

Heat & Transport Energy Policy
Department of Communications, Climate Action and Environment
29-31 Adelaide Road
Dublin
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By email (biofuel.obligation@dccae.gov.ie)

26 November 2019

Re: Consultation on the development of the Biofuels Obligation Scheme for the period 2021 to 2030

Dear Sir/Madam,

Ibec, the group that represents Irish business, welcomes the opportunity to respond to the DCCAE consultation on the development of the Biofuels Obligation Scheme for the period 2021 to 2030.

Ibec is the largest business representative organisation in Ireland: we speak for businesses across a range of industrial, commercial and non-profit sectors. The organisation and its sector associations strive for business conditions that enable sustainable economic growth. This response was prepared by Ibec's Energy and Climate Policy Committee which represents a broad cross section of Irish enterprises, indigenous and multinational, that are affected by energy legislation and policy at national, EU and international level. For more information about Ibec and the Energy and Climate Policy Committee please visit our [website](#).

Consultation Questions

Biofuel Obligation

Question 1:

The Climate Action Plan has identified that blending levels of 10% by volume in petrol and 12% by volume in diesel on average must be achieved by 2030 in order to contribute to 21 Biofuels used outside of the transport sector are referred to as bioliquids Page 12 meeting Ireland's emission reduction target.

The recast Renewable Energy Directive sets out a target of at least 14% renewable energy in transport sector by 2030. These blending levels, together with the expected growth in electric vehicles, will ensure that the 14% target is achieved.

It is intended that the biofuel obligation rate in the Biofuels Obligation Scheme will increase every two years (i.e. in 2022, 2024, 2026, 2028 and 2030). It is intended that the increases will ensure a relatively linear increase in the level of renewable energy used in the transport sector.

Relevant section of the recast Renewable Energy Directive: Article 25(1)

- (a) Do you consider these blending levels to be a suitable balance of feasibility and ambition?
- (b) Do you consider the approach to increasing the biofuel obligation rate appropriate?

(a/b)

Until now road fuel suppliers have been the main driver of transport decarbonisation in Ireland through their compliance with the Biofuels Obligation Scheme (BOS). The success of the scheme is such that biofuels are projected to contribute over 9% of the 10% renewable energy target in the transport sector by 2020. The industry needs to be recognised for the contribution made thus far.

Ibec welcomed the Biofuel Policy Statement in 2018 which gave the industry greater certainty regarding the future of the scheme and helped allow for long-term planning. In the Statement Government made a commitment to carry out public consultations on all future obligation rate increases every two years post 2020. This periodic consultative process is critical to the future success of the scheme and key to protecting the consumer from spiralling costs.

In Ibec's view the proposed obligation rate trajectory is extremely ambitious. Compliance could be hindered by a wide range of external factors outside the control of the industry e.g. a secure supply of biofuels (which may be determined by international developments), a reliable source of hydrotreated vegetable oil (HVO) or hydrotreated renewable diesel (HDRD) to allow compliance with the fuel quality directive, the roll out of an effective information campaign for Irish drivers regarding vehicle compatibility with E10, and protection for obligated parties in the event of an oil supply crisis that hinders compliance.

If adopted the proposed rate increases should be an indicative trajectory only. The periodic reviews should be the main process by which the obligate rates are set.

Question 2:

Increasing the biofuel obligation rate is likely to involve the introduction of fuels with higher concentrations of biofuel (such as petrol blended with 10% bioethanol and diesel blended with 12% biodiesel on average).

This may lead to compatibility issues with older vehicles, additional cost to the consumer, the necessity to inform consumers in order to ease its introduction, and potentially a need to develop forecourt infrastructure.

- (a) What do you view as the technical and consumer challenges associated with a blending level of 10% by volume in petrol on average?

- (b) What do you view as the technical and consumer challenges associated with a blending level of 12% by volume in diesel on average?
- (c) What types of biofuel would you expect to be used to meet these increased blending levels?
- (d) Are such fuels available in sufficient quantities to meet the needs of the Irish market?
- (e) What actions are needed (outside of the Biofuels Obligation Scheme) to support the increase in blending levels (e.g. consumer communication)?
- (f) What is the expected cost to consumers associated with increasing the blending levels?

(a-f)

The challenges of increasing the blending rates for both petrol and diesel are well set out in the consultation document.

