Position Paper of the Low Carbon Vehicle Partnership –
Feasibility of a Biofuel Sustainability Label

This paper has been developed by the LowCVP in response to a request from the DfT. The position is derived from the conclusions of a study performed by Ecofys and E4Tech for LowCVP, *'Development of a Biofuel Label: Feasibility Study'*.

Introduction

In June 2007, following campaigns by NGOs as part of the consultation on the Renewable Transport Fuel Obligation (RTFO) Order, the Government announced changes to the RTFO to reward biofuels under the RTFO:

- in accordance with the carbon savings that they offer from April 2010[1]
- only if the feedstocks from which they are produced meet appropriate sustainability standards from April 2011[2].

In the same statement to Parliament the Government asked the LowCVP to explore the feasibility of a voluntary labelling scheme to allow responsible retailers to show that their biofuels are genuinely sustainable. This paper provides the response to the Government's request to investigate the feasibility of a voluntary labelling scheme.

The voluntary label is aimed at consumers and use of the label would demonstrate that the company sourced sustainable fuels. It could be displayed on petrol pumps dispensing biofuels or blends and on other publicity media by compliant (certified) companies that source biofuels of an agreed standard.

The advice is derived from the conclusions of a study performed by Ecofys and E4Tech for LowCVP, *'Development of a Biofuel Label: Feasibility Study'*.

Summary of conclusions

The study concludes that the development of a voluntary consumer-focused biofuel sustainability label is feasible. However, despite strong interest in and demand for *a* mechanism which can ensure the sustainability of biofuels, it is not clear that a voluntary biofuel label is the right mechanism to address this demand at the present time. The development of a voluntary consumer-focused biofuel sustainability label should not therefore proceed at the present time. This is since:

a) There is considerable uncertainty in future EU (and therefore UK) sustainability requirements for biofuels.

[1] Provided that this is compatible with World Trade Organisation rules and EU Technical Standards requirements, and is consistent with the policy framework being developed by the European Commission as part of the review of the Biofuels Directive, and subject to consultation on its environmental and economic impacts
2 Subject to the same provisos and consultation as above and subject to the development of such standards for the relevant feedstocks

b) The effectiveness of the RTFO reporting scheme is presently unknown.
c) There is likely to be poor uptake of such a scheme by fuel retailers at this time.
d) There is mixed support for a label from environmental and social NGOs.
e) The apparent consumer demand and willingness to pay is not matched by demonstrated understanding and knowledge of biofuels.

The Renewable Fuels Agency (RFA) should review this situation in 24 months when greater certainty on the scope of forthcoming legislation and effectiveness of the reporting scheme is known.

Any biofuel sustainability label should aim to achieve an acceptable level of sustainability for a majority of the biofuels supplied, that meet at a minimum:
- the environmental Qualifying Standard[3]
- the social Qualifying Standard

The majority of members believe that a greenhouse gas (GHG) saving target should be included in a sustainability label and should be carried out with land use change information and some actual data for significant parameters. A minimum GHG saving is proposed within European legislation and therefore other members believe that this should not be duplicated in a sustainability label.

Should an acceptable level of sustainability be achieved through forthcoming legislation, the value of a label guaranteeing the sustainability of fuels supplied to the mass market is removed. A voluntary 'gold standard' label that addresses a niche market would provide an alternative approach.

The demand for a label and its potential value

1. Most LowCVP members[4] support the use of biofuels that have been produced sustainably and believe they can make a useful contribution to reducing GHG emissions in the transport sector. Members recognise that biofuels are only part of the solution and efforts to address emissions from the transport sector require a package of measures.

2. Most LowCVP members believe that the carbon and sustainability reporting requirements of the RTFO represent a practical mechanism in the initial stages of the scheme and recognise that information gathering through the supply chain and sustainability performance must also improve year on year. A minority of members, largely from environmental organisations, believe the use of biofuels is counter-productive and causes more harm than good. The uncertainties associated with the implications of rapidly increasing volume targets are recognised by LowCVP members and the Government's Review on the indirect effects of biofuels is welcomed. Members support the need for a stable investment climate based on appropriate (evidence-based) targets and sound sustainability assurance.

3. The need for, and value of, a voluntary consumer-focused label for sustainable biofuel depends upon a number of factors:

[3] The term 'Qualifying Standard' is used by the Renewable Fuels Agency to denote an acceptable number of sustainability criteria have been met from those listed in the RTFO Sustainable Biofuels Meta-Standard.
[4] Some NGOs do not support the use of crop-based biofuels in any volume.

a. Consumer demand.
b. Stakeholder credibility.
c. Industry buy-in.
d. The scope of legislation i.e. the proposed Renewable Energy Directive (RED).
e. The effectiveness of the RTFO C&S reporting mechanism in guaranteeing performance standards.

