead, these respondents provided generalised comments. These comments are summarised here and have been taken into account when developing the Government's Response to the consultation process.

### **5.1. Campaign responses**

The campaigns organised by biofuelwatch and ActionAid, summarised in 2.1, raised concerns about the social and environmental sustainability of biofuels. These campaigns encouraged members of the public to respond to the consultation and generated a number of responses from individual members of the public to the consultation raising similar points to those in the campaigns.

These general comments about the social and environmental sustainability of targets for the supply of biofuel have been carefully considered and taken into account alongside the specific responses to the questions asked in the consultation.

#### **5.1.1. ActionAid campaigns**

ActionAid organised multi-medium campaigns, members of the public were encouraged to send written comments to the Department on a pre-printed post card and comments were gathered from members of the public through the use of short messaging service (text) messages.

##### **Post card responses**

In total, 2473 post cards were received from members of the public. A representative sample of 572 post cards were analysed in order to understand the issues raised as part of that campaign. ActionAid called for biofuel targets to be scrapped and members of the public were invited to make their own comments in addition to the ActionAid message. Table 4 summarises the main concerns raised by members of the public.

**Table 4. Main concerns raised through the ActionAid post card campaign**

Issue raised	% Respondents raising this issue <sup>10</sup>
Biofuels policies increase poverty in developing countries and increase land grab	28
No issues stated (other than those raised directly by ActionAid)	21
Impact on developing countries	15
Impact on food prices and availability	12
Environmental benefits of biofuels are misunderstood (concern regarding the full GHG (greenhouse gas) emissions not being accounted owing to poor understanding of indirect effects)	11
Other reasons	8
Alternatives to biofuel targets are needed	6
Support for sustainable biofuels	<1

### Short messaging service responses

A total of 1655 responses were received. All responses called for biofuel targets to be scrapped. Table 5 summarises the other issues raised by respondents (all responses were analysed; note that some respondents raised multiple issues/concerns and some simply called for “ACTION” to be taken to scrap biofuel targets).

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<sup>10</sup> Note that percentages have been rounded to the nearest integer percentage.

**Table 5. Short messaging service responses**

<b>Issue raised in addition to scrapping biofuels targets</b>	<b>Number of respondents raising issue</b>
Biofuels lead to increased poverty in developing countries	556
Biofuels compete with food	296
Biofuels policies lead to land grab in developing countries	441
Concerns raised about the sustainability of biofuels	20
Cultivation of feedstocks for biofuels leads to deforestation	40

### **Letters and emails**

The Department received 103 emails and 38 letters as part of the ActionAid campaign which were considered alongside consultation responses. These responses called for the Government to discourage the use of biofuels by scrapping targets and look for alternative ways to reduce emissions, in particular applying new sciences and fuel technologies. The responses raised concerns regarding the impact of biofuel policy on:

- food availability;
- land grab in developing countries;
- indirect GHG (greenhouse gas) emissions and climate change; and
- deforestation.

#### **5.1.2. Biofuelwatch campaign**

Biofuelwatch is a volunteer - led organisation that aims to increase awareness of the negative impacts of biofuels policies. Biofuelwatch encouraged members of the public to respond to the consultation. A total of 303 e-mail responses were received.

Respondents raised concerns regarding the impact of biofuel policy on:

- food prices/availability;
- land grab in developing countries;
- indirect GHG (greenhouse gas) emissions (ILUC (Indirect Land-Use Change));
- human rights in developing countries;
- biodiversity.

All respondents called for biofuel targets to be scrapped.

## **5.2. General responses outside of campaigns**

Outside of the formal structure of the consultation questionnaire, respondents offered comments on both the wider debate around the sustainability of biofuels, and on the operation of an amended RTFO (Renewable Transport Fuel Obligation) scheme to implement the RED (Renewable Energy Directive). These comments were taken into account when analysing the responses to specific questions and are summarised in the sections below.

### **5.2.1. Members of the public**

Table 6 summarises the issues on the use of biofuels raised by members of the public.

**Table 6. Issues raised by Members of the Public**

<b>Issue raised on use of biofuels</b>	<b>Number raising the issue</b>
Biofuels cause deforestation	12
Biofuels worsen food availability and raise food prices	20
Biofuel policies lead to land grab	19
Biofuels result in adverse health impacts	1
Biofuels do not lead to GHG (greenhouse gas) emission savings and contribute to climate change	13
Biofuels increase poverty in developing countries	6
Government should consider other ways to reduce GHG (greenhouse gas) emissions from transport	5
Biofuels targets should be scrapped	17

### **5.2.2. General Responses from companies, interest groups and other bodies**

General responses that were made by groups, bodies and companies (rather than individuals) covered a wide range of issues. We have summarised them below and have taken them into account when considering our response to specific questions.

#### **Environmental groups**

- Biofuels do not reduce GHG (greenhouse gas) emissions compared to fossil fuels in the long term.
- Biofuels are not sustainable and both current and RED (Renewable Energy Directive – which requires Member States to ensure that 10% of the energy used in transport is from renewable sources in 2020 and the introduction of mandatory sustainability criteria) biofuel targets cannot be met sustainably because of the scale of demand and

because the safeguards, even with RED (Renewable Energy Directive), are inadequate.