For E10 some infrastructure changes may be required. While E10 can be dispensed through the existing E5 infrastructure it would mean only one grade of petrol will be supported. As noted, there may also be some issues regarding vehicle compatibility. At present there is insufficient data on vehicle and machinery compatibility. While the vast majority of vehicles on the road will be able to support E10 a full review of vehicles (and machinery) is necessary before any decision is made. The move to E10 must be Government led and accompanied by a comprehensive consumer information campaign on compatibility. It is possible that a scrappage scheme will be needed.

Regarding supply, ethanol will be the biofuel used to meet an E10 grade. However there remain much uncertainty regarding future feedstocks, hence the importance for period reviews.

For B12 the main challenge is compliance with the Fuel Quality Directive. Presently, all of the biodiesel used in Ireland consists of fatty acid methyl esters (FAME). However, current fuel quality standards only allow for blends in diesel containing up to a maximum of 7% of FAME. HVO/HDRD provides one route to overcoming this challenge. Ibec believe there is significant potential to develop HVO/HDRD domestically using waste feedstocks like used cooking oil and tallow. This should be further investigated and supported where appropriate.

Question 3:

The recast Renewable Energy Directive sets out that obligation schemes may operate on a volume, energy or greenhouse gas emissions basis. In order to better align the Biofuels Obligation Scheme with the recast Renewable Energy Directive (where targets, limits etc. are based on energy) and to ensure the operation of the scheme is not overly complex, it is intended to move from a volume-based obligation to an energy-based obligation.

The amount of fossil-based energy placed on the market in the transport sector by an obligated party (see below) will be multiplied by the biofuel obligation rate to determine the Page 13 level of biofuel that must also be placed on the market.

When biofuel is placed on the market, a credit for the level of energy is created. Currently this takes the form of a certificate. When the scheme converts to an energy basis, it is proposed

that this will take the form of a level of energy. The energy that is credited will be tradable between obligated parties as is currently the case.

Relevant section of the recast Renewable Energy Directive: Article 25(1)

(a) Do you consider the move to an energy-based obligation appropriate?

(a)

Ibec recognises the motivation for moving to an energy-based system. However, because the fuel industry works on a volume basis, this would create many practical problems and add significant administrative burden to the obligated parties.

If the targets are to be set in on an energy basis it would be imperative that there is conversion consistency across the industry. New supports for obligated parties would be required to assist conversion.

Question 4:

The recast Renewable Energy Directive must be transposed into law by mid-2021. It is planned to develop and implement the necessary legislative changes in advance of the deadline.

It is important to provide certainty to fuel suppliers to allow them to prepare for the changes including sourcing supplies of biofuel. It is also intended to continue to operate on a calendar year basis.

It is therefore intended that the Biofuels Obligation Scheme would continue to operate in its current form until the end of 2021 and the changes set out in this consultation would take place from the beginning of 2022.

It should be noted that some minor changes (such as the reduction of carryover to 15% in 2020) will take place in the period prior to 2022.

(a) Do you consider the timing of changes to the Biofuels Obligation Scheme appropriate?

(a)

Ibec supports the proposed timeline for scheme changes to be introduced. Ibec believes this is necessary to give industry time to prepare. However, we recommend a further consultation in 2021 to allow an up to date consideration of technology developments and market conditions.

Advanced Biofuel Obligation (including Biomethane)

Question 5:

The recast Renewable Energy Directive sets out a target of at least 0.2% renewable energy in transport sector to come from advanced biofuels in 2022, increasing to 1% in 2025 and 3.5% in 2030.

It is intended to create a secondary obligation for advanced biofuels. This will operate like the biofuel obligation. The amount of energy placed on the market in the transport sector by an obligated party (see below) will be multiplied by the advanced biofuel obligation rate to determine the level of advanced biofuel that must also be placed on the market.

The advanced biofuel obligation will be a sub-obligation and therefore advanced biofuels will contribute to meeting both the advanced biofuel obligation and the biofuel obligation.

When advanced biofuel is placed on the market, a credit for the level of energy is created. This will be recorded separately and will contribute to meeting both the biofuel obligation and the advanced biofuel obligation. This energy will also be tradable between obligated parties.

The increases in the advanced biofuel obligation rate will be as set out in the recast Renewable Energy Directive – i.e. 0.2% from 2022, increasing to 1% in 2025 and 3.5% in 2030.