Consumer demand

Research undertaken in January 2008 demonstrated that consumers have a low level of awareness of the RTFO and understanding of biofuels but they reported a high level of interest in a sustainability label and a willingness to pay for such a guarantee. They are likely to remain unaware of their purchase of biofuels unless they become aware of NGO campaigns against biofuels.
In general, fuel retailers remain unconvinced by survey results that indicate a willingness to pay owing to a legacy of experiences with low sulphur diesel, unleaded fuel and other differentiated products. Examples of willingness to pay for an environmental good is demonstrated in other sectors, for example carbon offsetting for air travel, but is not directly comparable with fuel purchase.

4. NGO campaigns on the RTFO have generated thousands of responses from consumers to the Government, indicating an apparent concern about biofuels. A consumer-focused label would therefore have several benefits:
    a) It would enable consumers to differentiate between, and therefore choose to buy, fuels labelled as sustainable.
    b) It would facilitate the engagement of fuel retailers, not all of whom are engaged with the RTFO C&S reporting (for example supermarkets that currently sell over a third of fuel in the UK are not the obligated parties under this scheme).
    c) It could create additional value for the C&S data reported through the existing legislative framework if a book and claim market is established.

5. The extent to which consumers are aware of biofuels, care about the different potential impacts and demand a sustainability label was a key aspect of the study and assessed through a consumer survey[5] in which 1,319 fuel-buyers attitudes were explored with prompted questions.

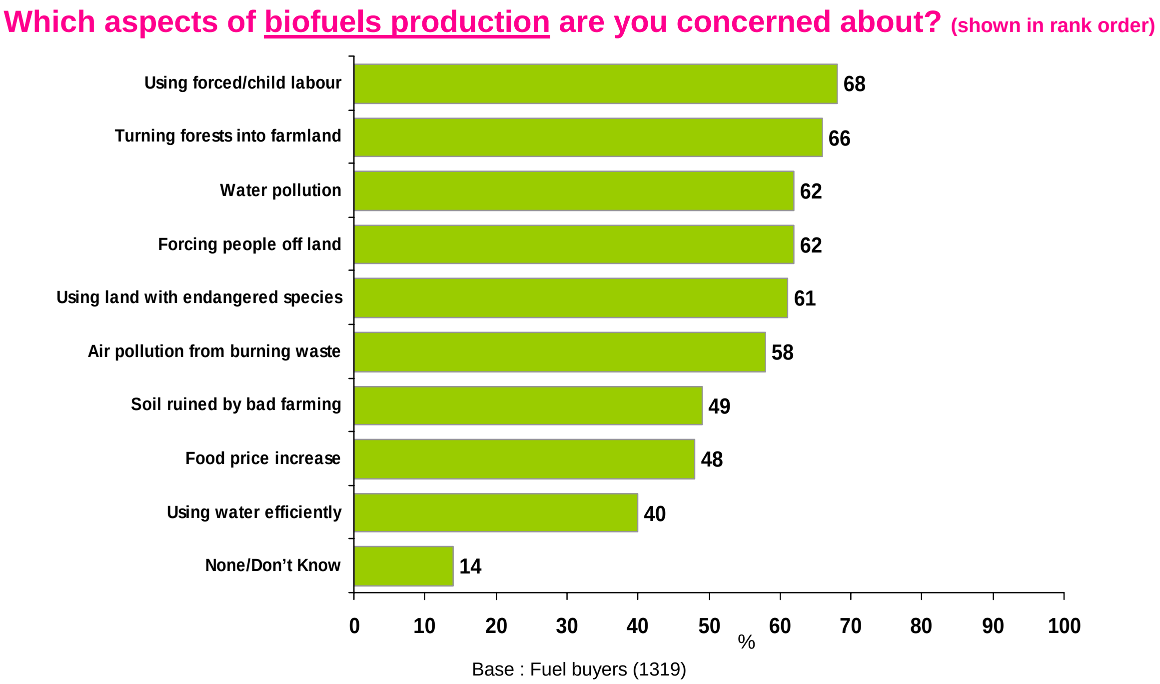
6. Most consumers (78%) have heard of biofuels but their knowledge is limited. A relatively small number (21%) are able to correctly identify different types of biofuels without error but most (87%) are unaware of the introduction of the RTFO.

7. When asked, consumers are concerned about some of the potential negative impacts of biofuels and a majority of the consumers consulted in the consumer research were interested in knowing that the biofuels sold are ‘environmentally friendly’ (85%) and interested in a label (78%). When asked, most consumers are concerned about the social impacts of biofuel production (the majority 68% were concerned about forced or child labour). Deforestation, biodiversity loss and water

[5] The research was conducted though the TNS Computer Assisted Personal Interviewing (CAPI) Omnibus which conducts face-to-face interviews in respondents’ homes.

pollution were also of concern to a majority (61% to 66%). Land rights are of concern to more people (62%) than air pollution from burning waste (58%) and surprisingly, increasing food prices were of concern to fewer people (48%).

