

Draft Renewable Transport Fuel Obligations Order 2007

The Committee consisted of the following Members:

Chairman: Mr. Jim Hood

† Allen, Mr. Graham (*Nottingham, North*) (Lab)

† Bone, Mr. Peter (*Wellingborough*) (Con)

† Brazier, Mr. Julian (*Canterbury*) (Con)

† Burt, Lorely (*Solihull*) (LD)

† Fitzpatrick, Jim (*Parliamentary Under-Secretary of State for Transport*)

† Gardiner, Barry (*Brent, North*) (Lab)

† Hall, Mr. Mike (*Weaver Vale*) (Lab)

† Kidney, Mr. David (*Stafford*) (Lab)

† Kramer, Susan (*Richmond Park*) (LD)

† Lucas, Ian (*Wrexham*) (Lab)

† MacShane, Mr. Denis (*Rotherham*) (Lab)

† Malins, Mr. Humphrey (*Woking*) (Con)

† Tami, Mark (*Alyn and Deeside*) (Lab)

† Walley, Joan (*Stoke-on-Trent, North*) (Lab)

† Wright, Mr. Anthony (*Great Yarmouth*) (Lab)

† Wright, Jeremy (*Rugby and Kenilworth*) (Con)

† Young, Sir George (*North-West Hampshire*) (Con)

Annette Toft, *Committee Clerk*

† attended the Committee

The following also attended, pursuant to Standing Order No. 118(2):

Wiggin, Bill (*Leominster*) (Con)

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Seventh Delegated Legislation Committee

Tuesday 23 October 2007

[Mr. Jim Hood in the Chair]

Draft Renewable Transport Fuel Obligations Order 2007

4.30 pm

The Parliamentary Under-Secretary of State for Transport (Jim Fitzpatrick): I beg to move

That the Committee has considered the draft Renewable Transport Fuel Obligations Order 2007.

It is a pleasure to see you in the Chair, Mr. Hood.

The order will give legal effect to the Government's renewable transport fuel obligation. The RTFO is set to deliver significant and immediate carbon savings from the transport sector. As such, it is an important part of the Government's wider package of measures to reduce the environmental impact of transport. It will do this by reducing the amount of carbon from fossil fuels that is emitted into the atmosphere. The precise amount of carbon that the RTFO saves will depend on a wide range of factors. Our latest estimate suggests that it should deliver somewhere between 700,000 and 800,000 tonnes of carbon a year from 2010-11, equivalent to around 2.6 million to 3 million tonnes of carbon dioxide.

The RTFO is due to become the Government's primary support mechanism for today's renewable transport fuels which are biofuels—in other words, fossil fuel substitutes that are derived from crops and other forms of biomass. In future we may see all sorts of other renewable transport fuels being developed, including perhaps renewably produced hydrogen. I am advised that that is some way off. The RTFO has been under development since 2004, when the Energy Act 2004 gave the necessary primary powers to introduce an obligation along these lines. The detail has been the

subject of much discussion with stakeholders over the past three years, including two major public consultations during 2007.

In brief, the RTFO will require that suppliers of fossil-based road transport fuels in the UK redeem a certain number of renewable transport fuel certificates with the Renewable Fuels Agency each year or pay a buy-out price. Transport fuel suppliers will be able to acquire these certificates either by supplying renewable transport fuels themselves or by purchasing them from other transport fuels suppliers who have put renewable transport fuels on to the market. They may also be able to buy them from traders in certificates. Barring any unforeseen rapid changes in the economics of transport fuels, we expect transport fuels suppliers to fulfil their obligations without significant resort to the buy-out option, which is there as a safety valve to protect motorists against steep increases in the price of biofuels.

The RTFO order sets out a lot of the detail of how this will work. For example, it defines those suppliers who are obligated under the RTFO—primarily UK

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refiners and importers of fossil fuels. It lists those fuels that are eligible for renewable transport fuel certificates: biodiesel, bioethanol and natural road fuel gas, produced from biomass commonly known as biogas. It sets the level of the obligation: 2.5 per cent. in the first year, rising to 5 per cent. in 2010-11. It establishes a new, non-departmental public body—the Office of the Renewable Fuels Agency—to administer the RTFO and sets out the powers and duties of that body. Those duties include a duty to report to Parliament annually on the effectiveness of the RTFO. It sets out how renewable transport fuel certificates are to be applied for and how they are to be issued. It provides that certificates can be transferred, banked for later use or revoked. It sets out the level of the buy-out price and provides for the recycling of buy-out payments. Finally, it sets out the penalties that may apply in various circumstances.

There is increasing concern in the UK and elsewhere about the sustainability of biofuels. Some argue that biofuels deliver virtually no carbon savings and cause irreparable damage to the wider environment as well as putting up the price of food. It is certainly true that there are good biofuels and bad biofuels, and the Government have consistently highlighted the need for international sustainability standards for biofuels. As a first step, we have developed a sophisticated and robust reporting mechanism to encourage transport fuel suppliers to source only the best biofuels. We have developed that mechanism in partnership with stakeholders from the oil and biofuel industries and from environmental and social non-governmental organisations.

Mr. Julian Brazier (Canterbury) (Con): Will the Minister confirm that even 2011, as the date for introducing sustainability criteria, is only an aspiration and is included nowhere in the order?

Jim Fitzpatrick: I will come to the calculations in a moment, but as I may have mentioned, this is a developing science, and the accuracy of the figures has changed—indeed, it has done so in the course of the preparations for today's debate, and I will say more about that in due course.

Susan Kramer (Richmond Park) (LD): If I understood the question correctly, it is not about the measurements, but about the date when minimum standards will come forward and whether 2011 is that date or simply a possible date.

