

17 January 2018

To: Biofuels Consultation  
Heat & Transport Energy Policy  
Department of Communications, Climate Action and Environment  
29-31 Adelaide Road,  
Dublin 2 D02 X285

## Biofuels Obligation Scheme

### Consultation on future increases in the biofuels obligation rate

#### **Neste in brief:**

Neste Corporation, headquartered in Finland, is the world's largest producer of advanced biofuel. We produce about 3 billion liters of advanced, sustainable, biofuel of the HVO (Hydrotreated Vegetable Oil) type annually. This is a so-called "drop-in" biofuel that can be mixed into conventional diesel at very high concentrations, up to 100 percent, without compromising fuel quality.

In 2016, Neste's net sales stood at EUR 11.7 billion, and we were on the Global 100 list of the 100 most sustainable companies in the world. Read more: [neste.com](http://neste.com)

Below our responses to the consultation questions (in Italics):

#### **Question 1:**

In order to meet Ireland's 2020 renewable energy target in the transport sector, it is proposed to increase the biofuel obligation rate to 10% from 2019 and circa 12% from 2020.

-Do you support this policy measure? - Yes, we do.

-What biofuels do you envisage contributing to meeting these increased rates?

*– Hydrotreated Vegetable Oil (HVO) can be blended in diesel in ratios well above 7 % and the blend will fulfill the requirements of EN590 diesel specification. HVO is a drop-in biofuel: no changes are required in the engines and it is fully compatible with the existing fuel distribution infrastructure. Additionally, HVO can be used as neat (100%) in which case the standard EN15940 can be applied.*

*There are a large number of players with the capacity to deliver advanced biofuel to Ireland. As far as HVO is concerned, at present it is primarily four European suppliers who have the capacity to deliver; The Swedish company Preem (150,000 tonnes), Finnish UPM (100,000 tonnes), Italian ENI (300,000 tonnes) and Neste (2,600,000 tonnes). In addition, three American companies produce HVO; Alt Air Fuels (130,000 tonnes), Diamond Green Diesel (470,000 tonnes) and Renewable Energy Group (225,000 tonnes). Additionally, French Total is in the process of transforming its La Mède refinery to start producing HVO in 2018, with estimated final capacity of 500,000 tonnes.*

17 January 2018

**Question 4:**

The recently amended *Fuel Quality Directive* (Directive 98/70/EC) places obligations on suppliers to reduce emissions – specifically the reduction in carbon intensity of at least 6% to be met by 31 December 2020 compared to 2010.

-How do you envisage this requirement being met?

*– we propose including aviation biofuels as eligible for meeting the FQD target. Aviation is a sector where there are no alternatives to renewable fuels in the foreseeable future. Besides technological and operational improvements and GHG offsets, renewable fuels are going to be crucially important especially in longer term, and their deployment needs to be started as soon as possible. For this, this eligibility is an important enabling element.*

-Are there any measures that Government could take to assist obligated parties reach the Fuel Quality Directive target?

*- The consequences for not complying with the targets should be high enough in order not to encourage the obligated parties refraining from using biofuels which are needed to achieve the environmental targets that the whole legislation is aiming for.*

**Question 5:**

Increasing the biofuel obligation rate is likely to involve the introduction of fuels with higher concentrations of biofuel (such as E10 which is petrol blended with 10% ethanol and B7 which is diesel blended with 7% biodiesel). This may lead to compatibility issues with older vehicles, consumer cost, the necessity of consumer awareness in order to ease its introduction, and potentially the development in forecourt infrastructure.

-For biodiesel blend rates higher than 7%, are drop-in biofuels a viable solution for Ireland?


*– HVO as a drop-in biofuel is available and widely used. The freedom in blending ratio gives the operators flexibility in fulfilling their obligations. e.g. in Finland Neste sells ProDiesel with minimum 15 % of HVO blended. Additionally, HVO can be used as 100 % and this opportunity is already used by many fleet operators in EU and in the US. In Finland, Neste has also introduced 100 % HVO sales to consumers.*

**Question 6:**

Since the publication of *A European Strategy for Low Emission Mobility* in July 2016, the European Commission has designated that food based biofuels have a limited role in decarbonising the transport sector due to concerns about their actual contribution to the decarbonisation. It is envisaged that a gradual reduction of food based biofuels and their replacement by more advanced biofuels will realise the potential of decarbonising the transport sector and minimise the overall indirect land-use change impacts. The EU Commission has signalled that the trajectory of biofuels is away from first generation biofuels towards advanced or second generation biofuels. This is primarily to be achieved through the introduction of a cap on first generation biofuels and the incentivisation of advanced biofuels.

-How should the development of increased levels of advanced biofuels be supported in Ireland?

*– for fulfilling the overall RED and FQD targets a wide range of feedstock is needed. Some currently used feedstock fulfill the definition of Annex IX (d) “Biomass fraction of industrial waste not fit for use in the food or feed chain, including material from retail and wholesale and the agro-food and fish and*



17 January 2018

*aquaculture industry, and excluding feedstocks listed in part B of this Annex”, e.g. Spent Bleaching Earth Oil (SBEO). These should be clearly recognized in the legislation and/or a process for approval of such materials to that category should be laid out. Neste wants also to point out that the Annex IX A list is very limited and the current availability of the listed materials is low. It would be important to recognize clearly in the legislation that there are waste and residue based feedstock also outside that list and these should be usable as single countable residues (i.e. with traceability to point of collection/formation and GHG calculation point being the same).*

**Question 7:**

Currently, the *Biofuels Obligation Scheme* is limited to the transport sector. In the heating sector, there is a high use of fossil fuels (including oil) and a target 12% of energy consumption from renewable sources by 2020.

-What is your opinion on the potential for an obligation scheme (similar to the Biofuels Obligation Scheme) in the heat sector?

- *We are in favor of a bio obligation on the heat sector. HVO can be used also in the heat sector*

By email to [biofuel.obligation@dccae.gov.ie](mailto:biofuel.obligation@dccae.gov.ie)