Figure 1: Consumer responses to issues surrounding biofuel production



8. For a sustainability label to reflect consumer concerns, it must address social criteria as well as environmental criteria. However given that the majority are unaware of the RTFO and that fuel quality specifications allow up to 5% biofuel to be blended without need to disclose inclusion, consumers may remain unaware that they are buying biofuel. The effectiveness of a label in influencing consumer behaviour is therefore uncertain.

9. When asked, more than a third of fuel buyers said they would be willing to pay extra for environmentally friendly biofuels compared to just over a half who said they wouldn't pay more. Of those that would be willing to pay more, one fifth said they would be willing to pay up to 6p more and 15% would be willing to pay more than 6p. These positive indications of willingness to pay are however met with caution by UK fuel retailers. Previous experience with the introduction of unleaded fuel and low sulphur fuel indicated consumer's expressions of willingness to pay (for the apparent public health benefits) were not validated by sales volumes at the forecourt.

10. Retailers see little added-value in participating in such an initiative at present as they are sceptical of the survey results that indicate consumers true willingness to pay. The industry operates with tight margins and retailers are concerned that the costs associated with a labelling scheme, that would have to be passed to the consumer, would not be recovered.

11. Current NGO campaigns highlight potential issues associated with rapidly increasing biofuel targets. These campaigns and the associated media coverage are likely to be the main catalyst for a change in consumer awareness. Consumer

awareness will rise over time and demand for a label may increase in the future. This is a key change necessary for retailers to see added-value in a voluntary label.

12. In order to identify a change in consumer demand that would indicate a label is required, LowCVP recommends that the Renewable Fuels Agency repeats the consumer research exercise in 24 months time. This time period would enable sustainability reporting within the RTFO to be established and therefore its success can be determined. In addition, European proposals for sustainability criteria within legislation are likely to be agreed and therefore the scope of criteria and performance the label should address will be clearer.

Stakeholder Credibility

> Some NGOs are actively campaigning for a moratorium on all biofuel targets including the RTFO. The Environmental Audit Committee, on 2nd May 2008, repeated calls for a moratorium. A label is not a credible option for these parties and a label would not enjoy support from all stakeholders. Fuel retailers are reluctant to engage in label development that they expect to be criticised.

13. An effective label must be credible with its stakeholders. At present, NGO opinion is divided on a biofuel label. One NGO interviewed for the study would be supportive of a label as long as it addresses both environmental and social concerns as well as minimum greenhouse gas emissions. Other NGOs believe the risks of indirect effects (not covered by certification) from biofuels to be so large that governments should abandon their biofuel targets altogether. These organisations actively campaigning would not support a label at this time.

14. For many LowCVP members the absence of NGO support for a label is a 'showstopper'. Other members suggest that any initiative will have its critics and this should not stop the development of a sustainability label for biofuels in parallel with international efforts to enforce good governance for land use. Whilst NGO support is not forthcoming it is unlikely that a critical mass of retailers will adopt a biofuel label.

Industry buy-in

> No fuel suppliers and/or retailers are at present willing to support a consumer-focused label displayed at a forecourt. This is since:
>
> - Major NGOs are campaigning against biofuels
> - Retailers remain sceptical about consumers' true willingness to pay
> - The complexities of retail outlet ownership and operation may limit label coverage
> - A potentially simpler route of a label used in promotional material only is preferred.
>
> Some biofuel producers do see potential added-value of a consumer focused label for differentiating their product but not all will support the development of a label while campaigns against biofuels are ongoing.

15. A label will only provide value to consumers if fuel retailers are willing to adopt it. At present some fuel suppliers and/or retailers are working bilaterally with NGOs to improve sustainability performance across the whole of their business operations and consider these activities to be more valuable in improving the sustainability of their business operations than a voluntary biofuel label.

16. Fuel retailers face tight margins and would attempt to recoup costs of the label at the pump. Despite results of the consumer survey, many have negative experiences of introducing labelled products that had also been accompanied by expressions of willingness to pay by consumers. Retailers are therefore sceptical that costs would be recouped from a mainstream label and see a more suitable role as a niche market label that guarantees ‘gold standard’ fuel while the mainstream sustainability is dealt with through legislation.

17. A potential proliferation of labels is of concern to some companies especially since many have European and international operations. The study indicates that it is possible for support to be gained for a UK label based on the RTFO standard that would adopt an internationally recognised standard over time. Since the study was undertaken, the European Technical Standards Body (CEN) has approved a project to develop a European Sustainability Standard that applies to biofuels. A full standard may take 4 years to develop but could become the basis for a label when it is available, as long as it is considered acceptable by stakeholders.

