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Dear Ms McVeigh,

Thank you for your letter dated 4 February to Edward Davey, about bioliquid fuel. I am replying as this matter falls within my portfolio and I apologise for the delaying in doing so.

The sustainability of the Government's renewables policy remains of paramount importance. We agree that the sustainability risks of generating electricity from virgin vegetable oils such as palm oil can be high; however, there are potential benefits from using other bioliquids such as waste oils. The risks, therefore, should be managed effectively, but I believe we have the appropriate controls to prevent high volumes of palm oil being supported by the Renewables Obligation (RO), while we continue to support improvements to the sustainability criteria at the European level.

Having considered the evidence, and taking account of the safeguards in place, I consider it is right to allow a limited amount of bioliquids to be supported by the RO. At present the majority of bioliquids supported by the RO are wastes such as animal by-products and used cooking oil, and therefore are a useful and highly sustainable source of energy; we want to continue to support these. The key features for bioliquids set out in the Government Response to the Renewables Obligation banding review are to ensure that the supply of bioliquid electricity in the RO is limited, leading to a low risk of diverting bioliquids from priority sectors.

These include a level of support which is equivalent to that of biomass wherever possible, even though bioliquids were generally shown to have higher costs. A supplier cap of 4% was set to limit the level of bioliquid electricity that can be used each year. In addition to the mandatory sustainability criteria that are already in place for bioliquids, we are putting in place additional reporting requirements that have been set out by the European Commission.

Generating stations that could use bioliquids can usually take a range of fuels, so it is not a given that they will burn palm oil. Although support for electricity generated from bioliquids is grandfathered, the sustainability criteria are not. Bioliquid technologies should have the flexibility to source fuels that meet current and future sustainability criteria, for example, when the minimum greenhouse gas emission saving increases to 50% in 2017. This is an important safeguard, often overlooked.

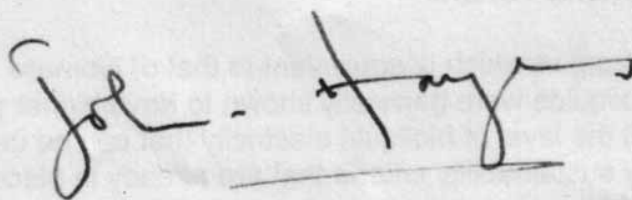
To date the vast majority of bioliquids used in the RO have been derived from wastes or residues. These can be highly sustainable and generate useful renewable energy, and we want to continue to support electricity generated using these fuels under the Renewables Obligation. Member states cannot impose additional sustainability criteria on bioliquids over and above those set out in the EU's Renewable Energy Directive, when determining eligibility for financial support under the Renewables Obligation. This means that we cannot, on sustainability grounds, remove support under the Renewables Obligation for bioliquids derived from palm oil that meet the sustainability criteria while continuing to support electricity generated using other bioliquids that meet the sustainability criteria.

We remain very concerned that the increased use of some biofuels or bioliquids could increase greenhouse gas emissions rather than reduce them, due to indirect land use change (ILUC). Addressing ILUC is therefore key to ensuring that biofuels used in the UK and across the EU are sustainable and lead to a worthwhile reduction in carbon emissions. In the context of the Renewable Energy and Fuel Quality Directives, the European Commission published proposals to address indirect land use change effects in October last year. These proposals introduce a series of changes to the directives to address sustainability concerns. Changes include a cap on food crop-derived biofuels which can be counted towards Renewable Energy Directive targets, reporting criteria for biofuels which have an ILUC risk, and an increase in the minimum greenhouse gas saving requirement for future bioliquid installations. Government is considering the detail of these proposals, and will continue to push for an outcome that ensures the sustainability of biofuels and bioliquids used to meet the renewables targets.

The default levels set out in the Renewable Energy Directive are reviewed by the Joint Research Commission and are revised every two years. The UK is involved in ensuring the most up to date evidence contributes to this process. However, unlike solid biomass, individual Member States do not have scope to apply their own sustainability criteria to the use of bioliquids.

I will use the available evidence to monitor the use of bioliquids used for energy, and work closely with colleagues across Government to secure improvements to the sustainability of biofuels and bioliquids.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Hayes', with a horizontal line underneath.

JOHN HAYES