The implementation of an advanced biofuel obligation is considered a key incentive for the introduction of biomethane as a fuel in the transport sector. This could lead to the production of biomethane from relevant feedstocks (such as the biomass fraction of mixed municipal waste and animal manure) and its use in CNG/LNG vehicles. Meeting the advanced biofuel obligation in this way would provide a market support for the introduction and use of biomethane in the transport sector.

Relevant section of the recast Renewable Energy Directive: Article 25(1); Part A of Annex IX

- (a) Do you consider the approach to introducing an advanced biofuel obligation appropriate?
- (b) What biofuels do you envisage contributing to meeting this obligation?

(a)

Ibec supports the introduction of an Advanced Biofuel Obligation Scheme and the proposal to make it a sub target within the overall scheme. It is imperative that that level of the obligation is set relative to the availability of the advanced biofuels on the market. Currently there is very limited supply of Annex IX Part A biofuels on the market. Therefore, we believe targets should be conservative and achievable to allow time for the market to grow

(b)

There are a range of potential advanced biofuels permitted by the Renewable Energy Directive recast. However, few of these fuels/technologies are currently available at scale. In Ibec's view the advanced biofuel scheme should be technology/fuel neutral and permit the fuels listed in Annex IX part compete with one another to meet the market requirements, However it is important that process by which fuels apply for double counting status is amended to drive investment in production and supply.

Obligated Parties

Question 6:

The recast Renewable Energy Directive sets out that the target for renewable energy use in the transport sector includes road and rail transport. Currently, under the Biofuels Obligation Scheme, the obligation only applies to road transport. In order to align the scheme with the recast Renewable Energy Directive, it is intended to extend the scope of the obligation to include rail transport.

Relevant section of the recast Renewable Energy Directive: Article 27(1)(a)

(a) Do you consider the approach to include both the road and rail transport as obligated parties appropriate?

(a)

it is Ibec's view that rail should be obligated. This is in keeping with the objectives of the Climate Action Plan and will help Ireland meet its renewable energy in transport target. However, the inclusion of rail must be managed in such a way that it does not lead to increased costs for consumers. Modal shift and an increase in public transport is key to helping reduce emissions and relieve congestion in urban areas.

Question 7:

The recast Renewable Energy Directive provides for Member States to exempt, or distinguish between, different fuel suppliers and different energy carriers when setting the obligation on the fuel suppliers, ensuring that the varying degrees of maturity and the cost of different technologies are taken into account. Member States may also exempt fuel suppliers in the form of electricity or renewable liquid and gaseous transport fuels of nonbiological origin (e.g. hydrogen produced from renewable electricity) from the advanced biofuel obligation.

It is intended, in order to incentivise the use of alternative fuels, to apply a reduced or zero obligation to specific fuels. This means there would be no, or a reduced, biofuel obligation and advanced biofuel obligation on specific fuels.

It is intended to categorise fuels as follows: •

- No obligation: CNG, LNG, hydrogen, electricity
- Half obligation (i.e. an obligation is generated based on half the energy content of fuels placed on the market): No fuels
- Full obligation: All other fossil-based transport fuels. As technologies mature and costs reduce, fuels may have the level of obligation increased.

Relevant section of the recast Renewable Energy Directive: Article 25(1)

(a) Do you consider the approach to exempting certain fuels from the obligation to be appropriate?

(a)

It is Ibec's view that the biofuel obligation scheme should not pick technology winners. A range of technologies will be needed to meet these ambitious targets.

However, Ibec agree that certain fuels should be exempt from the scheme on the basis that the market/technology is not ready to support an obligation.

Given the need to support renewable gas in transport Ibec would support the introduction of a full obligation be introduced in 2022. Given the expected size of the CNG fleet this obligation will not require large volumes of biomethane in the near term and production should be able to meet demand. The introduction of a full obligation however would be conditional on CNG vehicle uptake and the roll-out of sufficient refuelling stations and biomethane grid injection centres.

With double counting of energy from waste it is likely that this obligation will be met by biomethane produced from waste and in time hydrogen produced from surplus electricity. Equally biomethane produced using a mix of animal slurries and organic substrates (consuming feedstocks from Annex IX of the recast Renewable Energy Directive), is eligible for double counting and could be used to meet the obligation. Introducing this obligation should help provide a market for indigenous biomethane encouraging the development of the production sector.