Jim Fitzpatrick: Today, we are setting out our targets for the next three years, and it is clear that we expect the target to be 2.5 per cent. next year, 3.75 per cent. the following year and 5 per cent by 2010-11.

Mr. Brazier: The Minister has unintentionally missed my point—perhaps I was not clear. My question was about when the criteria for sustainability, which he was talking about when I intervened, will be introduced. My understanding is that 2011 is simply a departmental aspiration, and it does not seem to appear anywhere in the order.

Jim Fitzpatrick: My apologies. I did indeed misunderstand the question raised by the hon. Gentleman and the hon. Lady. The date for mandatory sustainability targets is 2011, and that is an aspiration, very much as the hon. Gentleman describes. We are

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developing the sustainability standards as we move along and we are trying to ensure that they involve international benchmarking. We have made it clear that that is our aim, but we must take some very real caveats into account, including compatibility with EU legislation and World Trade Organisation rules. The hon. Gentleman therefore makes a fair observation, and we may come back to it in due course.

Joan Walley (Stoke-on-Trent, North) (Lab): I would be grateful if my hon. Friend would give the Committee a little more detail about what is being done in this interim time frame about the aspiration to have something in place by 2011. What is being done in the EU and the WTO negotiation to ensure that we put the most robust sustainability standards in place?

Jim Fitzpatrick: I am grateful to my hon. Friend for asking about the standards that we are introducing, because that is exactly the point that I am coming on to, and I hope that I will satisfy her.

As I said, the reporting mechanism will work because nobody will be able to claim an RTF certificate for a single litre of biofuel unless a report is completed on how much carbon it has saved and what its sustainability impacts have been. We expect the Renewable Fuels Agency to publish its analysis of these reports, which will allow motorists to compare the performance of different transport fuel suppliers and to see how seriously each takes its corporate, social and environmental responsibilities. We are confident that environmental non-governmental offices and others will be quick to scrutinise these reports and we know from our contacts with the oil industry that no companies want to be associated with unsustainable biofuels. The last thing that they want is for their brand images to be damaged by association with unsustainable biofuels, and we are confident that they will all make real efforts to source the right biofuels.

Before I leave the subject of sustainability, let me explain why we cannot introduce mandatory carbon and sustainability standards from day one of the RTFO, as some have urged us to do. I can assure the hon. Member for Canterbury, who first raised the question, that if there were a set of pre-existing standards that we could use to define a sustainable biofuel, we would not hesitate to use it.

Bill Wiggin (Leominster) (Con): There are sustainable sources of biofuels, and any ethanol sourced from wheat from this country would be sustainable. Why will the Minister not use what is available to create the standard?

Jim Fitzpatrick: I am trying to explain that if there were standards that we could use to define a sustainable biofuel, we would use them. Were there to be a definition of a sustainable biofuel we would use it, but there is no sustainable biofuel standard that can be universally applied in this way. Nor is there agreement on precisely how we calculate the carbon savings from biofuels: there seems to be more and more debate on this every week. The UK is the first country in the world to develop a pragmatic carbon calculation tool for biofuels, and the experience that this will provide will be invaluable in helping us to move towards a carbon-linked RTFO as soon as possible. But we must not try to run before we can walk: we cannot build a

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system on mandatory standards that do not exist and a calculation methodology that stakeholders do not agree on.

Let me now turn to the high costs of biofuels. It is argued that biofuels are far too expensive and that we should support other things instead, such as improving the fuel efficiency of vehicles or investing more in public transport. We have never claimed that biofuels are a cheap way of saving carbon. As members of the Committee will

have seen from the impact assessment that we published alongside the draft RTFO order, the cost to society of every tonne of carbon that the RTFO saves is likely to be in the region of £380. This figure is some four times higher than the shadow price of carbon that the Government use in their policy analysis, as calculated by the Department for Environment, Food and Rural Affairs.

So are biofuels simply too expensive? If we were only ever going to get today's biofuels, I think the answer would be yes, and that would be an end to the matter. But the great hope for biofuels is that the technologies will improve, which will bring down the costs and increase the carbon savings. If we are ever going to get to tomorrow's biofuels, we need to start creating a market for them today. The RTFO will do just that. We have never argued that biofuels are in themselves a complete solution to the problem of climate change. Biofuels are only a very small part of what this Government as a whole, and the Department for Transport in particular, are doing to reduce emissions of greenhouse gases from the transport sector.

I have received representations from industry and from my hon. Friend the Member for Wirral, South (Ben Chapman) about tallow and I should like to spend a moment on that. In the light of the concerns that have been expressed over the use of tallow as a biodiesel feedstock, I should like to advise the Committee today that the Government will commission an independent review of the likely impacts of the RTFO on the other UK industries that use tallow as a feedstock. The review will also consider the wider environmental impacts of supporting the use of tallow as a biodiesel feedstock. It will report by April 2008 and it will be informed by stakeholders from the relevant industries, including the biodiesel, oleochemicals, soap and cleaning products industries, and by other relevant stakeholders. In the light of the review's findings, the Government will consider whether changes need to and can be made to the design of the RTFO. Any changes to the RTFO order would not take effect until 2009 at the earliest and may need to be approved by the European Commission. To conclude, the draft RTFO order should enable us to deliver significant and immediate carbon savings from the transport sector. It will provide long-term certainty for the market and I believe it is the right way for us to be supporting renewable transport fuels. I commend it to the Committee.

4.43 pm

Mr. Brazier: I have never been privileged to serve under your chairmanship before, Mr. Hood, although we have sat together many times on the Select Committee on Defence. I look forward to doing so today.

