Consultation on 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

Response from The Maxol Group

25th November 2019

Consultation Questions:

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 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?

We note that the proposed targets are considerably higher than those set out in the Renewable Energy Directive and believe they will be very challenging for the oil industry to achieve.

To meet a biofuel obligation is set at 12% or higher oil suppliers will have to rely on a combination of

- a higher blend of ethanol in petrol, increasing from 5% (E5) to 10% (E10)
- a higher blend of biodiesel using HVO (a renewable fuel that is chemically identical to petroleum diesel, meets the same specification and has no blend limit).
- and / or blending 7% biodiesel from produced from waste products such as Used Cooking Oil (UCO) and Tallow that attract a multiplier of two certificates per litre.

For this approach to be successful the biofuel obligation should cover transport fuels, as is currently the case, rather then fuel specific as a 12% obligation would be considerably more challenging to meet for petrol.

<u>E10</u>

Although Maxol supports the introduction of E10 It should be noted that there are several issues regarding supply chain infrastructure and vehicle compatibility which need to be considered prior to any rollout of this grade.

<u>HVO</u>

It should also be noted that HVO is a much sought-after commodity and that there are limited supplies available on the international markets. As a result of this HVO is relatively expensive and will increase the cost of diesel at the pump.

(b) Do you consider the approach to increasing the biofuel obligation rate appropriate?

We believe that approach of increasing the Obligation every two years is appropriate at it provides a suitable time frame for oil suppliers to plan and prepare of the changes however we feel that the targets should be reviewed every two years rather then set out for a ten year period.

This approach would facilitate new technologies which give rise to the introduction of new biofuels and any changes in the international markets which may impact on product availability and security of supply.

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?**

Maxol supports the introduction of E10 and believes this new blend would make a significant contribution towards our environmental obligations.

Consumer Challenge

We believe that older cars that are compatible with E5 are not necessarily also compatible with E10 and that this varies from manufacturer to manufacturer, so caution must be taken when referring to individual makes/ models fuel requirements.

It is unclear how may vehicle in the ROI's national car fleet are not compatible with E10 and no research has, to our knowledge, been done in this area although the raw data could be obtained from the NCT Service.

Without this research it is impossible to ascertain the extent to which the introduction of E10 would create issues for owners of older vehicles or to provide advice / support for drivers to transition to newer vehicles.

Technical Challenges

Forecourts

It has previously been suggested that a possible solution to the compatibility issue would be to supply two grades of petrol, E5 and E10.

Currently there is only one grade of petrol available on Irish forecourts, and while some forecourt operators offer a second premium grade, most forecourts can only offer petrol and diesel.

Import Terminals

The product specification of petrol suitable for blending with 5% ethanol differs to the specification suitable for blending 10% ethanol. As a result, oil suppliers would have to import two petrol specifications to facilitate both blends which gives rise to two issues.

The infrastructure at the key import terminals at Dublin, Cork, Foynes and Galway has been developed to facilitate a single grade of petrol and it would be difficult and expensive to change this.

***(b)* What do you view as the technical and consumer challenges associated with a blending level of 12% by volume in diesel on average?**

The diesel specification EN590 specifies that the maximum biodiesel blend is 7%.

To meet these targets oil suppliers will have to use biodiesel from produced from waste products such as Used Cooking Oil (UCO) and Tallow that attract a multiplier of two certificates per litre and blend at the highest percentage throughout the year.

There are some concerns the higher biodiesel blend will cause filter blocking issues at low ambient temperatures.

HVO will be required if the industry is to achieve 12% renewable content in diesel. There are few manufacturers of HVO and, with limited quantities available on the market, there is a concern regarding security of supply for this fuel.

(c) **What types of biofuel would you expect to be used to meet these increased blending levels?**

Petrol

Ethanol will continue to be the primary biofuel for petrol blending.

Diesel

Biodiesel produced from waste products such as Used Cooking Oil (UCO) and Tallow will be the primary biofuel for diesel blending particularly as oil suppliers rely on biofuels that attract a multiplier of two certificates per litre to meet the targets.

For blend requirements beyond the 7% limit HVO will be the primary biofuel for blending.

(d) Are such fuels available in sufficient quantities to meet the needs of the Irish market?

Maxol is satisfied that there are sufficient quantities of ethanol and biodiesel available to meet our future requirements however there are concerns about the cost of these commodities as the targets in Ireland and other countries increases.

