REA summary of DfT's Introducing E10 Petrol: Consultation

The consultation document proposes that:

- At some time "during 2021" the standard 95 octane petrol sold across the country should change from E5 to E10, to be implemented by setting a minimum 5.5 % ethanol requirement for standard 95 octane petrol via amendments to the Motor Fuel (Composition and Content) Regulations. (It does also mention an alternative route, which it does not favour).
- The higher octane "super" grade, available at many filling stations would remain E5 (i.e. the protection grade).

The document also contains a call for evidence on increasing the RTFO targets and how to build on the current GHG targets, which would otherwise expire at the end of this year.

The consultation is accompanied by an Impact Assessment.

The deadline is 19 April 2020, respond by email to LowCarbonFuel.Consultation@dft.gov.uk

The following paragraphs summarises the document and includes some direct quotes of interest. Text in this colour is REA comment.

Points to note within the introductory comments

- E10 is described as "… a quick way to increase biofuel blending without needing investments in large-scale infrastructure changes or new technologies. E10 is a proven fuel blend that works in almost all petrol vehicles."
- E10 would "reduce the CO2 emissions from a petrol vehicle by around 2% (in addition to the savings from E5), and, if combined with an increase to overall biofuel supply targets, could cut overall transport CO2 emissions by a further 750,000 tonnes per year, the equivalent to taking around 350,000 cars off the road". Others would argue that the impact is higher (equivalent to 700,000 cars), see APPG report[1].
- The move would "help support UK farmers and particularly the ethanol industry located in the North East of England. Its valuable by- products, high protein animal feed and stored carbon dioxide (CO2), would further reduce reliance on imported products, and aligns with the government's Bioeconomy Strategy."

In a section titled "context", the following points are made

- E10 is "widely available in several countries within and outside Europe.

[1] See https://www.britishbioethanol.co.uk/single-post/2019/07/16/E10InquiryFINALReport

- E10 has been the reference fuel for new car type approval for fuel consumption and emissions standards since 2016.

Points to note in section titled "Benefits of E10"

- "When compared with other crop-based biofuels, bioethanol is associated with relatively limited land-use change impacts, comparatively strong carbon savings and a low impact on food prices. As a result, bioethanol is generally considered preferable in terms of GHG emission savings to the supply of crop-derived biodiesel, which carries a higher risk of inducing negative indirect impacts such as deforestation."
- DfT modelling suggests that with high E10 uptake, the crop cap (at 4% and diminishing to 2% by 2032) could be filled by crop-derived bioethanol which would "provide some assurance that the share of oil-seed crop biofuels, which generally deliver poorer carbon savings than bioethanol, cannot significantly increase."
- The crop cap would restrict crop-derived ethanol towards the end of the 2020s (and REAs modelling agrees with this). The document suggests this "pressure would help to encourage development of advanced, waste-derived bioethanol, in line with the government's overall biofuel strategy" whereas REA feels this could justify revisiting the crop cap upwards.
- On Air quality "While it is true that some pollutants can be reduced as a result of increased ethanol blending, any changes are normally very small and vary based on driving style and vehicle model. As a result, we do not expect moving to E10 to deliver significant air quality benefits".

Compatibility issues

- Consumers need to be informed in a coordinated manner and be fully engaged with the change and continued provision of E5 needs to be guaranteed for those vehicles not approved for E10 use.
- Around 700,000 petrol cars (around 3% of total UK cars) are not approved for use with E10 fuel. 400,000 of these are "day-to-day use vehicles that will eventually come to the end of their lifetime and be scrapped". This amount is expected to half by 2021. The remainder comprise true classics (over 40 years old) and newer vehicles which are unlikely to be used as a main family vehicle, for example sports cars and so called "modern classics".
- The document acknowledges that fuel suppliers would want to act in unison, for fear of falling sales if consumers could purchase E5 from competitors, but that coordinated action could conflict with competition law. Industry has "called for government to ensure any introduction of E10 is co-ordinated and applies to the whole sector".
- The current RTFO targets entail suppliers blending at close to the 7% biodiesel and 5% bioethanol blend walls, and "introducing E10 therefore helps [in] unlocking additional blending space in the conventional fuel market to allow for an increase in the main RTFO targets".

Info on compatibility of cars manufactured before 2011 is already available via ACEA, the European Car Manufacturer Trade Association and ACEM, the European Motorcycle Trade Association.

The core proposals – detail

Bioethanol content

- The MFCC Regulations could be amended in two ways to require filling stations to sell E10 petrol, of which Government's preferred option would see a minimum ethanol content applied to the standard 95 octane petrol grade. The alternative would be to require normal 95 grades would to simply be labelled as E10.
- Government intends to amend the UK regulations to include an additional requirement that 95 octane petrol has a minimum of 5.5% ethanol, and whilst this requirement is relatively low and leaves suppliers with flexibility on how to meet the RTFO. DfT's expectation is that "given current market conditions, we expect this would ultimately lead to higher proportions of ethanol being blended. Blending ethanol is typically a cost- effective measure for suppliers to meet their obligations, and we would therefore expect blending levels to go beyond 5.5%, towards the 10% limit".
- A higher minimum level would limit flexibility of fuel suppliers to use renewable alternatives such as ETBE, bio-methanol and bio-MTBE.
- Simply requiring filling stations to label their 95-octane fuel as E10 would not guarantee any increase in ethanol blending, would be confusing for consumers (as the "E10" could not be guaranteed as greener) and could also lead to a perverse incentive whereby a fuel could be formally labelled E10 but marketed as a low ethanol fuel in an effort to compete against other fuel retailers.