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As a party, Conservatives are passionately committed to getting carbon dioxide emissions down. The challenge of climate change is one which our generation has to face and which will involve many hard decisions. Biofuels could potentially play a very important role in this. But to enforce a fixed total, as the order does, when a sustainability clause is at least four years away, is extremely irresponsible. Without a sustainability requirement, an increase in the use of biofuels is likely to result in the destruction of more Brazilian rain forests and the destruction of the Malaysian rain forest and our hard-pressed farmers will see livestock feed shoot further through the roof. Most seriously of all, there are well-sourced allegations that it could add to starvation and misery in some of the world's poorest countries.

The order provides a very real dilemma for the Committee because, by their nature, statutory instruments cannot be amended. The only way that it can be amended is if the Committee persuades the Minister to take it away and look at it again. I should like first of all to explain why the official Opposition believe that biofuels could, in a properly shaped way, play an important part in our battle against global warming. Transport accounts for almost a quarter of the UK's greenhouse emissions; of this 90 per cent. comes from road transport, and three fifths from cars alone. Those figures come from the Society of Motor Manufacturers and Traders.

All told, cars pump out about 70 million tonnes of CO₂ into the environment in this country each year. To achieve the 60 per cent. target cut in emissions by 2050, transport has to be addressed. Because the only CO₂ released from a biofuel is that which was originally absorbed by the plant, we are talking about a carbon cost only from the farming, manufacturing and shipping of the fuel. As such, I accept the Government's view that it is roughly half the CO₂ price of the ordinary petrol equivalent.

Even the modest increase in these fuels suggested by the order would, as the Minister said, save us around 3 million tonnes a year. That raises the question why the UK is so far behind other countries in developing biofuels. The EU has demanded that we hit 2 per cent., which is something that Germany has already done. Its 1.2 billion litres of biodiesel knock out our paltry 118 million litres by a very long way.

Barry Gardiner (Brent, North) (Lab): Has the hon. Gentleman examined the figures from the National Farmers Union which show that to reach the biofuels target of 5 per cent. would take between 1.2 million and 1.9 million hectares of agricultural land in this country? Has he considered the impact that that might have on our food industry?

Mr. Brazier: The hon. Gentleman makes a good point. It is close to some of the points that I am going to be making in a minute. There are a whole variety of potential sources and I shall come to them towards the end of my speech.

I must ask the Minister whether he accepts that one of the reasons—perhaps the most important reason for the failure of biofuels to take off in this country—is the Column number: 8

very considerable uncertainty about the future viability of the industry. The absence of a sustainability clause has led to strong and justified concerns among the green lobby. The most recent effect of that has been the withdrawal of major investors such as National Express. It made public its concerns about sustainability and it must also be concerned about the consumer pressures that will result from that.

These doubts are not helped by the annual confusion over whether the tax break granted for these fuels will be continued. I know from the correspondence I have received from some of my constituents involved in the biofuel industry quite how much confusion the insecurity causes. It is set to continue. Can the Minister also accept that the Government's refusal to commit to maintaining the 20 per cent. tax break beyond 2009 will not ease the business climate for investors?

As Merlin Hyman of the Environmental Industries Commission puts it, "There are a number of significant biofuel plants planned to be built in Britain to supply to the market created by the RTFO. However the RTFO is a new model with a relatively short period of certainty for investors and this is contributing to a difficult climate for raising investment for British biofuels companies to turn plans into plants." I shall come back to the point made by the hon. Member for Brent, North in a minute as it ties into that, too. I should be interested to hear what plans the Minister has for easing that uncertainty. Another aspect on tax laws is the abolition of sideways loss relief which will jeopardise thousands of high-risk start-ups, many of which were focused on important biofuel developments such as accelerated tree growth technology.

That brings me to the particular danger that the order brings with it—namely, that in their rush to use biofuels, companies will buy their stock from sources that are far from environmentally sustainable and, indeed, are very damaging. The Minister must accept that National Express abandoning the field is just one of the concerns that exist on this aspect in the real commercial world.

Mr. Humfrey Malins (Woking) (Con): This is not my special subject, but I read somewhere that if the production of biofuels is increased, there will be a probable impact on food prices, which is that they will rise. The price of wheat has risen 75 per cent. since May. Is this an area that should trouble us?

Mr. Brazier: It is an area that should trouble us, and I will come to that point in a moment. That brings me to the particular danger that it brings with it. In March, my hon. Friend the Member for Epsom and Ewell (Chris Grayling), who at the time was our shadow Secretary of State for Transport, said in an address to the conference for the Environmental Industries Association:

"I mentioned that I didn't think Britain's targets were tough enough. I don't, but I will add one caveat to that statement. All such targets however tough are pointless unless we can ensure that we are getting biofuels from sustainable sources."

Palm oil, which is one of the main products used to produce biofuels, is a key product of Indonesia and Malaysia. As Friends of the Earth claimed in its report "The oil for ape scandal", creating this lucrative cash crop has resulted in much of the deforestation of

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Malaysia. The United Nations predicts that at current trends 98 per cent. of the Indonesian and Malaysian rain forests will be destroyed, largely because of palm oil plantations. I accept that some of that is as a result of food production, but biofuel is still a large factor in the equation. That effect has already rightly been blamed for the loss of half the orang-utans in Malaysia, with those remaining being severely endangered.

For those reasons, I was amazed to hear that the Government have made no firm commitment to a sustainability clause. The Minister talked about reporting, and I see that the only reference to this issue in the order is a commitment to a report on this issue by 2010. The year 2011 is quoted simply as an aspiration; there is no reference to it in the report.