18. The industry would prefer any label to avoid unnecessary additional administrative burden that would add to costs. Therefore it should remain consistent with current and future RTFO criteria and procedures. The use of a CEN standard as the basis for the label is not necessarily incompatible: the CEN standard may be more comprehensive than, yet still consistent with, future RTFO criteria. The sanctions or penalties for companies that display the label in good faith would also need to be ‘reasonable’ for retailers to buy-in.

19. Owing to the complexities of retail outlet ownership and operation that could limit label coverage (see paragraph 37), some companies would prefer a label to be used in marketing and promotional material rather than to be displayed at the forecourt.

20. Some UK biofuel producers believe a consumer-focused label could add-value to their business if a book and claim for the label is operated (see Fig 2) and they are able to claim ‘label certificates’. Some biofuel producers are concerned that under the current RTFO procedures, any additional value for biofuel with ‘good’ C&S data remains with fuel suppliers and may not be passed through the supply chain. In addition, the current debate surrounding the sustainability of biofuels concerns the UK biofuels industry, some of whom wish to be able to differentiate their product by using a label to guarantee it has been produced sustainably.

21. There is currently insufficient confidence in the added-value of a consumer focused label within the fuel supply and retail industry to encourage these players to participate in such a labelling initiative at present. A consumer-focused label requires the buy-in of retailers and suppliers in order to be successful.

Options for a label

Until the RTFO C&S reporting experience is known it is difficult to define robustly an acceptable level of performance for a sustainability label. In addition, future legislative requirements are unknown. Depending on these outcomes there are several potential options for the scope of a label:

- Set performance requirements based on the current scope of RTFO meta-standard according to a challenging level of performance
- Set performance requirements that go beyond the current scope of the RTFO meta-standard.

The LowCVP recommends a biofuel sustainability label should aim to achieve an acceptable level of sustainability for a majority of the biofuels that meet at a minimum:

- the environmental Qualifying Standard
- the social Qualifying Standard

The majority of members believe that a GHG saving target should be included in a sustainability label and should be carried out with land use change information and some actual data for significant parameters. A minimum GHG saving is proposed within European legislation and therefore other members believe that this should not be duplicated in a sustainability label.

22. It is important to distinguish between a standard and a label. A standard describes a set of characteristics of a product or process with which compliance is not mandatory but can be measured. The RTFO Sustainable Biofuel Meta-Standard is such a standard.

23. A label is used to demonstrate that a certain level of performance, related to the standard, is achieved. The performance level(s) that needs to be achieved to qualify for the label can be defined as part of the standard or as part of the certification and labelling process[6].

24. The Government has set indicative performance targets for the current RTFO reporting scheme[7] that can be classified as the type of performance level that needs to be determined for a label. These targets are not mandatory until 2011 and are initially intended to encourage companies to improve performance without imposing sanctions for non-compliance. Performance against will be identified in annual reports made available by the Renewable Fuels Agency.

25. Most LowCVP members believe there is added-value in a label for sustainable biofuel that address criteria not covered in legislative proposals. The scope of proposed European legislation does not currently address some of the principles

[6] For example, the Forest Stewardship Council (FSC) has a standard which defines a set of principles and criteria relating to a sustainable forest management. However, when a forest management unit receives a positive certification decision and when it may carry the FSC label is described in the certification and labelling procedures, not in the standard itself.

[7] Annual GHG saving, annual percentage of fuels meeting Environmental Qualifying Standard and Data Provision targets

LowCVP members believe are necessary to constitute a sustainable biofuel. Of the seven principles below that represent the RTFO meta-standard, only two are covered by current proposals for the RED, in addition to a GHG saving requirement. A label should therefore add value by addressing the remaining principles.

Environmental principles	**Covered by proposed EU legislation**
1.Biomass production will not destroy or damage large above or below ground carbon stocks	Yes
2. Biomass production will not lead to the destruction or damage to high biodiversity areas	Yes
3. Biomass production does not lead to soil degradation	No
4. Biomass production does not lead to the contamination or depletion of water sources	No
5. Biomass production does not lead to air pollution	No
Social principles	
6. Biomass production does not adversely affect workers rights and working relationships	No
7. Biomass production does not adversely affect existing land rights and community relations	No

26. Whilst future legislative requirements are uncertain, the options for the scope and performance levels of such a label are unclear. Primary options are discussed below.