- Welcomed the Government's cautious approach to setting targets (some also suggested that evidence will ultimately demonstrate that all targets should be scrapped)
- It is impossible to fully assess the sustainability of biofuels at this time, especially for social impacts.
- Support the introduction of double rewards for biofuels made from wastes and residues though a clear definition of these is necessary.
- Other measures to reduce GHG (greenhouse gas) emissions in transport should be actively pursued — biofuels are not a substitute for reducing our dependence on fossil fuels.
- Transport policy should be clearly directed towards the reduction of overall energy use in transport in conjunction with an increase in efficiency of the fuel being consumed.
- Electrification of vehicles should be incentivised through the RED (Renewable Energy Directive) target.
- An adequate and robust solution to ILUC (Indirect Land-Use Change) is the indirect effects on land use resulting from the cultivation of biofuel feedstocks) is required in order to avoid the negative indirect impacts of some biofuels production.
- The RED (Renewable Energy Directive) will lead to increased deforestation, food prices and human rights violations.

### **Those involved in the supply of biofuel**

- RED (Renewable Energy Directive) can only be effectively implemented if each economic operator is exclusively responsible for its own operations, rather than one body be liable for the whole supply chain.
- ILUC (Indirect Land-Use Change) is an important issue that needs dealing with.

- GHG (greenhouse gas) savings should be maximised by setting gradual trajectories up to 2020 (for fuel use and GHG (greenhouse gas) obligations) and maintaining public reporting of company sustainability performance.
- The RTFO (Renewable Transport Fuel Obligation) system and UK experience in supplying sustainable biofuels will, withstanding some of the administrative burdens and inefficiencies, provide assurance that only “good” biofuels are permitted for sale in the UK.
- The consultation and Impact Assessments fail to consider the impact of this policy on retailers, consumers and vehicle manufacturers.
- There was a request for more detail to be provided on how the verification process will work in practice.
- The extension to cover NRMM (road vehicles; non-road mobile machinery (including inland waterway vessels when not at sea); agricultural and forestry tractors; and recreational craft when not at sea) fuel could have differential impacts across the fuel supply industry
- The extension to NRMM will make it impossible to meet the minimum buffer volume required for supply to the Ministry of Defence.

### **Those involved in the production of biofuel or other biomass**

- The lack of a trajectory for 2014–2020 harms the UK biofuel industry by reducing investor confidence and puts the 2020 targets at risk.
- The proposal to adjust the obligation up to 2014 downwards to adjust for the inclusion of NRMM goes against the spirit of the RED (Renewable Energy Directive).
- Biofuels that achieve greater than the minimum RED (Renewable Energy Directive) GHG (greenhouse gas) savings should be promoted.
- Incentives to develop advanced biofuels should be examined and implemented.

- Support the proposal of double counting. However, more detail on which raw materials will be eligible for double counting and how the mechanism will work is needed.
- The mass balance approach applied to waste products should be the same as that used in other production and sales.
- The obligation level should be determined as a percentage of the total volume of liquid fuel rather than fossil fuel.
- The UK should use an energy based system rather than volume based system to determine the obligation level.
- Biomethane should be encouraged as a transport fuel.
- The RTFO (Renewable Transport Fuel Obligation) should incentivise the use of biogas.
- The definition of sustainability criteria should be based on sound science and internationally agreed definitions.
- The scope of the RTFO (Renewable Transport Fuel Obligation – scheme requiring suppliers of fossil fuel intended for road transport use to ensure to supply a percentage of renewable fuel) urgently needs expanding to include consideration of biodiesel tax incentives in order to implement the best mechanism to support the industry.

### Other biofuel use groups

- The DfT (Department for Transport) should work closely with DECC (Department for Energy and Climate Change) with regard to the effect of double counting and the renewable heat incentive levels.
- The RED (Renewable Energy Directive) could reduce the availability of class A2 FAME free gas oil (i.e gas oil that doesn't contain fatty-acid-methyl-ester) which could, in the most extreme case, lead to the shut down of eight nuclear power stations in the UK.

- Recognition should be given to the possible extra costs that will be accrued due to the increased risk of microbial contamination in fuel systems.

### **Maritime Sector**

- The inland waterway market should be exempted from the use of fuels blended with a biofuel content of more than 3.5% due to the problems associated with storage and therefore possible engine failure leading to safety risks.
- FAME-free gas oil supplies should be guaranteed for the inland waterway and maritime sectors until these sectors have time to prepare.

### **Transport users and providers**

- Aviation biofuel should not be disadvantaged compared with other energy products.
- Government funding should provide research and development for sustainable aviation biofuel and government policy should mitigate the risks associated with start-up risks and should incentivise deployment.
- As there is a scarce amount of sustainable biofuel available worldwide it should be allocated to those sectors that have no alternatives, such as aviation.
- Renewable aviation biofuels should be eligible for RTFCs (Renewable Transport Fuel Certificates).
- The Department should provide some protection against certificate price fluctuations ahead of the April 2012 abolition of the duty differential for used cooking oil.
- Stakeholders require long term (seven years) visibility of changes to biofuel specifications rather than incremental changes year by year to enable planning within the timescales necessary to develop new vehicles.

