

28 January 2009

Dear Stakeholder

**OUTCOME OF THE CONSULTATION ON THE DRAFT RENEWABLE TRANSPORT FUEL OBLIGATIONS (AMENDMENT) ORDER 2009.**

Lord Andrew Adonis, Minister of State for Transport has today announced the publication of a summary of responses to Part One of the Consultation on the Draft Renewable Transport Fuel Obligations (Amendment) Order 2009. His full statement to the House is as follows:

“I have today published the Government’s response to Part One of the Consultation on the Draft Renewable Transport Fuel Obligations (Amendment) Order 2009, (including the addendum to the consultation). The consultation, which closed on 17 December 2008, sought views on provisions to slow down the rate at which the renewable transport fuel obligation (RTFO) increases year on year as recommended by the Gallagher Review, adding two new renewable fuels to those eligible for RTFO certificates and revising the definition of relevant hydrocarbon oil.

Having considered the responses received to the consultation, the Government continues to believe that there is a need to progress with caution with regard to obligation levels.

The Government has now decided to introduce legislation setting an obligation level for 2009/10 of 3.25%, which is 0.25% higher than the Gallagher recommendation, and thereafter maintaining the planned increases in line with the Gallagher recommendations to reach 5% in 2013/14. A draft order to amend the Renewable Transport Fuel Obligations Order 2007 (2007/3072 will be laid in Parliament shortly and will be subject to the affirmative procedure. It is our intention that if the order completes the necessary stages it will be made in time to come into force at the start of the next obligation year in April 2009.

Our decision on next year’s obligation level takes into account the views expressed in response to the consultation. In particular this decision reflects concerns about the effects of the discrepancy in the definition of relevant hydrocarbon oil in the 2007 order. That definition excludes any fossil fuel which is blended with renewable fuel before the duty

point. The result is that less fossil fuel than was intended is taken into account in calculating suppliers' obligations, and therefore less renewable fuel is required to be supplied than was intended. My earlier statement of 13 November explained the background behind this issue (Hansard column 67WS).

We intend that the draft amendment order will contain provision to revise the definition of relevant hydrocarbon oil for the next obligation period. To avoid problems with retrospective effect, we are not proposing that the amendment should purport to have effect for the current obligation period which started in April last year. The full effect of the discrepancy issue on the volume of biofuel supplied in the first obligation year (2008/9) will not be known until after the end of this year. Our intention is that by setting this level the overall amounts of biofuel supplied in the first two years are still broadly consistent with the Gallagher recommendations i.e 5.5% (2.5% + 3%).

We also intend to add both biobutanol and renewable diesel to the renewable fuels eligible for certificates under the scheme and these fuels will be defined as they are in the draft order included in the consultation document. We will continue to keep the fuels covered by the scheme under review in light of emerging new technologies.

In looking forward, under the Renewable Energy Directive (RED) the UK will be required by 2020 to meet a target of 10% renewable energy in transport. Our current mechanism for delivering renewable energy in this sector is the RTFO. The Government intends to consult later this year about the further amendment of the RTFO that will take these commitments into account, including the trajectories of the UK targets, and further work on the sustainability of biofuels. This will form part of Government policy as we draw up our Renewable Energy Strategy and Action Plan for meeting the UK's 2020 renewable energy target, which needs to be submitted to the European Commission during 2010. We will be engaging with stakeholders throughout this process to draw on their views and experience.

Copies of the Government's response to Part One of consultation (including the addendum) have been placed in the library of the House and are available in the Vote Office and the Printed Paper Office. The Government's response to Part Two of the consultation, which sought views on longer term issues concerning the future transposition of the Renewable Energy Directive and the Fuel Quality Directive, will be published in due course. "

The full summary of responses is available at:

<http://www.dft.gov.uk/pgr/roads/environment/rtfo/rtforesponses>

**Victoria Hodkinson-Gibbs**