Barry Gardiner: Will the hon. Gentleman enlighten the Committee? He seems to be suggesting that 2010 or 2011 is too late for the sustainability standards and that they should be brought forward. Will he say by which date his party would bring those standards in to play and what they might be, given the current lack of international agreement on suitable sustainability standards?

Mr. Brazier: The short answer is that the NFU, which is strongly in favour of fuels in principle, has made it clear in its statement this afternoon that it thinks that 2011 is too far out. Those are people who see this issue as an important part of their business. What is important is that we do not even have a firm commitment to 2011. There is no firm commitment on sustainability at all. Similarly, there is a risk that a major switch in the agricultural production of biofuels would have the very effect that my hon. Friend the Member for Woking mentioned a moment ago.

The United Nations special rapporteur on the right to food, Jean Ziegler, called earlier this month for a total moratorium on the production of biofuels for five years. That might be going too far, but I will quote him:

"232kg of corn is needed to make 50 litres of bioethanol. A child could live on that amount of corn for a year. It's a total disaster for those who are starving."

Lister Brown of the Earth Policy Institute said:

"The competition for grain between the world's 800 million motorists who want to maintain their mobility and its two billion poorest people who are simply trying to stay alive is emerging as an epic issue."

Lorely Burt (Solihull) (LD): Is the hon. Gentleman aware of any work studies that have been done on the relationship between the development of biofuels and the increase in food poverty? The number of people suffering from undernourishment would increase by 16 million for each percentage point increase in the real price of staple food. Does he know of any studies that would enable us to draw any comfort from the thought that people will not be starving as a result of this statutory instrument?

Mr. Brazier: I cannot endorse the hon. Lady's arithmetic, as I am unfamiliar with it, but her underlying point is right. We have rising grain prices and increasing areas devoted

to grain, as the hon. Member for Brent, North pointed out. That is a point that I promise to come back to at the end of my speech. At home, we see spiralling feedstock prices, which is

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something that livestock farmers can well do without when they are struggling with foot and mouth disease and bluetongue.

This is a moral dilemma that we have to face up to honestly. If we are going to go ahead with a biofuel solution to transport emissions, we must have some kind of solid schedule for introducing sustainability criteria—there is not one in the document at all. A moment ago, the Minister mentioned that we are constrained by EU, and actually much more importantly, WTO constraints. I understand that in parliamentary answers recently, it was confirmed that discussions with the WTO on this issue have not even started, so where are we going on it? The Minister may wish to confirm or deny that later on.

Such a clause, which is so important to the effective working of this measure, would also help farmers to plan. After all, it is safe to say that British farmers converting their crops to provide biofuels is unlikely to involve hacking down a rain forest. We must also consider ways in which we might mitigate some of the effects on poor countries. One of the things for which the official Opposition have been arguing for years is to do more to press the EU and our American and Japanese competitors to bring down barriers in more areas. That imperative is now even stronger.

I mentioned earlier that the UK has slipped far behind its international colleagues on many aspects of this issue. The hon. Member for Brent, North earlier asked me about the issue of how one handles the trade-off—if we put more existing agricultural areas that were previously producing food into fuel production, how do we square the circle of not simply ending up with ever higher food prices? A large part of the answer to that lies with second generation biofuels. In chemical terms, the difference between first and second generation biofuels is that in second generation biofuels there is total consumption—cellulose, the whole lot. The feedstock for that can come from a variety of sources. Incredibly, more than half of all the food produced in this country goes to waste. I would guess, after seeing those delicious meals downstairs, that in the House of Commons dining rooms it is more like 80 per cent. They had my favourite, the jerk pork, followed by the apple crumble and custard yesterday, almost all of it going to waste. I could not help thinking of those things that one was told as a small child about starving people around the world. However, the truth is that food waste is a huge potential source of second generation biofuel and so are the bi-products of genuine forestry.

Many other countries, particularly Scandinavia and Germany, are way ahead of us, but these developments offer ways of producing sustainable fuel substitution. It is time that we looked at ways of catching up if we want to stay in the front rank of nations.

Barry Gardiner: Will the hon. Gentleman give way?

Mr. Brazier: Yes, but for the last time because I am conscious that lots of other people wish to speak.

Barry Gardiner: How is it that the hon. Gentleman has such confidence in the rest of the international community's progress on this matter, when by his own

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admission, there are no internationally agreed sustainability standards? It seems to be at variance with what he is saying about the progress made by other nations, if he has no standards by which to judge them.

Mr. Brazier: The plain fact is that several other countries, including Sweden and Germany, are going a long way towards developing the technologies, which are what matter, to produce sustainable alternative fuels. We need to emulate them, rather than simply hiding behind the lack of international standards. As I said at the beginning, this statutory instrument presents a profound problem for the Committee

because, like all statutory instruments, it cannot be amended. The renewable transport fuel obligation could have gone a long way to help combat climate change, without threatening damage, by building in some plans for sustainability and some plans to encourage the technologies that will deliver it. The Minister should take the initiative and take it back and amend it. If he is unwilling to do so, I shall feel forced to advise my colleagues reluctantly to oppose it.

5 pm

Joan Walley: As always, it is a great pleasure to serve under your chairmanship, Mr. Hood. I do not wish to detain the Committee long.

I begin by congratulating my hon. Friend the Minister on investigating how transport can make its proper contribution towards the reduction of global emissions. It is the most important challenge faced by our generation. Transport has its part to play within a sustainably balanced environmental policy. We in the Committee are seeing a genuine moral dilemma. In response to what has been said by hon. Members from both sides of the Committee, there is not a single, instant, black-and-white solution as to how we take this forward, and I recognise that.

