



Proposed EU Low Carbon Fuel Standard

Ian Hodgson
European Commission

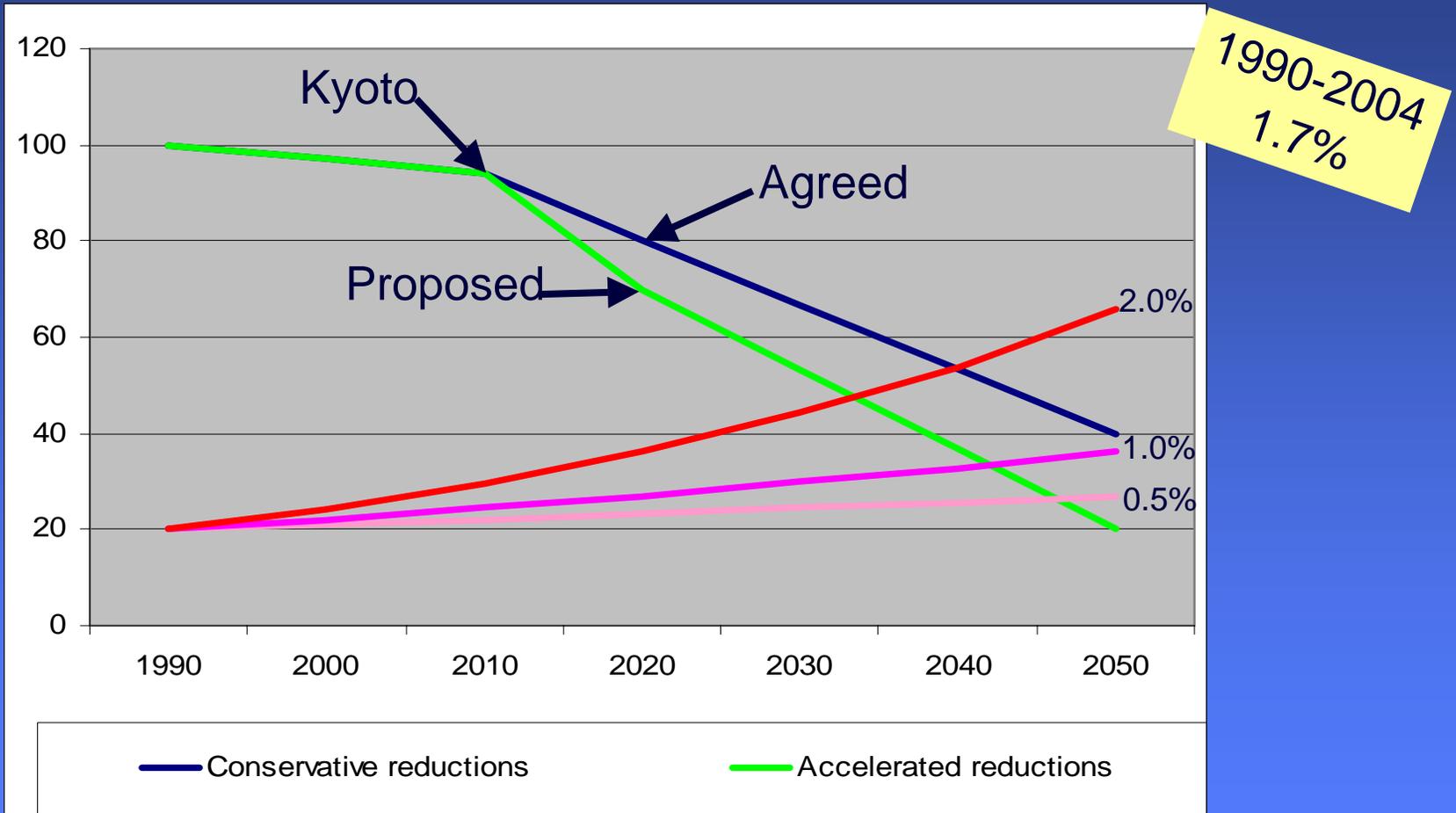


EU climate action

- EU has agreed a 20% reduction in GHG emissions by 2020 compared to 1990. (30% if other developed countries take similar action)
- Transport currently represents about quarter of EU GHG emissions.
- Transport is the only major EU sector where emissions are increasing.



