



Transport Energy Taskforce

Working Group 4: Customer Acceptability

Monday 2nd February 2015

MINUTES

Actions:

1. **Hugh Tucker (UKPIA) to explore the availability of statistics for fuel consumption in the rail sector; and also the maximum FAME level that can be used in rail fuel.**
2. **DFT officials to explore options for whether and how the E10 roll-out could be mandated.**
3. **E10 options paper development to continue, and to include i) a list, in order of priority, of what the consumer needs to see before E10 is rolled-out; and ii) an exploration of the duty incentive: if it is needed, and if so how large it would need to be to be effective.**
4. **Grant Pearson (Ensus) to support preparation of Working Group 4's chapter in the overall Taskforce report. This will be circulated for group comment.**

Attending:

Andy Eastlake (interim Chair); *LowCVP*

Roy Murray; *BP*

Jennifer Hurley; *Dept. for Transport*

Teresa Sayers; *Downstream Fuel Association*

Michael Humphries; *Dept. for Transport*

Mark Rolph; *Downstream Fuel Association*

Aaron Berry; *Dept. for Transport*

Clare Wenner; *Renewable Energy Association*

Thomas Robertson; *Dept. for Transport*

Jerry Burton; *Tesco*

Hugh Tucker; *UKPIA*

James Mills; *National Farmers' Union*

Adel Pishneshin; *Jaguar Land Rover*

Paul Watters; *AA*

Grant Pearson; *Ensus*

Will Bushby; *The Anaerobic Digestion and Bioresources Association*

Anja Hazebroek; *Vivergo*

1 Outline of the purpose of the meeting

Apologies from Rob Wakely (Chair) for absence, and thanks to Andy Eastlake for interim Chairmanship.

The Chair welcomed the attendees and outlined the purpose of Working Group 4 and its place within the overall work of the Transport Energy Taskforce. The overall aim of the Taskforce being to generate options for Government on how to meet 2020 greenhouse gas emission and renewable energy targets in transport, and potential 2030 targets on greenhouse gas emission. The focus of Working Group 4 was to look at what consumers need to know in terms of new fuels and how information and reassurance might best be provided. In addition to considering how to overcome any consumer-oriented barriers for the vehicle engine manufacturing and fuelling infrastructure industries.

2 Follow up on actions from last meeting

LowCVP/ Secretariat to report back on comparative fiscal incentives for E10 in Finland, France and Germany, and to collate information on the current market shares of petrol grades and capacity where E10 has been rolled out.

This work is underway, and the following updates were given:

Finland:

- No compatibility issues have been reported.
- Market is approximately 3.1 million cars (average age 13 years), sales 110k per annum, 60% petrol, 2000 fuel stations.
 - E10 introduced January 2011 (Industry led). Four years later penetration is 63% of gasoline sold (as of December 2014).
 - “Protection” grade: 98E5.
 - Finland used a website communication campaign starting 12 months before launch, with vehicle compatibility list published May 2010.
 - Fuel Taxation structured to give incentive to Biofuel
 - At the pump E10 is approximately €0.10 cheaper than 98E5
 - The Finnish energy tax reform (1 January 2011) was noted here, which changed the basis of the fuel excise tax: Fossil fuels and biofuels are subject to an energy content tax proportionate to their energy content, and to a carbon dioxide tax based on fuel's carbon dioxide emissions. This gave a tax incentive to bio components meeting the sustainability criteria.
 - €0.016 per MJ and 58 euro/tonne CO₂, 50% reduction for renewable, 100% reduction for double counted (up to 30% tax diff between ETOH and Petrol per litre).

UKPIA to confirm the details of CEN's future work programme on fuel specifications

It was outlined that the current work in CEN shows E20–E25 as a ‘medium’ term priority, therefore it is unlikely that there will be anything as a British Standard in the UK before 2020.

No other performance related studies being progressed at this time. It was noted that there is a technical specification for E85 already in existence so permissible grades of gasoline for sale are E5, E10 and E85.

AA to determine if work on consumer acceptability and perceptions of E10 could be updated through their regular surveys

The AA-Populus motoring panel would be best suited to provide an updated view here – this is a monthly opinion poll of 15 questions sent to a panel of around 200,000, with a response rate of approximately 20,000 completed surveys a month. It also allows filtering of responses by age, sex, region and socio-economic group, whilst maintaining statistically significant/representative results.

The Working Group discussed the potential to utilise the February survey (having 2-3 questions on E10), however it was felt that initiating this in February would be premature and could create expectations. It was therefore agreed that this should take place after the Taskforce Report has been prepared, when we will be in a better position to know precisely what we want to ask of consumers.

3 Non-road mobile machinery (NRMM) and options to meet the 2020 targets

The Working Group discussed how NRMM could be accounted for in options to meet the 2020 RED and FQD targets – the NRMM market was identified to be particularly challenging to monitor particularly as one NRMM fuel tank can be alternated between transport and non-transport means. The modelling which is being undertaken by Working Group 1 especially should reflect as accurately as possible these respective uses of NRMM fuel.

It was felt that the differences in the handling of NRMM in RED and the RTFO should ideally be aligned, and that the RTFO needs to incorporate an alternative means to determine the end use of the NRMM fuel. Whilst NRMM is included in the RTFO in order to meet the FQD targets, it was recognised that the RED does not require NRMM inclusion and FQD is a distinct entity, both are however encompassed within the RTFO. Whilst there will be overlap between the two, we must be cautious not to appear to be ‘gold-plating’ one over the other.

