



IFA Biofuels Obligation Scheme (BOS) Position Paper

- The Biofuels Obligation Scheme (BOS) was introduced on the 1st July 2010 to replace the current Mineral Oil Tax Relief (MOTR) scheme. It will run consecutively alongside MOTR for 6 months when the MOTR scheme will be closed.
- BOS will require obligated parties (importers, home producers) to have a 4% biofuel inclusion in all transport fuels used in Ireland.
- The penalty for non-compliance with BOS is proposed to be 40 cents per litre where no biofuel has been included, with the penalty reducing proportionately with inclusions up to the 4%.
- Under the BOS 1 certificate will be provided by the BOS administrator, NORA, for every 1litre of biofuel (by volume) that is placed on the market.

IFA CONCERNS FOR IRISH BIOFUELS SECTOR:

- There is no value being placed on the indigenous certificates, as the market will be left to determine their value.
- The market for certificates is dependent on Government policy in another jurisdiction as we import most of our transport fuel from the UK, which is already blended to 3.5% to comply with the Renewable Transport Fuel Obligation (RTFO) scheme.
 - o If it becomes UK policy to move to higher biofuel inclusions than the Irish BOS, there would be NO MARKET for Irish certificates.
- The Irish transport fuel market is approx. 5.5 billion litres. Conoco Phillips supplies 1.8 billion litres of this market. If Conoco Phillips blend their transport fuel to 4% and the remaining market is supplied with UK blended fuel at the 3.5% rate, the total demand for certificates in Ireland will be for 27.5 million certificates per annum in a market that can supply over 70 million certificates per annum.
 - o This creates oversupply and REDUCES THE VALUE OF THE CERTIFICATES.
- The proposed penalty under BOS for non-compliance is insignificant and will be absorbed by the importer and past onto the consumer leaving NO MARKET for the certificates. Irish obligated parties have clearly indicated that they will either import biofuels or pay penalty.

REQUIREMENTS TO SAFEGUARD IRISH BIOFUELS SECTOR:

- To secure extension to the 2010 deadline for the termination of the MOTR 11 and to be able to utilise the full MOTR allocation.
- Compared with other member states the Irish Government was late in developing biofuels incentives therefore the industry is still in a fledgling state and must be afforded more time to allow a more stable feedstock supply and biofuels market to develop. Therefore IFA propose that an alternative system run concurrently with the BOS.
- In order for the indigenous producers to be viable under the BOS, the Government need implement the following measures:
 - o **To provide a guaranteed market for certificates produced in Ireland.**
 - o **To guarantee a floor price for certificates with a minimum value of the current MOTR excise duty of 40.92 cents per litre.**
- DCENR state that certificates will have a real value that will allow indigenous production to continue. If DCENR can be confident of the value of the certificates then they should underwrite the value of the excise rate.

IRISH BIOFUELS PRODUCERS ARE VERY COMMITTED TO FURTHER DEVELOP THEIR INTERESTS IN THE BIOFUELS SECTOR, HOWEVER BUSINESSES LOOK SET TO FAIL UNLESS THE GOVERNMENT SUPPORT CAN BE SECURED.