

What is the Government's Planned Trajectory to Meet RED and FQD

IPIA April 13th 2017



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BOS Progression- What has not changed

- Industry track record in delivering regulatory change
 - Fuel quality changes
 - No supply or customer disruption
- Strong cooperation between DCENR, NORA and IPIA to successfully establish of the Biofuels Obligation Scheme
- The current processes and systems for the administration of the Scheme are effective and meet the needs of NORA and Industry



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Industry Planning

- IPIA member companies will largely deliver RES-T compliance for Ireland
- However there are significant challenges facing the Industry in achieving 2020 targets
 - Detailed in IPIA submissions in 2015 and 2016
- **Regulatory certainty** and timely notice is the key success factor for IPIA companies
 - Planning cycles
 - Biofuels supply contracts
- The Active participation in short consultations in 2015 and 2016
 - Outcome was Order regarding Biofuel Obligation Rate Increase to 8.695 per cent from 1 January 2017



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Renewable Energy Directive (RED)

16% National Renewable Energy Target

- RES-E : Electricity 40% (25.3%)*
- RES-T : Transport 10% (5.7%)* - mandated target
- RES-H : Heat 12% (6.5%)*

* 2015 SEAI data

Traditional Biofuel constraints

- Engine makers limit ethanol to 10% (petrol) / FAME 7% (Diesel)
- EU limit on 1st generation feedstocks

FAME – Fatty Acid Methyl Ester (biodiesel)

- Used Cooking Oil (UCO)
- Tallow (meat industry waste)



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RES-T Targets - Key Concerns

IPIA concerns on meeting RES-T targets in 2020 remain valid

- Blending specification 'blend wall'
 - E10 limit and role of UK adoption. Will UK maintain E5 after Brexit
 - B7 limit for EN590 specification
- Infrastructure constraints
 - Single grade for petrol and diesel supported in Ireland
- Security of supply and dependence on Double Count FAME
 - Continued growth in diesel share of market
 - Changes in world view of diesel and its impact on air quality
 - Sourcing double count material as other European Countries target 2020



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RES-T Targets - Key Concerns

- Technical difficulties with FAME
 - Fuel quality issues at low winter temperatures
- Concern that IPIA companies will be required to pick up shortfall from other sectors
- Increasing cost of biofuels
- Divergence in Ireland's compliance trajectory with that of the UK



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BREXIT

- Security of Supply
- UK's long term view on Climate Change
 - Impact on availability of BOB's
 - Availability of Biodiesel



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Fuels Quality Directive (FQD)

- Applies to Road vehicles, NRMM, agricultural vehicles, inland vessels
- Up to 10% reduction in “lifecycle GHG emissions per unit energy” (GHG intensity) on transport fuels by end 2020 when compared to 2010 baseline
- Reduction of 6% by Dec 2020 (mandatory – binding target)



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What is required to meet FQD

Fuel baseline standard for 2010: 94.4 gCO_{2e}/MJ

Target of 6% Reduction equates to: 88.5 gCO_{2e}/MJ

Meeting 10% RES(T) achieves 4%: 90.3 gCO_{2e}/MJ

- Assuming E10/B7 blend walls
- E10 has not been viable in Ireland to date

Based on 2015 data

- GHG intensity of the road transport fuel was 91.9g Co₂/MJ
- 2.3% lower than the 2010 baseline

Uncertainty surrounding contribution from Electric Vehicles



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RED Versus FQD

Industry concern about the interaction between FQD and RED

- In an attempt to ensure that both the RED and FQD stimulate the uptake of only those biofuels that could be considered to be sustainable, Article 17 of the RED (and Article 7(b) of the FQD) established the sustainability criteria for biofuels.
- Only those biofuels meeting these sustainability criteria can be taken into account in relation to measuring compliance with the targets in the Directives
- However, there are differences between the Directives in the approaches taken to determine whether the biofuels are sufficiently sustainable to count towards meeting the respective targets
- Meeting the RED target does not mean that the minimum FQD will be met.



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RED and FQD

The Renewable Energy Directive does

- not apply directly to economic operators,
- but rather puts an obligation on European Member States
- who can designate the economic operators responsible for supplying fuel and to impose an obligation on them to reduce the carbon intensity of their fuel by 6% by 2020.

The Fuel Quality Directive does apply directly to economic operators

The IPIA is concerned that the oil industry is being sent down the path of the use of double certified material to meet RED, which is known to not count towards FQD



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Regulatory Certainty 2020 and Beyond

- Industry requires **regulatory certainty** for the trajectory to meet 2020 target for RED and FQD
- What requirements will arising from COP21?



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