My hon. Friend's problem both here and in the House is also an opportunity to drive through the agenda both in Europe and in the WTO on the world stage; the real dilemma is how we can ensure that we are in the driving seat, as it were, on these transport issues, with a renewable fuel obligation, but also ensure that the safeguards and the science for the earth are in place. We cannot have the benefit of hindsight, because we are not yet in 2010 or 2011, but we do have an understanding of where this new obligation will take us. I recognise wholeheartedly that we do not have an opportunity to amend the legislation at this stage in the statutory instrument, unless it goes before the House in its present form as a draft statutory instrument. We need to make progress on it.

I hope that during this debate my hon. Friend will be aware of some of the wider issues that are being raised by many non-governmental organisations and by the Government's own Sustainable Development Commission, chaired by Jonathon Porritt, and take account of the not, by any means, in-depth analysis made by the Environmental Audit Committee, of which I am vice chairman.

I ask that my hon. Friend the Minister look at some of the more detailed aspects, so that, hopefully, when the statutory instrument is agreed, and following this

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debate about the robustness of a definition of sustainability and all the other issues which have been alluded to so far, there is some kind of mechanism to advise the work of the office that is being set up as a result of today's debate. I hope also that we can give a clear direction to those negotiations both within the EU and the WTO. If nothing else, I hope that my brief contribution today can perhaps get some clearer answers from my hon. Friend as to how, with other Ministers and across other Departments, he will set us on that sustainable route. I very much hope that he will be able to do that.

I will refer to a Greenpeace memorandum to the Environmental Audit Committee on a previous pre-Budget report, in which renewable transport fuel obligations and biofuels were discussed. It is worth quoting:

"We do not believe biofuels should be incentivised or given a target under the renewable transport fuels obligation until mechanisms are in place to prevent perverse outcomes of biofuel promotion."

In the brief opportunity I have had to discuss this matter since I realised that I would be on the Committee this afternoon, with less than 12 hours, it has been stressed to me that developments are taking place at great pace. Even when the Government commenced the consultation back in 2007, I do not think that anyone understood the speed at which the science is advancing or at which wheat and corn crops are

being replaced, because it is so much more profitable to grow crops for fuel than for food in the marketplace.

Mr. Brazier: The hon. Lady makes a perfectly fair point. Everybody must sympathise—whoever the Government of the day is—that there is a real problem because the goalposts are moving so quickly. However, that surely does not obviate the fact that it is pretty irresponsible to bring forward a measure that will push the process further without any attempt to systematise ways of preventing the problem from getting worse and without pledging a firm date for those measures.

Joan Walley: None of us has got the benefit of hindsight. We must put in place all the safeguards needed to ensure that, as we go on our journey, we will not be going to a place from where we have an even greater distance to travel to address the urgent issue of climate change and carbon emissions.

We must find a way of doing things at one and the same time. My hon. Friend the Minister must prove that the Government are trying to find a way to ensure that biofuels can make a contribution. He must also convince us that the mechanisms for those safeguards will be put in place to the best of our ability, both individually and severally. I hope that this debate can be used later to help the Government take forward this agenda.

I will complete the quote from the Environmental Audit Committee in which we made our recommendation. It is fair to say that

“we recognise the environmental benefits of a properly sustainable and well-regulated expansion in the use of high-blend biofuels such as E85. Under the current fiscal regime, however, it is unlikely that the market for high-blend biofuels will take off, due to its increased costs. The Treasury should therefore increase

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the duty differential available to high-blend biofuels in order to make them cost-competitive. Overall, however, our over-riding concern regarding biofuels is that in increasing the volume of biofuels imported into the UK, the Government must ensure that these come from sustainable sources, do not encourage deforestation of tropical rainforests to be replaced with biofuel crops—

I am very pleased to have here my hon. Friend the Member for Brent, North on the Committee who, in a previous incarnation, did so much to deal with the destruction of the tropical rainforests, and I am sure that with his knowledge of this subject he will agree with this recommendation—

“and minimise the carbon inputs which go into growing the crops and transporting and refining the resulting fuel. On this point, given that a coalition of major environmental organisations has such reservations that it is refusing to support the Government’s Renewable Transport Fuels Obligation—in stark contrast, for instance, to their support for the Renewables Obligation in energy generation—we cannot but be disquieted. The Government must do more to implement a truly effective and convincing international sustainability assurance scheme for biofuels.”

We said then that

“we may look more closely at biofuels policy in its full complexity in a future inquiry.”

That inquiry is about to commence. Given the greater status that Parliament has now been given, I hope that the Select Committee inquiry, which looks at these complex and difficult issues, will provide an opportunity for those of us who have more time than my hon. Friend the Minister to take evidence from him on how he is setting up the trajectory we are now on. I also hope that the Select Committee’s recommendations will help in a balanced way to deal with some of the very genuine reservations which are being raised at the United Nations this week, about food, starvation, refugees and the increased prices of corn and wheat and the effect on the food aid programme, which is now worth only 57 per cent. of what it was worth last May, and will also—this is perhaps closer to my own heart—look at the issues of environmental sustainability.

I was interested to see that the report by the Sustainable Development Commission said that reporting and standards should be rigorous and that the Department for Transport must make it clear how those standards will address complex concerns such as "deforestation and societal impacts". The renewables transport fuels obligation must

"be designed with graduated incentives for lower carbon fuels from the outset."

Although I have not had time to go through all the details raised by that report from June 2006 in preparation for this debate, I am not aware that point three has been implemented.

There should now be talks between the Department for Transport and the Treasury and across other Departments so that our Minister can go and ensure in European and WTO negotiations that the UK Government will once again be leading the way in terms of standards on sustainability.