27. **Option 1.** The label could set *minimum performance requirements* where criteria are not addressed in the RTFO. There are two primary options:
    a. To require all companies that wish to display the label to meet the minimum indicative performance targets set out by the UK Government that require increasing levels of performance in the following areas:
        i. GHG saving
        ii. Environmental Qualifying Standard[8]
        iii. Data provision.

    b. Alternatively, the label could require all or most of the fuel supplied to meet:
        i. The Environmental and Social Qualifying Standard level
        ii. GHG saving targets set by Government
        iii. Provision of information on land use on the RTFO reference date[9]

28. **Option 2**. The label could require a *higher level of sustainability performance* based on the RTFO standard. This would be more suitable if the EC Directive imposes a mandatory requirement for the majority of RTFO principles. The main options for the label performance are:
    c. Within the current scope of the RTFO. The two main options are:
        i. To require a high percentage of biofuels to comply with the full RTFO Sustainable Biofuel Meta-standard criteria and;

[8] The ‘Qualifying Standard’ represents an acceptable number of criteria are met within the RTFO Meta-standard
[9] This would ensure the GHG calculation included information on direct land use change

ii. To require a minimum GHG saving and for the GHG emission calculation to be carried out using specific pieces of data and represent an accuracy level 4[10] for example.

d. Beyond the current scope of the RTFO. The main options to include as requirements for displaying the label would be:
   i. The inclusion of additional criteria to the RTFO meta-standard (e.g. GMO or by expanding the scope of sustainability criteria beyond the plantation);
   ii. More stretching sustainability criteria than the RTFO meta-standard;
   iii. Inclusion of criteria related to displacement effects (e.g. company sourcing policy on idle land or 'waste' feedstocks)

29. The LowCVP does not recommend that the label is based on current RTFO indicative targets (option 1a above). This is since the target does not include any social criteria that consumers and LowCVP members believe would be necessary for a voluntary label.

30. At the present time most LowCVP members believe that the challenges involved in requiring fuels to meet all criteria within the full RTFO meta-standard (within Option 2 above) are significant. Work undertaken for the RTFO C&S reporting scheme illustrated that while the use of voluntary certification standards provide a robust approach, there are *no* standards that meet all criteria within the full RTFO meta-standard. The Qualifying Standard was defined in order to meet an acceptable level of sustainability that was intended to improve over time and therefore would represent a challenging but achievable sustainability goal.

    Where legislation is unable to guarantee criteria, a biofuel sustainability label should aim to achieve an acceptable level of sustainability (the Qualifying Standard) for a majority of the biofuels supplied addressing both environmental and social concerns. This would enable significant use to be made of the existing verification procedures under the RTFO reporting scheme. The majority of members believe that a GHG saving target should be included in a sustainability label and should be carried out with land use change information and some actual data for significant parameters. A minimum GHG saving is proposed within European legislation and while a majority of members agree that a GHG saving criterion should be included in a label, other members believe that need not be duplicated in a sustainability label.

31. Most members believe that this challenging but practical approach would be appropriate. Some members believe that addressing displacement effects should be a key element of the label while others do not believe that this is possible to address effectively at a company level. Whilst no specific criterion has been proposed, this could include specific targets for sourcing feedstock from idle land or using 'waste' feedstock. The UK Review on the indirect effects of biofuels will address these issues and the label criteria should be informed by its outcomes.

[10] The RTFO GHG calculation methodology can be carried out according to different accuracy levels (0-5, with 5 being most detailed) depending on the availability and type of data used.

32. The proportion of fuel that would have to meet the Qualifying Standard in the performance requirements of a label remains to be agreed. Ideally, this would be 100%, however this may simply be too challenging initially and therefore at a minimum should reflect the Government target levels in 2010/11 (80%) applied to both the social and environmental Qualifying Standard. Given the uncertainty of the effectiveness of the C&S reporting scheme, the level of performance and precise requirements of a label would be better assessed following an evaluation of data supply by the RFA. This evaluation should be undertaken in 24 months time to allow sufficient opportunity for suppliers to implement data collection systems.

33. In recognition of the challenges associated with setting very high performance level, the label requirements should evolve and improve over time as information provision throughout the chain improves and the scope and coverage of voluntary agri-environment and social standards increases.

34. In the absence of an international standard for sustainable biofuels, the current RTFO Sustainable Biofuels Meta-Standard should be used as the basis for a label until such time as an international or European standard has been developed (e.g. the Roundtable on Sustainable Biofuels or CEN[11] standard proposal).

35. Should an acceptable level of sustainability be mandated by EU legislation the value of a mainstream voluntary biofuel label would be removed. A voluntary "gold standard" label that establishes a very high level of performance could provide an alternative approach. Whilst this has not been the subject of the study, a gold standard should at least:
    - Require all RTFO meta-standard criteria to be met.
    - Attempt to tackle displacement effects which may include specific requirements for company activities related to biofuels from waste feedstocks or 'idle' land.
    - Require the GHG calculation to be carried out with actual data from one or a number of significant parameters.

36. LowCVP members believe the current C&S reporting scheme will provide further evidence on which the scope and performance levels of a label should be based and recommend that the RFA reviews information on the effectiveness of the reporting scheme in 24 months time.

[11] The European Technical Standards Body (CEN) has recently approved a project to develop a European Sustainability Standard that applies to biofuels. It is expected to address a wider range of criteria than the EC proposals.

