

April 2007

Energy

Renewable Transport Fuel Obligation

The Renewable Transport Fuel Obligation Order (RTFO), expected to come into force in April 2008, is currently subject to consultation by the Department for Transport

The RTFO is a requirement on transport fuel suppliers to ensure that by 2010, 5% of all road vehicle fuel supplied to the UK is from sustainable renewable sources. The objective of the RTFO is to force major oil companies and importers of fuels sold in the UK to add fuels made from biofuels and other renewable sources to their supplies in order to make transport fuels greener. It is one of the main policy instruments in the transport sector to reduce greenhouse gas emissions and to increase the use of renewable fuels to help the UK meet its international obligations under the Kyoto Protocol and the EU Biofuels Directive.

The levels of the obligation under the RTFO are expected to increase gradually i.e. - in the years 2008/9 and 2009/10 the levels of the obligation are expected to rise to 2.56% and 3.8961% respectively, thereafter the level is expected to increase to 5.26%. It is anticipated that by the time the level of the RTFO reaches 5% (i.e. fuel sold is to contain at least 5% biofuels), it will have created a demand for 2.5 billion litres of biofuels a year.

The Draft Renewable Transport Fuel Order 2007 (the 'Order') is currently under consultation and parts of the Order may still be modified in light of comments received from consultees. There may also be further drafting and other minor changes made.

Some key aspects of the draft Order include:

- The obligation will apply across the whole of the UK to any road transport fuel supplier who supplies more than 450,000 litres of fossil fuel per annum to the UK market.
- The obligation will be measured over a period of one year, starting from the 15th April and ending on the following 14th April.
- The obligation falls on fuel suppliers such as refiners, importers and any others who supply fossil based road transport fuels at the point at which excise duties become payable.

- An RTF certificate will be awarded for the supply of one litre of renewable fuel. These certificates can be traded amongst suppliers or other persons who have an RTF account. Both obligated suppliers and other suppliers of renewable fuels may apply for certificates in respect of renewable fuels on which duty has been paid.
- An obligated supplier will be allowed to meet up to 25% of its obligations using certificates awarded to itself or transferred from other obligated suppliers in the previous period.
- The obligation will require road transport fuel suppliers to either ensure that a specified percentage of their sales is made up of fuels from renewable sources or to discharge their obligations by: purchasing certificates from other suppliers or traders, or by paying a buy out price for each litre of road transport fuel which should have been supplied from renewable sources.
- The obligation does not differentiate between different renewable transport fuels: obligated suppliers will be able to meet their obligation by supplying any combination of bioethanol, biodiesel, biogas and any other renewable road transport fuel.

There is no end date for the obligation set out in the draft Order, but it is the Government's intention that the obligation should continue until at least 2020.

The consultation in respect of the draft Order began on 22 February 2007 and is due to complete on 17 May 2007. Interested parties should respond prior to that date, ahead of the Order being laid before Parliament.

Note:

The draft Order and further information in relation to the consultation is available at:

<http://www.dft.gov.uk/roads/RTFO>

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