5.11 pm

Bill Wiggin: I am pleased to be able to say a few words today because this is a subject very dear to my heart. That is largely because I have some concerns over this unamendable piece of legislation. The reason

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I care so much is that I discovered what was happening with palm oil. I found it worrying that palm oil, which is in almost everything that we buy in the shops and will now be part of our fuel, is sourced from countries where orang-utans live. They live in the rain forest, and that forest is replaced by palm oil plantations. The loss of the orang-utan's natural habitat means that, within five years, one of the four great apes will be extinct in the wild. I remember thinking that it was a shame we could not raise public awareness of the issue in the same way as when someone buys tuna it has "dolphin friendly" on the side. Why can we not have palm oil that is orang-utan friendly?

The problem starts with the difficulty in identifying which palm oil comes from sustainable sources, and which comes from plantations that have been planted after forest has been—possibly illegally—logged, or more likely, set on fire. When we look at the carbon footprint of this fuel, there is a hidden side to it, which is the loss of the rain forest through burning which releases the carbon that was stored in the forest.

It is not difficult to identify which areas of forest have been cleared for palm oil plantations, because we have satellite photographs of the rain forest and we can see the areas where it has gone. In places such as Borneo, since the 1990s 10 million hectares of rain forest have gone and been replaced by palm oil plantations. Instead of proceeding with a renewables fuel obligation, and then later, maybe in 2011, thinking about what sustainable criteria should be included, why do the Government not do it the other way round? Why do they not decide what sort of fuel we ought to be buying, make that clear to people and then allow them to fulfil the criteria that they want? Surely that would be an easier way to have an ethical and sustainable policy. That is why I find it very difficult to support the delegated legislation that is in front of us today.

In the UK we produce 334 million litres of biofuel. Next year, with the new facilities that are being constructed, that will double to 774 million litres. That is British biofuel, grown in the UK. Surely that is a criterion that we can stand behind and say, hand on heart, "This is sustainable and this is the sort of fuel that we should be putting in our vehicles."

Lorely Burt: Is the hon. Gentleman aware that even British-produced biofuels have their difficulties? Some scientific research shows that rapeseed biodiesel produces up to 70 per cent. more greenhouse gas emissions than fossil fuel diesel. The whole issue needs to be looked at extremely closely.

Bill Wiggin: I am not sure what the facts and figures are. There will always be difficulties with every type of biofuel, and there will always be difficulties when we are pushing forward. For me, the critical thing is not to be waylaid by the problems, but to

try to set an example. If we can set an example to the rest of the world to show that we are doing our bit when it comes to carbon, sustainability and leading the way, we must get over these difficulties.

I am the first to admit that Britain will not be able to grow all its own biofuel. Indeed, it is a great aspiration for British farmers to work towards that challenge and

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to have the cleanest, greenest, best carbon footprint that they can achieve. That is a tremendous goal for our agricultural sector. We should first and foremost support them by having an ethical and sustainable policy on renewable fuel. But we have missed the boat almost by bringing this in. We will have the criteria in 2011, if we are lucky. That wholly undermines that particular criteria for determining sustainability. I intervened on the Minister to suggest that he should consider what sort of fuel we bring into this country. I talked a bit about palm oil. There are other types of fuel that could be brought in. It is not good enough for the Government to say that they have highlighted the need for people to source the best and buy the right sort of biofuel. People find it difficult to know what that biofuel is. Even if they are told to buy the best, it is hard for people to know what to do. It is deliberately labelled and mixed when it is refined, so that the oil from plantations that are new and have been put in place after burning off the rain forest is mixed in with oil from plantations that may have been there for a very long time. Moreover, when plantations become tired and exhausted the temptation is to grub them up and put in a new one somewhere else instead of replanting.

All sorts of criteria are critical here. To be fair, the food sector has risen to this challenge like a champion. It has brought in the round table for sustainable palm oil. The round table is a slow-moving vehicle, but at least it puts in place all the people involved in buying, producing and growing. It brings in all the ethical sides of what is happening to the villages on the plantations, how the workers are being treated, whether they are being exploited and excludes producers who behave in the wrong way. It also takes the environmental impacts into account. The round table for sustainable palm oil is a very good thing. It is not moving fast enough. If we have only a five-year window before the orang-utan is extinct, we need to be better and faster at what we are trying to do.

I have been looking at companies that are trying to do the right thing. There are lots of them: Cadbury's, Asda, Sainsbury's, Paterson, which makes biscuits, Cubana, the restaurant, and all sorts of people are going out of their way to say that they will not use cooking products derived from palm oil. They will try to do their bit to set the example that I touched on earlier, which means they will be sourcing sustainable and ethical food and fuel.

The Government have missed a real opportunity. If they had gone for getting the criteria right to begin with, this is something that we could have gone for. The Opposition firmly believe in ethical and sustainable sourcing. We want to make sure that our farmers are encouraged. We want to ensure that palm oil is brought in from sources where people are doing the right thing to encourage more good practice rather than encouraging poor and environmentally damaging behaviour. We want to make sure that we are doing everything that we can when we are consumers ourselves. When we fill up our cars at the petrol pump we should ask ourselves whether the fuel that is added to our normal petrol is from a sustainable and environmentally sensitive source.

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That is the kind of behaviour the British public expect of us. They do it themselves when they recycle their rubbish. There is a wonderful increase in the way that people care about the environment. We have seen it politically with the reaction to the policies of my right hon. Friend the Member for Witney (Mr. Cameron) on the environment. We know that the appetite is out there, yet the Government miss an

open goal like this by not having their criteria in place. It is a great and missed opportunity. I for one am glad that I am not on this Committee, because I could never support this.