As noted in the reply to Q1 HVO is a much sought-after commodity and that there are limited supplies available on the international markets. As a result HVO commands a significant premium over biodiesel from UCO and Tallow.

(e) What actions are needed (outside of the Biofuels Obligation Scheme) to support the increase in blending levels (e.g. consumer communication)?

As previously noted, the level of compatibility of the National fleet with E10 needs to be quantified and research is required in this area.

This research would inform any future strategy for the introduction of E10 e.g. a high level of compatibility would facilitate an early introduction of E10, possibly with consumer information campaigns and a limited scrappage scheme.

(f) What is the expected cost to consumers associated with increasing the blending levels?

Regarding cost increases to the consumer, there are a few items that will result in consumer prices increases:
Increasing costs of biofuel supply. The FAME market is very erratic with prices fluctuating by 80% within a short timeframe (3-4 months).

HVO is in high demand and with limited supply, resulting in a high cost/litre.

In the event a fuel supplier cannot meet its obligation, the fuel supplier will need to pay a higher buy-out charge coupled with an increased carbon tax (due to the higher level of fossil fuel on the market in place of the biofuel shortage). This will mean the end user will be paying increased taxes – carbon and biofuel buy-out.

Advanced biofuels are also in short supply. If the fuel supplier cannot place the required volume of advanced biofuel on the market due to a shortage of supply the buy-out will be passed through to the consumer.

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 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?

Maxol recognises that an energy-based system would align Irelands energy targets with the energy targets specified by the Renewable Energy Directive (RED) however this would add to the administrative challenge of meeting the BOS targets.

The fuel industry operates on a volume basis, both commercially in terms of sales etc and from a revenue perspective, in terms of levies and taxes, which are all based on litres supplied.

To avoid an unnecessary administrative burden, we believe that the current, volume based, reporting system should remain in place. To facilitate the RED reporting requirements oil suppliers should report on an energy basis within the BOS System.

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?

We believe that the timescale set is appropriate and allows industry sufficient time to plan for these changes.

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[22] 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 similar to 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?**

Maxol agrees that the advanced biofuel obligation should be set as a sub target within the Biofuel Obligation Scheme and its contribution should be included in the overall obligation however we have concerns regarding the availability of advanced biofuels which meet the requirements of Annex IX Part A.

Given the very limited availability of Advance Biofuels currently available we believe that the 0.2% obligation from 2022 is appropriate and that a further review should take place before 2025 to assess the progress made in developing advanced fuels and their availability.

***(b)* What biofuels do you envisage contributing to meeting this obligation?**

Currently only biofuels produced from feedstocks listed in Part A of Annex IX, RED II will be used to meet this obligation however these are only available in very limited quantities.

Other Advanced Biofuels are still at the research and development stage and it is impossible to predict which, if any, will be commercially feasible options.

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?

The Maxol Group believes this approach is both appropriate and necessary to meet the ambitious targets set out in the Climate Action Plan.

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. Members States may also exempt fuel suppliers in the form of electricity or renewable liquid and gaseous transport fuels of non- biological 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?

The Maxol Group agrees that it is appropriate to exempt certain fuels to facilitate either the development of the fuels or the development of a suitable infrastructure to support the wider availability of these fuels.

<u>Hydrogen</u>
The Maxol Group is a member of Hydrogen Mobility Ireland and supports the detailed and considered approach outlined by HMI in their submission.

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?

Maxol agrees with this approach.

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?**

Maxol agrees that this approach is appropriate and notes that it has already proven to be successful in encouraging the use of waste derived biofuels, such as UCO and Tallow, over crop-based alternatives.

We also believe that this approach should automatically apply to all Annex IX feedstocks, without the requirement for individual assessment, to streamline the approval process for new feedstocks.

We believe that a multiplier of 4 times and 1.5 times the energy content for renewable electricity supplied to road and rail transport is an appropriate measure to further stimulate the role of renewable electricity in decarbonising transport.

(b) **Do you consider the approach to applying multipliers impacts the risk of fraud?**

The risk of fraud applies in all commercial activities and the use of multipliers does, in theory, provide both an opportunity and an incentive to unscrupulous companies to supply non-compliant biofuels however biofuels used for achieving national targets need to comply with the sustainability criteria set out in RED.