Transport growth and emissions reductions



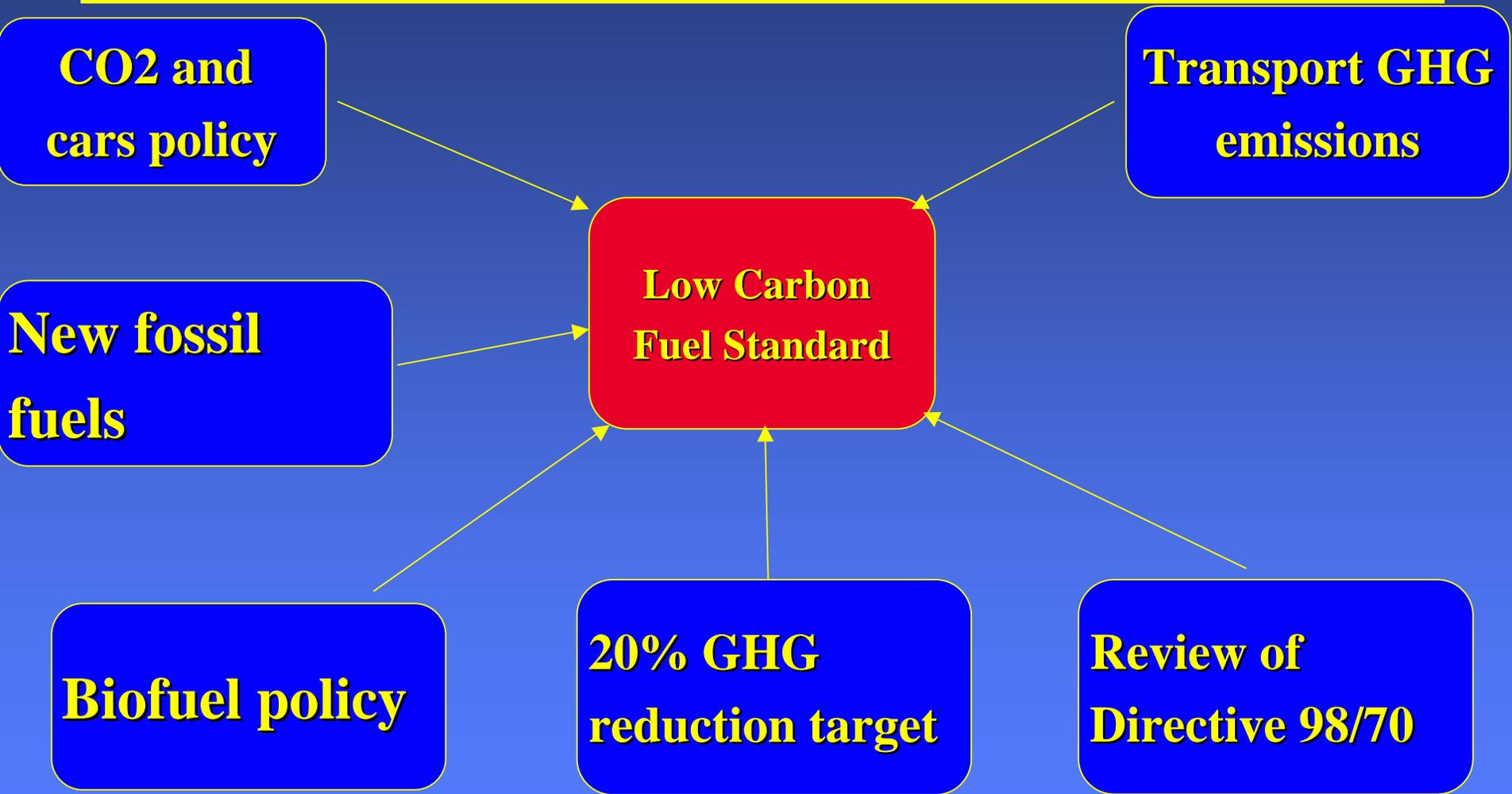


What needs to be done?

- **Possibilities**
 - Reduce demand for transport
 - Increase energy efficiency of transport
 - Reduce the greenhouse gas intensity of energy used in transport
- **Probably need to do all.**
- **Reducing fuel GHG intensity cannot be done without assessing fuel life cycle emissions**



How did EU LCFS come about?





Why an LCFS is important

- Increasing diversity of transport energy supply
 - Focus on the type of fuel is no longer sufficient (all biofuel is not the same)
 - To make users pay for the cost of decarbonising fuel
 - To provide incentive to develop better low-carbon fuel technologies
 - To ensure lowest cost approach to fuel decarbonisation.
 - Technology neutral – no picking winners
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Political steps

- Commission adopted proposal for Directive in January 2007.
- Proposal contains a political objective of 10% decarbonisation of transport fuel between 2010 and 2020.
- Detailed methodology not addressed in the proposal. Foreseen to be developed through Committee process.



Political process

- European Parliament has been supportive of the proposed approach. Environment Committee voted in November to support it.
 - Member States in the Council have generally welcomed the goal. Ministers discussed concept on October 30 and 25 out of 27 supported the GHG reduction objective.
 - Many questions on detail of how mechanism will work. General support for more principles in the legislation.
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Council debate 30 October

- 25 out of 27 Member States support the objective of a greenhouse gas reduction obligation for transport fuel.
- Main concerns:
 - Biofuel sustainability criteria
 - Level of reduction
 - Cost effectiveness
 - LCA methodology
 - Consistency with ETS and biofuel objectives



Possible principles (1)

- A single EU methodology.
 - List of greenhouse gases covered.
 - Follow international principles (ISO, IPCC).
 - Include emissions from production /extraction, transport, processing and distribution.
 - Allow adjustment for combustion efficiency.
 - The methodology shall allow for the possibility that fuel may not be traceable to its extraction/production site.
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Possible principles (2)

- Include emissions from flaring at oil production sites anywhere in the world.
- Include Carbon Capture and Sequestration of greenhouse gas emissions.
- Use of default values
- Allocation of greenhouse gas emissions to co-products.
- Necessary level of reporting accuracy.



Development of methodology

- Commission's Joint Research Centre will help with the development of the detailed methodology during first half of 2008.
- Subsequently methodology would need to be adopted in Committee and turned into a practical tool for use by industry.



Further work

- LCFS is an area that is going to evolve.
- Can be helped by e.g. better understanding of:
 - N₂O emissions from soils
 - Land use change emissions
 - Methodological clarity
- Need to model and better understand indirect land use change effects of biofuels



Thank you for your attention



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