5.19 pm

Mr. Mike Hall (Weaver Vale) (Lab): May I extend the normal courtesies to you, Mr. Hood, as the Chairman of the Committee? I want to press my hon. Friend the Minister about his announcement to the Committee about the use of tallow. Tallow is a by-product from the meat industry used as a raw material in the oleochemical and soap industry. It is also used as a source of heating in rendering plants and other industrial plants. If I understand the proposals correctly, tallow will be diverted away from its traditional uses and into biodiesel.

Only 220,000 tonnes of tallow are produced domestically each year. That amount is used fully at the moment, and if tallow is diverted away from the soap and oleochemical industries into biodiesel, those industries will either go out of business or be put into a difficult position.

I can understand the concerns of my hon. Friend the Member for Wirral, South. Currently, biodiesels attract a 20p subsidy per litre. Under the proposals, they will attract a 35p subsidy, which amounts to £380 per tonne of tallow and a probable cost to the British taxpayer of around £80 million. Unless something radical is done, tallow will be diverted into biodiesel, with an adverse effect on existing oleochemical and soap industries, which—if they want to stay in business—will have to look elsewhere for a compound to use. That compound will probably be petrochemical, and its production might have an adverse environmental effect.

Those industries and rendering plants using tallow for heating will have to look elsewhere for heating. Again, using petrochemicals could have an adverse effect. I am seeking an assurance from my hon. Friend about how the review will be conducted. Will it be conducted into the use of tallow and what alternatives might have to be used to allow industries to carry on with alternative products? If the review concludes that using tallow in biodiesel will be more detrimental to the environment and put at risk the industries that use it for traditional purposes, will the Government reconsider the proposals?

My hon. Friend Lord Bilston raised those concerns with the Minister in the House of Lords yesterday evening. I know that the Government are fully aware of them, and I look forward to my hon. Friend's response.

5.22 pm

Susan Kramer: It is a pleasure to serve under your chairmanship, Mr. Hood. I shall try to make my remarks brief, because we are anxious to hear the Minister's response. There are major questions to be answered.

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My first impression is that the person least aware of the dilemma appears to be the Minister. My party strongly supports the use of biofuels, but with strict standards to ensure that they achieve carbon savings and, most importantly, that they come from sustainable sources and do not lead to hunger among the world's poor or displacement of rain forest or peat lands. Those concerns must be central.

We hoped when this statutory instrument was introduced that it would include meaningful standards and perhaps even some kind of certification for carbon savings and sustainability. The Minister has said that that is not possible, but the European Commission is expected to produce standards this December, so it is not as though the international community is not focused on setting standards. We are talking about weeks, not months or years. It is also true that one might not produce perfect standards, but it would at least begin to ring-fence and hem in the industry direction and establish a base. Perfection is not the ideal. Standards could remain under review as the impact was assessed.

I understand that, for reporting purposes under the arrangements in the order, the Government have developed guidance for carbon and sustainability reporting. I have not been able to get my hands on that document, but if that is accurate—perhaps the Minister can tell us—surely its publication and some reinforcement by starting to use it as a benchmarking tool would move us a long way forward. As I said, I shall be quite quick and I will not repeat the issues that have been so well described by others about the risks to rain forests and peat lands, and the potential impact on climate change. None of us wants to see a battle between fuel and food that impacts the poorest people on the planet. However, I must say how important it is that, in a very timely way, the sustainable framework for biofuels is established. As others have said, the draft Renewable Fuel Obligations Order 2007 will only impact on a tiny part of our use of fossil fuels. However, with oil prices rising and predictions that they could reach something like \$100 a barrel, the renewables obligation will become a virtual irrelevancy. The industry will be responding to that price opportunity by developing a biofuels industry in which the Government will find themselves with far less say than they do under the RTFO. Establishing the culture, the benchmarks and the standards now means that we will have a chance to have an impact on that commercial industry as it breaks loose upon us. That is the impact that I fear far more than the elements of the industry that develop simply out of the relatively small percentages under this mechanism.

All of us have a goal to get to second generation biofuels when, frankly, the debate essentially disappears. However, it is the sustainability framework and the carbon-saving framework that will drive us to the second generation, because those standards will be far easier to achieve through that second generation technology, and the certainty that those requirements exist will tend to drive the whole industry in that direction.

So I find myself today in an utter dilemma. Frankly, we need to move forward on the biofuels front, because climate change will impact on everybody, including the poorest people in this world, who always bear the brunt

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of absolutely everything. However, here we are with a completely lost opportunity and I am asking the Minister, very seriously, to make whatever comments he can today, but also to give us some assurances that he will take this measure away and come back with a meaningful and better framework within a very reasonable period. That will be an achievement. This issue is not a party political one; this is about the need to have some clarity before we all lose control of an industry that must work in the right way if it is to be successful.

5.27 pm

Mr. Peter Bone (Wellingborough) (Con): It is a pleasure, Mr. Hood, to serve under you for the first time.

I may have to declare an interest and it will be clear in a moment why. I had to change my car last week, so I went down to the local Saab garage. The mechanics said, "Ah! Your boss is the guy who is talking about the environment and putting it No. 1 on the agenda." I said, "Yes, that is true." They said, "Why don't you buy a biofuel car?" I thought that that was a very good idea, as I would be helping to save the planet. The fuel was also a couple of pence per litre cheaper and I thought, "Fine." So I have done that, but now, having listened to this Committee, I am in the dilemma that I am causing poverty in the third world. I would like the Minister to give me some guidance at the end as to whether or not I should take my car back and change it for a petrol-driven one.