It was also stated that a potential risk should be flagged here in terms of the use of biocontent in NRMM.

In discussing how rail fits in here it was highlighted that rail would be easier to quantify, but some further exploration is needed. It was also emphasised that the marine sector should not be overlooked either.

ACTION 1: Hugh Tucker (UKPIA) to explore the availability of statistics for fuel consumption in the rail sector; and also the maximum FAME level that can be used in rail fuel.

4 Discussion on higher blending levels of biodiesel

In light of the recent announcement from France – regarding the intention to authorise the incorporation of 8% biodiesel (B8) – France have started the ball rolling in higher blending levels, but it was underlined that the French strategy is reliant on OEM's acceptance to meet it. This strategy may make used cooking oil more attractive, which could be a problem for the supply to UK and other Member States.

Aside from B8, the Working Group also discussed the other biodiesel solutions in play at the moment, including TFL's intention to begin running buses on a B20 blend of biodiesel; a

B100 blend which being considered by some truck fleets; and a B30 specification under development by CEN, potentially for captive fleets. (Although it was highlighted that a B100 blend for trucks may not be realistic, and is more likely to end up as a high B30s blend).

It was felt that some further modelling would be beneficial here, incorporating feasibility and associated costs. Some further digging would also be helpful in terms of the captive fleets, and that here we should also include large-scale haulage companies, bus companies and the Royal Mail. However vehicle compatibility and warranty was highlighted as a critical issue for any biodiesel blend higher than B7.

It was felt that we did not yet need to begin communications with retailers, but when communications start they should be focussed on what blending agent is, as well as the blending levels.

During this discussion, Andy Eastlake showed the group, the draft Fuels roadmap currently under way (but not approved) within the Automotive Council technology group. It was noted that this roadmap aligned with several others in highlighting that E10 is expected to be the mainstream gasoline grade through to the mid-2020s followed by a higher bio blend from either regular Ethanol (to an E20/25 level) or using a drop in component.

Also aligned are views that B7 is the maximum Biodiesel grade in mainstream fuel, with drop in solutions identified as the future trajectory.

5 E10 options paper

The paper included three potential roll-out options:

1. **Voluntary:** obligated suppliers would introduce the grade as a commercial decision as they see fit to meet their renewable obligations.
2. **Mandated:** HMG would consider whether there were options for mandating E10's introduction,
3. **Co-ordinated approach by common agreement:** HMG would support the introduction of E10 with clear (but not binding) goals set in terms E10 pump availability.

Discussion of the roll-out options

It was highlighted that we will only have one chance to make the roll-out a success, so vigorous Government support would be crucial to success, particularly if we are looking to learn lessons from the roll-outs in other Member States.

Under a mandated approach, although this would avoid issues surrounding competition law, a way would have to be found to do this within the confines of the RTFO, whilst ensuring that it does not create a two-tier market. It was also recognised that mandated approach could take a significant amount of time (well over 12 months after consultations and a decision had been taken) before it came into effect.

Under a co-ordinated approach, whilst this would be more in line with keeping the momentum to bring E10 to the market, there are serious barriers associated with competition law which would make this a very difficult approach to take forward, and several stakeholders felt that the issues to do with competition law would be insurmountable.

Recognising this, the group discussed whether the coordinated approach could instead become an approach with a split obligation requirement; for instance, a proportion of petrol is required to have a renewable element.

In terms of having a fiscal incentive to encourage the uptake of E10, whilst this could be a possibility there would need to be a strong case for HMT to consider favourably. It was noted that taxation on energy basis would be both fairer to consumers and would not impact HMT revenue (as larger volumes of lower energy fuels are used).

The Working Group recognised that whilst there were options, there is no 'easy' option here; given the work which would need to be done before 2020.

Discussion of the rest of the paper

The next draft of the paper should include the following:

- A list, in order of priority, of what the consumer needs to see for an E10 is roll-out.
- An exploration of the duty incentive: if it needed, and if so how large it would need to be.

It would also be helpful to continue to explore the following areas:

- What are the benefits of E10 fuel?
- What the primary drivers will be for purchase of the fuel.
- Advice on any pre-requisites for introduction.
- Potential for third party endorsement.
- Advice on how to mitigate the MPG losses in monetary (or equivalent) value.
- How to garner NGO support.

ACTION 2: DFT officials to explore options for whether and how the E10 roll-out could be mandated.

ACTION 3: E10 options paper development to continue, and to include:

- **A list, in order of priority, of what the consumer needs to see before E10 is rolled-out.**
- **An exploration of the duty incentive: if it is needed, and if so how large it will need to be.**

6 Final report skeleton for the Transport Energy Taskforce

The chapter which Working Group 4 will need to prepare is structured as follows:

- Issues for WG4.
- Evidence considered.
- Conclusions.
- Further work.

Working Group 4 needs to produce this before the 19th February.

ACTION 4: Grant Pearson (Ensus) to support preparation of draft Working Group 4's chapter in the overall Taskforce report. This will be circulated for group comment.

7 AOB & Date of next meeting

It was felt that the remaining work on the E10 options paper and WG4's contribution to the Taskforce report can be taken forwards via email, however it was agreed to hold a tentative date in diaries for a final meeting of WG4 in order to do further work on any outstanding issues.

This was agreed to take place in the morning of Thursday 26th February. Secretariat to confirm the meeting in due course.