Protection grade

- Larger filling stations (selling >1m litres of fuel in the last calendar year) and stocking at least two grades of petrol, must also sell a petrol grade with no more than 5% ethanol, 2.7% oxygen and have a minimum of 97 octane. More specifically, it would prohibit these filling stations from selling super grade petrol that contains more than 5% ethanol, but could be anywhere between 0 and 5% ethanol.
- This regulation would last for five years from the date that E10 is introduced and be reviewed before it expires.

Derogations from the requirement

- The 95 E10 requirement would apply to all filling stations in the UK, except:
- Filling stations that sell less than one million litres of road fuel per year (including diesel sales) (enabling specialist fuel suppliers to still be able to E5, if they can source it).
- Filling stations that are only supplied from fuel terminals that are in turn only supplied by ship. The fuel terminal must also have a total annual throughput of petrol of no more than 8,000 metric tonnes. (This exempts filling stations located on some of the more remote islands of the UK including the Western Isles, Orkney and Shetland

where there are no ethanol blending facilities and meeting the requirement would entail disproportionately costly infrastructure investment).

- There are also logical some short-term derogation to cater for unforeseen circumstances such as ethanol supply issues are also proposed, but are not summarized in this note.

Timing

There will be six months' notice of the introduction date to give industry and consumers to prepare, and to allow time for a comprehensive communications campaign. This would be followed by a two-month implementation period, during which suppliers would need to have labelled the 95 grade as E10, but could still sell their remaining fuel even if it was not at least 5.5% bioethanol.

Amending the E10 consumer message in the Biofuel (Labelling) Regulations 2004

At present petrol with a bioethanol content above 5% and diesel with a biodiesel content above 7% must carry the message “Not suitable for all vehicles: consult vehicle manufacturer before use”. The previous E10 consultation proposed the wording of the message for petrol should be changed to "Suitable for most petrol vehicles registered since 2000" but following feedback the following wording for E10 is now proposed "Suitable for most petrol vehicles: check before use".

Implications of an E10 introduction for other policy mechanisms - call for evidence

The E10 work entails legislative changes to be passed in 2020, which is before any changes to the RTFO could be made. However the consultation takes the opportunity to seek initial views from stakeholders on what changes could be made to the RTFO and other policy mechanisms were E10 to be introduced. It considers

- an increase in RTFO targets
- retention of GHG targets and what should be in scope

Both are key REA asks, so this call for evidence is most welcome.

Paragraphs 4.11 – 4.26 of the document contain a detailed discussion of the consequences of the introduction of E10 with and without an increase in the RTFO target; covering what might be blended, the GHG savings of different possibilities, timing aspects and various issues that interact with each other. That discussion is not summarized in this note.

With respect to GHG savings, the document notes that stakeholders have indicated that the GHG targets are driving demand for biofuels with increased GHG savings. DfT is taking the opportunity to gather initial evidence on the existing GHG target and how it could interact with the introduction of E10. It invites responses on costs; GHG savings, scope (e.g. wither upstream emissions reductions should continue to be eligible for GHG credits, the level of the target along with any other suggestions.

The full list of consultation questions

1. Do you agree that the best way to introduce E10 petrol is as a direct replacement for the current 95 E5 premium grade? If not, please provide further information.
2. Do you agree that introducing a minimum ethanol content of 5.5% in the 95 grade is the best way to ensure E10 is introduced across the UK? If not, what alternative would you propose?
3. Do you agree that the minimum ethanol content requirements should apply to filling stations that sell more than one million litres of fuel per year and that this would only allow certain specialist retailers to continue to sell 95 E5? If not, please provide further information and alternative suggestions.
4. Do you agree that there should be an exemption for filling stations supplied from fuel terminals that are in turn supplied by ship? Is this definition suitable? Should other terminals be included or should a different or no exemption be applied?
5. Do you agree that introducing E10 in 2021 and providing industry and motorists with at least six months' notice and a two months' implementation period is sufficient to prepare for the change in fuel grades? If not, what alternative timelines would you suggest and why?
6. Do you agree that the protection grade should apply to the 97+ octane super petrol grade at filling stations that supply at least one million litres of fuel in the last calendar year and supply at least two grades of petrol? If not, please explain why and provide any alternative suggestions.
7. Do you agree that the protection grade should apply for the maximum period of five years after the introduction of E10 before being reviewed for any further extension? If not, please explain why and provide any alternative suggestions.
8. Do you agree that short term derogations are required to ensure fuel supply resilience can be maintained? If you do not agree, please set out the reasons why.
9. What are likely scenarios in which derogation may be required?
10. Are the duration, process and reporting elements of the derogations appropriate, and if not, what changes would you like to see and why?
11. Is the classification of a fuel supplier appropriate for the application of derogations and if not, what would you suggest?
12. Do you agree with the proposed wording for the E10 labelling? If not, why not and what alternative would you suggest?
13. Do you have further comments or suggestions for communicating the E10 compatibility message?
14. Would an increase in RTFO targets, alongside or subsequent to an introduction of E10, deliver additional GHG savings from the scheme?
15. Would you be supportive of such a change?

    You may wish to consider the level of any increase and the timing of it within your answers. Please provide any evidence you may have to support your response.

16. Do you expect any other risks or potential impacts of such a change other than the ones listed in this call for evidence?

17. Please provide any evidence you have on the potential impacts of continuing the GHG saving obligation beyond 2020. We are interested in evidence relating to costs and GHG savings as well as wider impacts on the industry.

If the targets were to continue, do you have any views on:

a. Which measures should be rewarded with GHG credits? For example, should UERs continue to be included?

b. The level of the obligation, i.e. should it remain at 6%?

c. Any other changes to the system you would like to propose.