Ibec also agrees that the administrative burden and complexity associated with making electricity suppliers obligated parties outweighs the benefit. Other policy measures are better suited to supporting electrification of transport.

Meeting the Obligation

Question 8:

The Biofuels Obligation Scheme currently operates by issuing certificates in respect of volumes of biofuel which are placed on the market. For each calendar year, an obligated party must hold sufficient biofuel obligation certificates to demonstrate compliance.

As set out above, it is intended to amend the scheme to operate on an energy basis. In place of issuing certificates, a credit will be provided corresponding to the level of renewable energy placed on the market. Each credit of energy will be categorised as one of the following based on the feedstock it was produced from:

- Advanced biofuel (Annex IX Part A)
- Used cooking oil and animal fats (Annex IX Part B)
- Food and feed crops
- All other

As biofuel (or biogas) is placed on the market, the total level of energy credited to each obligated party (or other entity that places such fuels on the market) will increase in the relevant category. Sufficient balances will be required across all four categories to meet the biofuel obligation and in the first category to meet the advanced biofuel obligation.

It should be noted that although some fuels may not generate an obligation (e.g. CNG, LNG etc.), suppliers who are placing biofuels (or biogas) on the market for use by such vehicles will be credited under the Biofuels Obligation Scheme.

To incentivise the use of renewable transport fuels in aviation and maritime, it is intended to credit biofuels supplied for use in the aviation and maritime sector.

To incentivise the use of alternative fuels, it is intended that renewable fuels of non-biological origin (including renewable hydrogen) and recycled carbon fuels will also be eligible for energy credits.

As the supply of electricity for suppliers will not generate an obligation and the measurement of such supplies would create a significant administrative burden, it is not intended to be obligated parties, it is not intended to provide any energy credit for the supply of renewable electricity to road or rail transport.

Relevant section of the recast Renewable Energy Directive: Article 25(1)

(a) Do you consider the approach to issuing energy credits appropriate?

(a)

Ibec have concerns with the proposed scenario. Fuel suppliers that can earn credit by placing renewable fuels on the market but do not themselves have an obligation would be given an advantage over the obligated parties. The BOS would become a revenue stream for a select group of businesses and the scheme would not be technology neutral.

Question 9:

The recast Renewable Energy Directive sets out that multipliers can be applied to biofuels produced from specific feedstocks. Multipliers can also be applied to renewable electricity supplied to road and rail transport when calculating compliance with the recast Renewable Energy Directive.

The multipliers allow biofuel from specific feedstock to be preferred. They also allow adjustment for the greater efficiency of electric road and rail vehicles compared to fossil fuel equivalents. There may be an increased risk of fraud in the market in assigning multipliers to biofuels from specific feedstock which needs to be considered.

It is considered appropriate that biofuels (and biogas) for transport produced from feedstock listed in Annex IX of the recast Renewable Energy Directive (i.e. advanced biofuels and those produced from used cooking oil and animal fats) shall be considered to be two times their energy content. This is intended to apply when credit is provided in the Biofuels Obligation Scheme and when calculating compliance with the recast Renewable Energy Directive.

It is intended that, with the exception of fuels produced from food and feed crops, biofuels supplied for use in the aviation and maritime sectors shall be considered to be 1.2 times their energy content. Where such fuels are produced from feedstock listed in Annex IX, the 2 times multiplier shall also apply (i.e. a 2.4 times multiplier would apply). This is intended to apply when credit is provided in the Biofuels Obligation Scheme and when calculating compliance with the recast Renewable Energy Directive.

It is intended to apply a multiplier of 4 times and 1.5 times the energy content for renewable electricity supplied to road and rail transport respectively when calculating compliance with the recast Renewable Energy Directive.

Relevant section of the recast Renewable Energy Directive: Article 27(2)

- (a) Do you consider the approach to applying multipliers to be appropriate?
- (b) Do you consider the approach to applying multipliers impacts the risk of fraud?

(a/b)

Ibec supports the DCCAE proposals regarding multipliers

Limits on Specific Biofuels

Question 10:

Under the recast Renewable Energy Directive and the subsequent delegated act, biofuel produced from palm oil is classed as being high risk from an indirect land use change perspective. Further feedstocks may be similarly classed in future.

