



Rialtas na hÉireann
Government of Ireland

Biofuels Obligation Scheme Policy Statement April 2018

The Biofuels Obligation Scheme, which was introduced in 2010, requires fuel suppliers to ensure that biofuels make up a certain proportion of the fuel used in the road transport sector.

The scheme has been the primary policy measure used to increase the share of renewable energy in the transport sector and has also made a significant contribution to reducing greenhouse gas emissions.

Progressive increases in the obligation rate, which is currently set at 8%, have led to increased use of biofuels. The successful outcome of the scheme can be seen in 2017 when circa 225 million litres of biofuels were placed on the market in Ireland.

In December 2017, the Department of Communications, Climate Action and Environment held a public consultation seeking views in relation to implementing increases in the biofuel obligation rate in 2019 and 2020, and on how the scheme will be developed in the future.

A key theme of the responses received was the need to provide certainty to industry and stakeholders to facilitate longer term planning for achieving compliance in future years. In this regard, this Policy Statement sets out the following actions which the Minister for Communications, Climate Action and Environment intends to implement:

1. Continue the Biofuels Obligation Scheme until at least 2030 with progressive increases in the level of obligation, and develop the scheme in line with EU energy policy.

The Biofuels Obligation Scheme is a key pillar of energy policy and, through further increases in the obligation placed on fuel suppliers, will ensure the continued growth in biofuel use to 2030 and beyond.

This will stimulate demand for renewable fuels and thus provide continuing opportunities for the growth in competitively priced domestic production.

The legislation on which the Biofuels Obligation Scheme is based will be updated to align the scheme with developments in policy in the European Union including the Indirect Land Use Change Directive and the recast Renewable Energy Directive.

2. Increase the biofuel obligation to 10% by volume from 1 January 2019.

An order will be made this year under Section 44D of the National Oil Reserves Agency Act 2007 to set the biofuel obligation rate to 10% by volume from 1 January 2019¹.

¹ A biofuel obligation of 10% by volume corresponds to 10 certificates per 90 litres of fossil based fuel which is set as 10% divided by 90% or 11.111% under legislation.

3. Increase the biofuel obligation to 11% by volume from 1st January 2020.

An order will be made in 2019 under Section 44D of the National Oil Reserves Agency Act 2007 to set the biofuel obligation rate to 11% by volume from 1 January 2020².

4. Reduce the carryover of biofuel certificates from 25% to 15% from 1st January 2020.

Section 44I of the National Oil Reserves Agency Act 2007 allows for biofuel certificates obtained in one year to be carried over and counted towards a maximum of 25% of an obligated party's biofuel obligation in either of the next two years.

This is an important flexibility that allows industry to respond to market developments. However, at this level, it increases the risk that the overall contribution to national targets in any given year may be significantly less than the obligation rate.

Reducing the carryover limit to 15% in 2020 and for all subsequent years reduces this risk and, at the same time, maintains a significant level of flexibility for the industry. This change will be brought into effect by an amendment to the National Oil Reserves Agency Act 2007.

5. Work with industry and stakeholders to further increase the use of biofuels post-2020.

The obligation rates set out for 2019 and 2020 reflect the types of biofuels most likely to be available to the market. In order to further increase the penetration of biofuels, it will be necessary to exceed the planned obligation rate of 11%. This will require the current 'blend wall'³ limits to be overcome.

Petrol Vehicles

Petrol in Ireland currently contains up to 5% bioethanol (E5) and all petrol powered vehicles can operate using this blend. Although most petrol powered vehicles in Ireland are compatible with petrol that contains 10% bioethanol (E10), using E10 in older vehicles may cause technical difficulties. The current infrastructure at many filling stations in Ireland only provides for dispensing a single blend of petrol which, if confined to E10, may also cause issues for owners of vehicles that are not compatible with E10.

For the supply of transport fuel, Ireland is part of an international supply chain and much of the petrol supplied is sourced from other countries (primarily the United Kingdom). The availability of E10 in future years will therefore be dependent on policy developments internationally, and in the UK in particular. In this regard, the Minister for Communications, Climate Action and Environment intends to engage on a bilateral basis with his counterparts in the UK.

The Department of Communications, Climate Action and Environment will work with the Department of Transport, Tourism and Sport as well as the fuel industry and stakeholders to examine the issues and develop solutions to support the introduction of E10.

² A biofuel obligation of 11% by volume corresponds to 11 certificates per 89 litres of fossil based fuel which is set as 11% divided by 89% or 12.360% under legislation.

³ 'Blend walls' refer to the proportion of biofuels that can be blended into fossil fuels without causing technical difficulties. For example all petrol vehicles can operate without issue on a blend of 95% gasoline and 5% bioethanol (E5) and all diesel vehicles can operate for most of the year on a blend of 93% diesel and 7% biodiesel. No modification of vehicles or infrastructure is required to deploy these blends. However it is considered that moving to higher blends may require technical and other barriers to be overcome.

Diesel Vehicles

One option to increase the level of biofuel used in diesel vehicles beyond the blend wall is to use Hydrotreated Vegetable Oil (HVO). This is a form of renewable diesel that can be used as a replacement fuel or used in higher concentrations than B7 in diesel without technical issues. Internationally there is a limited supply of HVO available and the demand for the fuel is high.

In order to encourage investment in the development and supply of such fuels, it is important that policy certainty (as set out in this Policy Statement) is provided.

6. Carry out public consultations on future obligation rate increases every two years post-2020.

Public consultations will take place well in advance of proposed changes to the scheme, with the first taking place in 2019 in relation to changes proposed for 2022. These consultations will include consideration of increases to the biofuel obligation rate (to at least 12% from 2022), upward adjustments in the buy-out rate and the introduction of an advanced biofuels obligation. The potential inclusion of the heat sector in the scheme will also be considered based on the level of use and availability of suitable biofuels.

It is envisaged that the obligation rate set in 2022 will be such that current blend wall limits will need to be overcome leading to the introduction of fuels such as E10 and HVO.

HVO has been produced in the past at Ireland's only refinery at Whitegate and potentially could be again with the appropriate investment. Some fuel companies have already used HVO in their diesel blends which do not give rise to the blending challenges and restrictions of other biofuels.

Other fuels such as Liquefied Petroleum Gas (LPG) and Compressed Natural Gas (CNG) also present opportunities for reducing the carbon intensity and increasing the penetration of renewable fuels in the transport sector. There is existing LPG infrastructure in Ireland and it is a common alternative fuel in use across the European Union. Publically available CNG filling stations are being installed in Ireland by Gas Networks Ireland. In addition, the development of a grid injection point for biomethane is underway which will provide the potential for renewable gas to be used by CNG powered vehicles.

These fuels, along with the development of hydrogen and the rollout of electric vehicles, provide future opportunities to reduce the carbon intensity and increase the penetration of renewable fuels in our energy mix.

The Low Emissions Vehicle Taskforce is currently examining how best to support the growth of electric and other low-emission vehicles. The first phase of the taskforce's work focuses on electric vehicles with a range of support measures included in Budget 2018. The second phase of work, which is due to commence later this year, will focus on other low-emission vehicles including those powered by CNG and hydrogen.