Feasibility of a voluntary label

It is feasible to develop and operate a biofuel sustainability label, however fuel supply logistics and the ownership and operational arrangements of retail outlets pose challenges. It can be developed in line with existing RTFO procedures and displayed on forecourts and:

- Would be issued at the retail company level rather than to individual forecourts. Whilst this is likely to be a more practical solution in line with corporate decision making procedures, retail site ownership arrangements could affect roll-out and potential coverage of the label in the short term.
- May claim only 'support' for sustainable production owing to the lack of ability in tracing biofuel back to source.

A 'book and claim' scheme could provide added-value to the current C&S reporting procedures by creating a demand and trading mechanism for the data reported to the RFA.

37. The scope, feasibility and stated claim of a consumer-focused label are highly dependent on biofuel supply logistics.

ii. The feedstocks used by a single biofuel plant will often originate from many different farms or plantations. The feedstocks from these different farms are normally mixed in various stages of the supply chain, for example in large silos at international harbours before and after shipping. After the biofuel has been produced it will usually be mixed with fossil fuel to form a blend of biofuel and fossil fuel. Blending may take place at various stages of the supply chain and different blends may be mixed to form a new blend. Biofuel is therefore unlikely to be traceable to its feedstock origin without substantial costs associated with additional infrastructure to separate 'sustainable' biofuel.

iii. The ownership and operation of retail outlets is complex. Some fuel retailers, identified by the 'Pole Sign'[12] (for example BP, Shell, etc), may not own or operate a site at which their brand of fuel is sold and may have little control on the display of the label at that site.

38. Any label initiative should make best use of existing RTFO procedures. A track and trace system, to identify fuel movements and claim the actual fuel dispensed came from a sustainable source, is believed by most members to be impractical. A mass-balance approach (units in-units out) is recommended for C&S reporting under the RTFO and therefore there are two options for the design of a label scheme; to continue with a mass balance approach or adopt a book and claim scheme based on tradeable certificates. Both must be flexible yet robust and credible.

39. A mass balance approach would require the supply chain up to the retailer to account for the C&S information of the fuel. This could be required on a site-by-

[12] The Pole Sign at the forecourt displays the fuel prices and the brand under which the fuel is sold.

site basis or on a company basis[13]. While this chain of custody is feasible, a properly administered book and claim scheme would be robust, deliver greater flexibility and create added-value for the C&S data generated by the RTFO reporting scheme. This is since the C&S data reported to the RFA would need to be acquired by fuel retailers in order to display the label. The C&S data that match the requirements of the label would therefore be in demand and additional value created within this system.

40. For the book and claim scheme to deliver added value to the existing requirements of the RTFO, the LowCVP recommends:
    a) 'label certificates' based on the C&S data of RTFO reports should be issued where this data meets label criteria by the RFA ensuring no double counting of C&S data.
    b) The label certificates should be issued at the duty point where RTFCs are also issued.
    c) The label certificates should be tradeable and decoupled from the supply of physical product.
    d) Fuel retailers must demonstrate compliance with the label performance requirements through sufficient label certificates, and
    e) The RFA should be the body that facilitates the trading platform.

Box 1: An example of using existing RTFO procedures for a voluntary label.

An obligated supplier, such as Shell, reports 1 million litres of fuel to the RFA with C&S data through the RTFO Operating System. If the report is suitable, the RFA issues 1 million RTF certificates to Shell. The RFA identifies that 500,000 litres of the reported C&S information meets the standard required for the voluntary label. 500,000 label certificates are issued to Shell.

Shell may keep the label certificates or sell them to another retailer who wishes to display the label. The RFA would facilitate this trade in the same way as it facilitates the current trade in RTFO certificates. Retailers that wish to display the label must obtain the correct number of certificates for the volume fuel (e.g. 80%) and standard the label requires to be met.

[13] All certificates from different sites of one company are pooled together. These certificates can be allocated to any outgoing product, regardless of the site from which the product is supplied. It is a essentially a book and claim scheme on a company basis.