Until 2023, Member States should not exceed the level of consumption in 2019 of any biofuels considered to be high risk. From 31 December 2023 until 31 December 2030 at the latest, the limit is to be gradually decreased to 0%.

Given Ireland has very limited use of biofuels produced from palm oil and the impacts in relation to indirect land use change, it is intended that a limit of 0% will be implemented for all biofuels considered to be high risk from an indirect land use change perspective.

While it will still be permitted to supply these biofuels, no credit will be given in the Biofuels Obligation Scheme and therefore there will be no incentive for suppliers to provide such fuels.

It is proposed that this limit would take effect from 2022 along with the other intended changes to the Biofuels Obligation Scheme.

Relevant section of the recast Renewable Energy Directive: Article 26(2)

- (a) Do you consider the approach to biofuels produced from feedstocks that are considered a high risk (from indirect land use change perspective) appropriate?

(a)

Ibec supports the DCCAE proposal. Ibec has no issue with the proposed approach to biofuels produced from feedstocks that are considered a high risk (from indirect land use change perspective)

Question 11:

The recast Renewable Energy Directive includes a limit on biofuels produced from food and feed crops. The maximum limit in energy terms which is likely to apply for Ireland for these biofuels is 2% based on current use of these biofuels.

The majority of biofuel currently supplied to petrol vehicles is produced from food and feed crops. It is intended that the level of biofuel use in petrol vehicles would double from 5% to 10% and therefore it is intended to set the limit at 2% to provide for this growth.

As the limit set will be five percentage points less than the maximum of 7%, the overall target that applies to Ireland of 14% will reduce to 9%. This reduction only applies when measuring compliance with the recast Renewable Energy Directive. As set out above, the obligation will be set to ensure the overall 14% target is achieved.

When a biofuel produced from food and feed crops is placed on the market, a credit for the level of energy is created. This will be recorded separately to other biofuels or advanced biofuels. While this energy will contribute to meeting the biofuel obligation, it will be limited to 2% of the energy placed on the market (i.e. the energy used to calculate the obligation).

The energy credit for biofuel produced from food and feed crops will be tradable between obligated parties. However, the classification will remain and it will be counted within the 2% limit for the purchaser of the credit.

Relevant section of the recast Renewable Energy Directive: Article 26(1)

(a) Do you consider the approach to biofuels produced from food and feed crops appropriate?

(a)

Ibec supports the DCCAE proposal and the 2% limit on food and feed crop biofuels.

Question 12:

The recast Renewable Energy Directive includes a 1.7% limit on biofuels produced used cooking oil (UCO) and animal fats that can be counted for compliance with the target of at least 14% renewable energy in transport sector by 2030. A multiplier of 2 can apply to such biofuels (see below) which would lead to a maximum contribution of 3.4% towards the target of 14%.

It should be noted that the recast Renewable Energy Directive does not appear to place any restriction on the contribution such biofuels can make to the overall level of renewable energy in Ireland or emission reduction from the transport sector.

As set out above, Ireland can comply with the transport sector target in the recast Renewable Energy Directive by achieving a level of 9% by 2030. Advanced biofuels are expected to contribute 1.75% on an energy basis (equivalent to 3.5% with a multiplier of 2 applied), biofuels from food and feed crops could contribute up to 2%, and UCO and animal fats could contribute up to 1.7% (equivalent to 3.4% with a multiplier of 2 applied). That would lead to 8.9% of the 9% target before electric vehicles and electric rail are counted.

Given the restriction only applies to the transport sector target, how such a limit will be included in the Biofuels Obligation Scheme will need to be considered carefully.

In addition, Member States (where justified) can modify the 1.7% limit taking into account the availability of feedstock. Any such modification shall be subject to the approval of the European Commission.

In 2018, of the 216 million litres of biofuels placed on the Irish market, 162 million litres were biodiesel produced from UCO or animal fats. This represented over 3% in energy terms of the energy used in the transport sector in 2018 and thus is in excess of the 1.7% limit.

Given the level of biofuel used from these feedstocks in Ireland, consideration is being given to seeking the European Commission's approval for a higher limit. Such a request to the European Commission would need to be evidence-based and focus on the availability of feedstock.

Relevant section of the recast Renewable Energy Directive: Article 27(1)(b)

- (a) What approach do you think should be adopted in relation to the 1.7% limit on biofuels produced from UCO and animal fats?
- (b) Do you consider it appropriate to seek the European Commission's approval for a higher limit and, if so, what evidence would you suggest be used to support such a request?