The European Commission recognises a number of voluntary schemes that demonstrate compliance with the sustainability criteria for biofuels and these are the key to ensuring oil companies supply sustainably produced biofuels to the market.

We believe that the approach of applying multipliers is a key element in the use of biofuels and that any strategy to eliminate fraud should focus on developing and maintaining robust voluntary schemes rather than removing key tools.

Question 10:

Under the recast Renewable Energy Directive and the subsequent delegated act[23], 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?

Maxol agrees with this approach.

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?**

Maxol agrees with this approach as it reflects the current market conditions and notes that a move to E10 would result in a circa 1.5% by energy from 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[24] 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?**

Maxol does not agree that there should be a 1.7% limit on the use of UCO and Animal fats as this would limit the number of biodiesel feedstocks produced from waste products that attract a multiplier of two certificates per litre.

As previously noted, that oil industry is reliant in these feedstocks to meet current and future targets.

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?

Maxol believes it is appropriate to seek the EC approval for removal of the 1.7% limit as Ireland is heavily reliant in diesel as a transport fuel and biodiesel from produced from waste products such as Used Cooking Oil (UCO) and Tallow are the dominant blends.

At a 7% blend these feedstocks deliver circa 5% in energy terms of the energy used in transport. To achieve the higher biofuel target of 12% would require UCO/Tallow biodiesel at ~ 9% in energy terms.

In both scenarios we would exceed the 1.7% limit by a considerable margin. Implementing the 1.7% limit would preclude the use of UCO and Tallow and there are no alternative feedstocks available in sufficient quantities to replace them.

UCO and Tallow are waste products and are therefore suitable for an alternative use such as feedstocks for the production of biofuels.

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[25].**

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

Maxol believes that, for operational and logistical reasons, the excess energy credits brought forward into the following year should be limited to 2%, and that this excess credit should be used to meet the biofuel obligation and the advanced biofuel obligation.

Maxol accept that only 15% of the obligation in a given year can be met by credits carried over from a previous year however we do not believe that the number of credits that can be carried into a year should be subject to a limit the BOS system and not be restricted in their operations.

Maxol believes that the current system under which BOS certificates can be used for two years should be extended to energy credits also.

Maxol believe that, as the Advanced Biofuel market develops, it is appropriate to use carry over certificates to meet 25% of the advanced biofuel target.

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?**

Maxol agrees that buy out charges are appropriate for non-compliance with the Biofuel Obligation particularly as the charge protects the consumer from potentially significant increases in the cost of biofuels in the event of a disruption to the biofuel market, however careful consider needs to be given to the buyout cost which should be high enough encourage the use of biofuels without being punitive in the event a buyout is triggered.

This is particularly the case with Advance Biofuels where, currently, there is a limited supply and very little understanding of the potential supply in 2022.

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 supplies 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?**

Maxol believes that any significant disruption to the supply of oil or biofuel should be treated as force majeure event and that the requirement to meet the obligation be suspended for a defined period in the national interest.

To meet the high BOS targets the industry will be required to supply petrol and diesel blends at or near the maximum rates on an ongoing basis. As a result, there will be limited, if any, opportunities to blend at a higher rate after the period of disruption.

It is also noted that the National Oil Reserve does not include biofuels and, in the event of an Emergency Stock Release NORA would be unable to supply product that would allow oil suppliers meet their obligation.

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?**

Maxol does not operate in the heat sector and has no views on this approach.

(b) **What do you see as the technical barriers to introducing such a scheme?**

As (a)

(c) **If a heat obligation scheme was to be introduced, what level of obligation (e.g. in percentage or energy terms) would be appropriate?**

As (a)

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.

The Biofuel legislation was changed in March 2018 to facilitate Article 7a of the Fuels Quality Directive (FQD), which introduced an obligation on fuel suppliers to reduce the carbon intensity of transport fuels by 6% by the end of 2020, when compared to a 2010 baseline. This requirement comes into force on 1st January 2020 for a period of twelve months

Obligated parties are required to meet the requirements of the both FQD and also the requirements of the Renewable Energy Directive (RED). Unfortunately, the requirements of both Directives are contradictory, the actions required to meet the RED targets reduce the industries capability to achieve the FQD targets.

We would welcome a further consultation process the 6% GHG reduction target is extended beyond 2020.