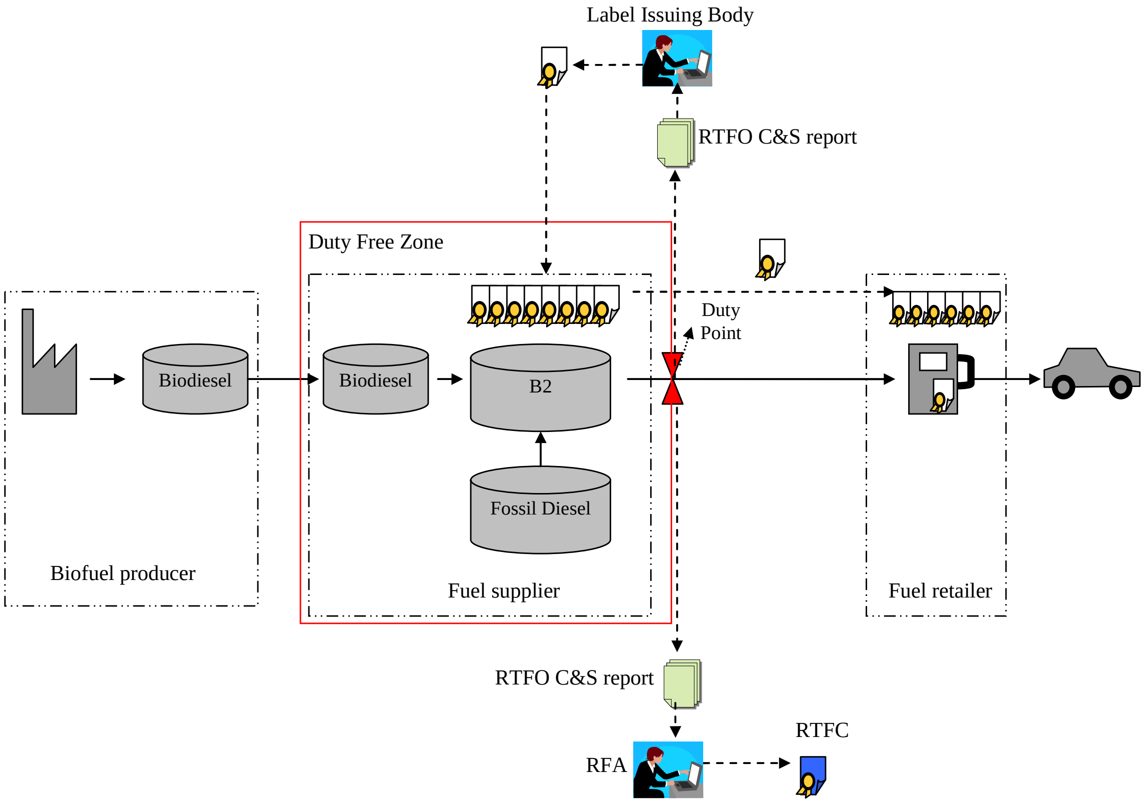


Figure 2. The trade in certificates between the fuel supplier and the fuel retailer is completely decoupled from the trade in fuel. Fuel and certificates can be sold independently of each other in a book and claim system. The RFA would in this case be the label issuing body.

41. The added-value in such a book and claim system accrues to those that submit the C&S data that retailers need to obtain in order to display the label. Most LowCVP members believe this is the most practical approach but some biofuel producers are concerned that this would reduce opportunities for parties further up the supply chain to benefit from the scheme. Issuing 'label certificates' at the duty point is not necessarily incompatible with opportunities for biofuel producers. Under the RTFO, certificates (RTFCs) can be claimed by a biofuel producer. To receive the RTFC the biofuel supplier must report these volumes and the relevant C&S information to the RFA and would therefore receive the label certificate.

42. In order to make best use of existing procedures the labelling initiative should take account of the existing verification procedures for the RTFO C&S data. This would ensure additional verification is only required between the volumes claimed by fuel retailers (not currently verified under the RTFO) and the volumes supplied by fuel suppliers (verified under the RTFO).

43. Within the UK the fuel distribution network, forecourts are typically supplied from their nearest refinery or storage terminal. This 'sharing' agreement means that in practice a BP and Shell forecourt may be distributing fuel from an ExxonMobil refinery. In addition, decisions on the use and display of the label would be made at a corporate level. Therefore the right to carry the label should be issued at a retail company level rather than to individual retail forecourts.

44. The retail company (rather than the forecourt) would be required to meet the required performance level of the label. The retailer would have the right to display the label claiming it supported sustainable biofuel production at forecourts that display its Pole Sign regardless of where the fuel was physically supplied from. However some retailers, identified at the forecourt by their Pole Sign, do not own and operate the retail site and therefore negotiations between retailers with the label and third parties who own/operate the site would be required in order to display the label.

    Ownership and operation agreements are complex and commercial arrangements differ. Within the UK, most retail sites are dealer-owned[14] although some recognised retailers (including supermarkets) operate as dealers at sites where a different retailer's brand of fuel is sold.

    The proportion of company-owned versus dealer-owned sites between the major oil companies differs. For example, BP owns about 30% of retail sites at which their Pole Sign is displayed, Esso owns 70%, Shell owns 65%, Texaco owns less than 1% and Total owns 57%. This structure could affect the roll-out and coverage of forecourts with the label in the short term while negotiations for label display are undertaken. A labelling initiative would therefore have to determine the rules of displaying the label according to this market structure.