## **RTFC (Renewable Transport Fuel Certificate) traders**

- The new verification process will make the RTFC (Renewable Transport Fuel Certificate) market even more illiquid and artificial.
- The long period of uncertainty regarding the carry over is again making the market very illiquid and causing major issues for smaller biofuel producers.
- The proposed removal of the recycle element will prove a big problem for the future.

## **Biofuel interest groups**

- Current UK and European national biofuel targets should be replaced with a more sophisticated target-based strategy that considers the environmental, ethical and social impacts of biofuels.
- Biofuels policies and future sustainability initiatives should not discourage local, small-scale biofuel production, particularly in developing countries that experience fuel poverty.
- Policy makers should incentivise research and development of new biofuels technologies that need less land and other resources, avoid social and environmental harms, and reduce GHG (greenhouse gas) emissions.
- Welcoming the fact that the Government is proposing to take a cautious approach on biofuels and that it is delaying making a decision on raising biofuel targets from 5% to 10%.
- Consider that a robust review of the feasibility of reaching the 10% target is required, taking into account the availability of affordable foodstuffs.
- Believe that more investment must be made in research and development in advanced biofuels technology to facilitate the move towards second generation biofuels.
- Believe that it is imperative that policymakers consider the impact of mandates for non-food crops on global food

security in the longer term and their effect on wider market mechanisms.

- Tallow should be excluded from the RED (Renewable Energy Directive) and grades of tallow used as chemical raw materials should be able to be defined as products rather than wastes or residues.
- The sustainability criteria are inadequate to address the damage being done by the RED (Renewable Energy Directive) biofuel target in the global south. Therefore the targets should be scrapped

### Energy Interest Groups

- There is an opportunity to use renewable electricity to meet a significant proportion of the EU's RED (Renewable Energy Directive) Directive 10% requirement by 2020.
- A further consultation should be completed by the end of 2012 in order to define rules for accounting for renewable electricity.
- The scope of the consultation was not wide enough. Transport will need to be decarbonised through a combination of biofuel use, other renewable energy (such as hydrogen and electricity), vehicle efficiency and reducing the need to travel.
- Government policy as it stands is contradictory as it fails to provide a coherent strategy for the future use of biofuels in road transport whilst also not proposing measures to encourage the supply of more sustainable fuels.
- "Better" biofuels (those with higher GHG (greenhouse gas) savings and better sustainability) should be encouraged.
- Government should work with stakeholders to ensure an effective outcome of the ILUC (Indirect Land-Use Change) debate.

## **6. PART THREE: List of organisations that responded**

ActionAid

Agri Energy

Agricultural Industries Confederation Ltd

Air Products

Anaerobic Digestion and Biogas Association

Argent Energy

Association of Train Operating Companies

B9 Shipping

Biofuelwatch

BioMCN B.V.

BP Oil UK Limited

Brazilian Sugar Cane Industry Association

British Airways plc

British Association for Chemical Specialities and UK Cleaning Products Industry Association

British Sugar

Butamax Advanced Biofuels LLC

Cargill

Chartered Institution of Water and Environmental Management

Conidia Bioscience Ltd

ConocoPhillips Limited

Downstream Fuel Association

E3 Foundation  
EcoNexus  
EDF Energy  
Ensus  
Esso Petroleum  
European Biodiesel Board  
European Fuel Ethers Association  
Federation of Petroleum Suppliers  
Friends of the Earth  
Friends of the Earth Scotland  
Gasrec Ltd  
Grain and Feed Trade Association  
Greenergy Fuels Ltd  
Greenpeace  
Ineos Refining  
Ineos Bio Ltd  
JouleVert Ltd  
Low Carbon Vehicle Partnership  
Mabanaft UK Ltd  
McDonald's Restaurants Ltd  
National Association of Boat Owners  
National Farmers Union  
Neste Oil Corporation  
Non-Fossil Purchasing Agency Group

North East Process Industry Cluster  
Northeast Biofuels  
Novozymes – European Union Office  
Nuffield Council on Bioethics  
Oil Firing Technical Association  
Passenger Boat Association  
Proforest  
Renewable Energy Association  
Royal Society for the Protection of Birds  
Royal Yachting Association  
SABIC Europe  
Scottish Environment Protection Agency  
Scottish Natural Heritage  
Shell UK  
Society of Motor Manufacturers and Traders  
The National Non-Food Crops Centre  
Total UK Limited  
UK & Ireland Boeing United Kingdom Limited  
UK Petroleum Industry Association  
UK Renderers' Association also representing the Foodchain & Biomass  
Renewables Association  
UK Sustainable Biodiesel Alliance  
Unilever UK  
United Kingdom Major Ports Group and British Ports Association

Veg Oil Motoring

Vireol Bio-Industries PLC

Virgin Atlantic Airways Ltd

Vivergo Fuels Ltd

Wm Morrison Supermarkets PLC

Wyton Energy Consulting