(a)

Ibec notes that there may be an alternative approach to monitoring feedstocks falling under the 1.7% limit. The European Commission is considering the development of an EU database that will trace all suppliers and feedstocks on the market. This could be in place by mid-2021 and it should be considered as part of the BOS scheme's design.

b)

Ibec fully supports the DCCAE proposal to seek approval from the European Commission for flexibilities regarding the 1.7% limit given Ireland's use of UCO and animal fats which account for about 98.7% of Irish biodiesel feedstocks. In Ireland today there are few alternative feedstocks in place to be used in the biodiesel mix. A significant supply of new feedstocks would be needed to fill the void created by a 1.7% cap. Tallow is especially important to Ireland's biofuel industry and could be used to create HVO or HDRD

If the cap of 1.7% is implemented, a shortfall of approximately 100 million litres would need to be covered by 'advanced feedstocks' which are in limited supply.

Carryover of Credits

Question 13:

The Biofuels Obligation Scheme allows for up to 25% of the obligation in any one year to be met using certificates carried over from either of the previous two years. This limit is in the process of being reduced to 15% from 2020.

It is intended to retain this carryover system in order to provide suppliers with a level of flexibility and support the creation of new supplies of biofuels. However, changes will be necessary due

to the intention to move from a volume-based obligation to an energy-based obligation. The introduction of a target for advanced biofuels and limits on biofuels produced from food and feed crops will need to be catered for.

It is intended that where an obligated party has, after trades with other parties, an excess credit of energy over and above the level required to meet its obligation, it can be transferred to the following year provided that:

- the excess credit of energy does not include any energy in excess of the 2% limit on biofuels produced from food or feed based crops (i.e. if an obligated party exceeds the 2% limit, this credit of energy cannot be carried to the following year);
- the excess credit carried into the following year can only be used to meet the biofuels obligation and not the advanced biofuels obligation; and
- the excess credit carried from a given year cannot exceed 15% of the obligation for that year.

The treatment of carryover of energy from biofuels produced from used cooking oil and animal fats will need to be examined in the context of the 1.7% limit (see above).

At the end of 2021 it is intended that obligated parties will be permitted to carryover certificates as follows:

- a maximum of 15% of the certificates that a supplier was required to have in 2021 may be carried into 2022; and
- each certificate will be credited with 30 MJ energy.

(a) Do you consider the approach to carryover appropriate?

(a)

Ibec supports full flexibility regarding the carryover of credits to ensure cost-effective implementation of the BOS. Ibec recommends a continuation of the current system whereby credits can be maintained for a 2-year period to allow cost effective compliance. Ibec does not see the need to limit carry over to 15%. Flexibility will be all the more important as the obligation rate increases.

Carryover will be especially important in helping obligated parties meet the advanced biofuel target – particularly in the early stages of the advanced biofuel market's development. However carry over of advanced biofuel credits should only be used to meet advanced biofuel targets in subsequent years and not general compliance.

Compliance

Question 14:

There has been a very high level of compliance with the Biofuels Obligation Scheme. This is ensured through the requirement to pay a compliance fee (referred to as a 'buy-out charge' in legislation) when an obligated party does not meet its obligation. Currently, the fee paid by obligated parties who fail to meet the obligation is €0.45 for each certificate (equivalent to a litre of biofuel) below the required level. This is equivalent to €0.015 per MJ of energy (assuming an average of 30 MJ per litre/certificate as above). There have been very limited examples of this fee being paid to date due to the high level of compliance.

The level of the fee has been set to ensure it is more cost effective for an obligated party to increase the level of biofuels as opposed to paying the compliance fee. Given the future increases in the obligation rate, the marginal cost of supplying more biofuel to the market is expected to increase. It is therefore intended to increase the fee to €0.02 per MJ in 2022, €0.03 per MJ in 2025 and €0.04 in 2030.

The cost of supplying advanced biofuels is expected to be greater than that of other biofuels. Accordingly, it is intended to see the fee for non-compliance with the advanced biofuel obligation to be twice that for the biofuel obligation (i.e. two times the monetary levels set out above for each MJ of energy).

- (a) Do you consider the approach to setting the level of compliance fee (or 'buy out charge') to be appropriate?