45. Most LowCVP members believe sustainable production rather than sustainable consumption is required for a practical and pragmatic approach. A label displayed at a forecourt must be clear about the claims it makes. As a track and trace approach is not employed it cannot claim that the fuel contains sustainable biofuel. LowCVP members agree such a label should therefore claim: *the consumer supports the production of sustainable biofuel.* This would mean that an amount of sustainably produced biofuel has been added to the market (equal to the amount bought by the consumer), though it would not necessarily be that dispensed at the pump. The consumer research found that 83% of consumers would prefer to spend their money with a company that is supporting environmentally friendly biofuels and 34% would be willing to pay extra to support the production of such biofuels.

46. The label should be issued annually to align with the annual verification process of the RTFO. Fuel retailers who are not aware of the percentage of biofuel in their fuel should use the RTFO volume targets to determine their requirements in meeting the performance criteria of a label.

47. The LowCVP believes that a voluntary biofuel sustainability label should be applicable to all levels of biofuel blending but should not aim to increase biofuel consumption, nor ensure biofuel quality[15].

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[14] 13% Hypermarket owned, 23% Company owned, 64% Dealer owned. Dealer owned means that the site is supplied by an oil company whose name is on the Pole Sign but it is owned by a third party who may be an independent or may be another recognised retailer.

[15] Which is covered by fuel quality specifications

Structure of a label initiative

48. There is currently no label initiative that delivers on the requirements of a biofuel sustainability label. Therefore a label initiative owner would be required to define and develop labelling goals, rules and procedures. Broad stakeholder representation is key in order to maintain credibility. Brand value is also critical for the effectiveness of a label and takes time to build.

49. The RTFO standard, upon which a label could be based, is owned by the RFA. The RFA will continue to own and develop the standard for the reporting scheme. If the standard is the basis for the label, modifications made to the standard must be made with due consideration of stakeholder comments including those of the governors of the label (should this not be the RFA). If a label based on the standard is developed, the RFA should convene a stakeholder group that comprises representatives of the label initiative.

50. As a UK initiative initially, the Carbon Trust or the Energy Saving Trust could be approached to own and develop such a label based on the RTFO standard; however the brand value they possess does not relate to the fuels market. BSI has indicated that it is considering the development of a "green Kitemark" to distinguish labels focused on sustainability from labels focused on more technical aspects but this has not yet been developed therefore cannot be considered in the short term. International organisations that operate a label and may also have significant brand value in the UK include the Rainforest Alliance. A UK label based on the RTFO standard could be owned and developed by the RFA. The RFA would be required to develop a governance structure for the label with a broad range of key representatives in order to develop the performance requirements and rules.

Alternative mechanisms

51. A voluntary consumer-focused label is one mechanism that can be developed to ensure the sustainability of biofuels and add value to the current Renewable Transport Fuel Obligation (RTFO). Given insufficient buy-in from fuel suppliers and retailers at present for a consumer-focused label at the pump, an alternative mechanism is an RFA "approved" label for use within promotional material.

52. Fuel suppliers which meet the required performance level defined by the RFA could use the "RFA approved" label. Some of these companies will also be fuel retailers who could also use this label. Other retailers would be able to demonstrate they meet the required performance level by sourcing fuel from suppliers that carry the label. However this information would not be verified under current RTFO arrangements and may be challenging to undertake in practice owing to fuel sharing agreements in the UK.

Conclusions and recommendations

53. A UK sustainable biofuel label initiative could fulfil an important role in the absence of legislative requirements that guarantee the sustainability principles and a UK label would be quicker to develop and implement than an international initiative. However, while there is a strong interest in and demand for *a* mechanism which can ensure the sustainability of biofuels, it is not clear that a

voluntary consumer-focused biofuel label is the right mechanism to address this demand at the current time.

54. There is insufficient buy-in from fuel retailers to support immediate steps in the development of a voluntary label. Consumer demand for a label may change due to on-going NGO campaigns and will be a key factor in increasing fuel retailer buy-in.

55. The LowCVP recommends that the development of a voluntary labelling scheme does not proceed at the current time. The RFA should:
    a) Review information on the performance of fuel suppliers under the RTFO C&S reporting scheme after the first 24 months of operation (as already planned).
    b) Consider a further survey of consumer attitudes in 24 months to compare the results with the January 2008 survey and identify any change that may indicates the development of a consumer-focused label may be attractive to fuel suppliers/retailers.
    c) Ensure that, should a label initiative based on its standard be developed, representatives of the label initiative and fuel suppliers/retailers are represented on an RFA stakeholder group.
    d) Perform the role of the label certificate issuing body in any future label initiative based on RTFO procedures.
    e) Re-evaluate the desire for the development of a consumer-focused forecourt label or an “RFA approved” label for promotional material based on results from the first 24 months of the reporting scheme, a further consumer awareness survey, progress on the development of the CEN standard and the outcome of legislative requirements.