



## briefing

energy - july 2008

### Bio-Energy

**Gallagher highlights need for due diligence on bio-energy sources**

**Concerns as to the true environmental and economic impacts of bio-energy sources is resulting in increased pressure for subsidies – such as the Renewables Obligation and the Renewable Transport Fuels Obligation - to be linked to sustainability criteria.**

#### Background

The European Commission's Energy and Climate Package includes a proposal for a Directive on the promotion of the use of energy from renewable sources (RES Directive) which sets national renewable energy targets for Member States with a view to achieving a 20% share for renewable energy sources in the EU's energy consumption by 2020. The UK's target is 15%. The Directive would also establish a 10% 2020 target for the consumption of energy from renewable sources in transport in all Member States. These policies are coming under increasing scrutiny both in Westminster and Brussels.

#### Bio-Energy

The RES Directive proposes that the consumption of bio-fuels and other bio-liquids should only count towards national targets – and only be eligible for subsidies – if:

- their use results in greenhouse gas savings of at least 35%;
- the raw material for their production does not derive from high bio-diversity areas such as undisturbed forest and protected natural areas;
- the raw material is not obtained from high carbon stock land, such as forest and wetlands;
- where the raw materials are produced in the EU, the producer meets EU requirements with respect to the

management and maintenance of land, environmental protection and public, animal and plant welfare – agricultural “cross-compliance”.

Following publication of the Gallagher Review by the Renewable Fuels Agency (which is tasked with implementing the Renewable Transport Fuels Obligation), the UK Government has tempered its support for the EU's biofuels target. In light of the Review's findings, the Government will:

- seek to make the EU's 10% target conditional;
- press for the 10% target to be kept under regular review;
- press for the sustainability criteria for bio-fuels in the Directive to address indirect, as well as direct, effects on land use.

In the UK the immediate impact is likely to be a reduction in the rate of increase in the Renewable Transport Fuels Obligation (RTFO). The Government is to consult on the Agency's recommendation that the increase in the target level of bio-fuel consumption under the RTFO should be reduced, postponing the introduction of a 5% target from 2011/11 until 2013/14.

#### Biomass

Whereas the RES Directive includes proposed standards regarding the sustainability of transport bio-fuels and other bio-liquids, these proposals do not at present extend to biomass for generation of electricity and heat.

The Commission is now consulting on whether there should be an EU-wide scheme to ensure that biomass solids used for energy production derive from sustainable sources. The Commission will be considering:

- the types of biomass which should be subject to a sustainability criteria;

- the level of Greenhouse Gas Savings that will be required;
- whether the efficiency of the heat and electricity generation process should be taken into account;
- the application of sustainability criteria to woodland management;
- verification processes.

The Commission has published a survey of the current voluntary standards for biomass certification schemes at

[http://ec.europa.eu/energy/res/sectors/doc/bioenergy/sustainability\\_criteria\\_and\\_certification\\_systems.pdf](http://ec.europa.eu/energy/res/sectors/doc/bioenergy/sustainability_criteria_and_certification_systems.pdf)

### Implications for Developers

Developers of biomass and bio-fuel projects will be paying increased attention to the origins of biomass for use in bio-fuel production and energy generation and assessing the likely impact of sustainability criteria on the market price for raw materials eligible for support. As well as conducting due diligence on the sources of raw materials, purchasers will be seeking to strengthen audit and verification rights under purchase contracts to ensure that suppliers satisfy any sustainability criteria that are introduced.

## Contact Us

### More information

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