(a)

Ibec supports the principle of a buy-out /non-compliance fee mechanism. This is preferred to a penalty for non-compliance. However, as there is much uncertainty regarding the supply and liquidity of an advanced biofuels market, we would caution against setting a greater non-compliance fee for advanced biofuels. This is something that could be considered when the advanced biofuels market is more developed.

Question 15:

In the event of a significant oil/biofuel supply disruption, the requirements under the Biofuels Obligation Scheme continue to apply. If such a disruption lasted for a prolonged period, it is possible that obligated parties may not be able to meet the requirements of the scheme.

There is currently no scope for any adjustment to the Biofuels Obligation Scheme to take account of such a situation. Fuel suppliers would therefore be liable for compliance costs in not meeting the obligation.

Therefore, there is some merit in providing the Minister scope to adjust the obligation under the scheme in the exceptional circumstances. However, any such adjustment, while providing flexibility to obligated parties, should not impact the overall obligations of the scheme.

It is therefore considered appropriate that the Minister may, in the event of a significant disruption that prevents the supply of biofuels to the market, provide obligated parties flexibility in compliance. This would be achieved by allowing obligated parties the option to make up for any shortfall in a specified calendar year in the following calendar year in place of paying compliance costs.

(a) Do you consider the approach to dealing with a potential supply disruption appropriate?

(a)

It is imperative that provisions are made to protect obligated parties – and by extension the consumer- from spiralling non-compliance costs in the event of an oil/biofuel supply emergency. The current proposal provides insufficient protection. Mandating the obligated party to make up for the short fall in the following calendar year would impose significant costs which could add significantly to retail price of fuel. Ibec would prefer to see a pause in the obligation during a period of emergency or a reduced obligation rate proportionate to the supply crisis.

Heat Sector

Question 16:

The Biofuels Obligation Scheme is currently limited to the transport sector. In the heating sector, there is a high use of fossil fuels, including oil and natural gas, which could potentially be blended with renewable fuels to reduce emissions in the heat sector.

Responses to the previous consultation of the Biofuels Obligation Scheme highlighted a number of technical challenges to using bioliquids in the heat sector (e.g. a large amount of oil used in the heat sector is stored in tanks outside homes and businesses over long periods of time which may cause issues).

Notwithstanding the input received to date, the introduction of such fuels in the heat sector can bring significant decarbonisation benefits and therefore continues to be kept under consideration.

- (a) What is your opinion on the potential for an obligation scheme (similar to the Biofuels Obligation Scheme) in the heat sector?
- (b) What do you see as the technical barriers to introducing such a scheme?
- (c) If a heat obligation scheme was to be introduced what level of obligation (e.g. in percentage or energy terms) would be appropriate? what level of obligation (e.g. in percentage or energy terms) would be appropriate?

(a-c)

Funding alternative heating systems has proved extremely challenging to date. An obligation scheme for renewable heat may have merits and help us meet our decarbonisation targets. But in our view the market is not ready for such a scheme. For example, for some heating fuel suppliers, such as natural gas, there is currently no practical way to comply with an obligation at present. In the short-term the focus should be on the development of an effective delivery model for deep retrofits as proposed in the Climate Action Plan, the development of a dynamic retrofit industry and skills-base, and a strengthening of SEAI supports including the Support Scheme for Renewable Heat (SSRH).

If such a scheme were to be introduced it would need to be carefully designed to prevent unintended consequences, conflict with the Energy Efficiency Obligation Scheme (EEOS) and increases in compliance costs which would end up on the consumer's energy bill.

Additional Input

Question 17:

In addition to the specific questions asked in this consultation, your input is invited in relation to the development of the Biofuels Obligation Scheme for the period 2021 to 2030 including the implementation of the elements relating to renewable transport fuels in the recast Renewable Energy Directive.

With the renewed focus on 'Advanced Biofuels', it would be sensible to revise how double certification status is awarded to 'waste or residues' feedstocks.

Many potential advanced biofuel feedstocks will fall under the category of Annex ix Part A "Other non-food cellulosic material". At present the production process for such fuels can be costly. Ibec would favour a system whereby biofuel producers could submit an application to NORA and DCCAE for consideration prior to the finished product being put on the market. This would help eliminate some financial risk for producers and encourage greater innovation in the sector

If you require any clarification on the issues raised above, please contact me directly.

Yours sincerely,

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