The serious point that I want to make is that it is very unlike this Government not to think about the sustainability of a measure that they are introducing. Having listened to other speakers today, is the reason why we could not introduce this standard that we are part of the European Union and we have to wait for the whole European

Union to introduce a standard? If that is the case, and if it is true that we only have to wait until December for that standard to be introduced, why not delay this measure, become good Europeans and ensure that the whole of Europe is singing to the same hymn sheet, rather than rushing through a measure that is clearly very damaging? It would not harm the Government if the Minister stood up and said, "Having listened to the debates from both sides of the House of Commons, I shall withdraw the motion and return in a few weeks with a better measure."

5.29 pm

Jim Fitzpatrick: In response to the last point made by the hon. Gentleman, I must say that it will not be my intention to withdraw the motion. Some very genuine, sincere and serious points have been made. We have considered all of them. Indeed, what we proposing is in response to those concerns. We have the best way forward for the United Kingdom in how to deal with biofuels.

The hon. Member for Canterbury asked about second generation biofuels and why the Government are not doing enough to support them. There is significant industrial investment in second generation biofuels. The Government's role is to create the right market conditions in which the right biofuels can

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flourish. We have already set out our plans for the RTFO aims to do that in future. The hon. Gentleman asked why the WTO discussions had not even started. It is the European Commission and not the United Kingdom separately that has the competence to do that. We are discussing such issues with the Commission and it is having to consider the WTO implications on its proposals, a matter to which I shall return in a moment.

The hon. Gentleman also asked about the period of uncertainty. The Government have declared their intention that the RTFO will run until 2020, which gives certainty way into the future. From our view, industry certainly prefers the certainty of that obligation rather than the incentives to which he referred. He asked why the United Kingdom is so far behind other countries on biofuel sales. Part of the reason why is that we have always been concerned about the sustainability of biofuels, and hon. Members have shown their interest in such matters. We are also worried about the high cost, which is why we have not given the same level of subsidy as elsewhere. As for the sustainability requirements that the hon. Gentleman said will not be in place for several years, we see the reporting requirements as an essential first step towards mandatory standards. The United Kingdom is a global leader on such issues and we are moving as fast as we can.

Mr. Brazier: I am most grateful to the Minister for a point-by-point answer, but he said that the RTFO is to run until 2020. I talked about the 20p tax break, which I understand was only the Government's commitment to 2009. Is he announcing that that will be extended to 2020? The complaint from farmers and others in the country is that they cannot plan long term when the tax system has to renewed annually.

Jim Fitzpatrick: The hon. Gentleman is right in that we said that the 20p subsidy will last until that time. We are saying that we are committed to supporting biofuels and the development through the RTFO order until 2020 and, thus, giving certainty about the Government's support in the whole area of work and development.

The hon. Gentleman, along with the hon. Member for Woking, asked about higher food prices. I argue respectfully that it is simplistic to put forward the point that biofuels are the only reason for food prices increasing. Demand for biofuels is one factor that could affect prices. For example, recent price rises this year in the European Union have more to do with the smaller harvest last year than the specific impact of biofuels. As we all know, other factors include costs of fertilisers, climate change, floods, drought and population changes.

The hon. Member for Canterbury also asked about the prospect that biofuels could lead to starvation and poverty in the developing world. I have demonstrated that

that is not the case. He questioned investment and the lack of support in the UK for biofuels. I must tell him that Ineos at Grangemouth is planning a plant; EnSys in the north-east is planning a bio-diesel plant; British Petroleum has an ethanol plant in plan and British Sugar has a bioethanol plant at Whittington in

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Norfolk, which will open next month, as I am sure the hon. Gentleman knows. The planned and existing capacity in theory would be more than necessary to supply the 5 per cent. level that is outlined.

My hon. Friend the Member for Stoke-on-Trent, North asked whether we would be lobbying the EU and the WTO on sustainable standards before 2010. I can reassure her that we are working closely with colleagues at the Commission and in member states on such issues. As she said, we are a world leader in many of these areas and we intend to maintain our

The hon. Member for Canterbury was slightly critical of the reporting mechanism. I can tell him that the RFA will be reporting on the impacts of the RTFO every three months and the first reports will be made in the summer next year. The reporting mechanism, as I said earlier, will work because nobody will be able to claim a certificate for a litre of biofuel unless they have completed a report on how much carbon it has saved. The fact that the process is transparent and robust in that instance should give certainty to the consumer about what they are buying.

I shall now deal with the points raised by the hon. Member for Leominster on the palm oil and sustainability. As he said, the round table on sustainable power is doing good work. However, he also suggested that perhaps it is not moving as quickly as it ought to. On the standards being developed, we announced in June that we would ask the low-carbon vehicle partnership to explore the feasibility of a kitemark scheme for biofuels, which would allow suppliers to market their fuel as sustainable. I can assure him that that work is under way and initial results should be available in the next few months.

Bill Wiggin: Can the Minister be a little bit clearer about when he expects that to become widely known by the general public?

Jim Fitzpatrick: The preliminary element will be developed shortly, within a few months.

On the point that the hon. Gentleman made about Cadbury's, which was a useful analogy, the market is far more consumer sensitive these days than it ever has been. His analogy with Cadbury's was a good example of companies out there that are market leaders in various ways, which set the pace and pioneer, with other companies following them. We think that exactly the same thing will happen here. The transparency and robustness of the reporting mechanism are so important because that mechanism will enable companies to demonstrate to the consumer that they are buying products that are not endangering species, as the hon. Gentleman eloquently outlined. He is clearly interested in saving species.

Susan Kramer: I should like to ask the Minister to give us some clarity on that. If the reporting is to mean anything to consumers and is to demonstrate that they have made carbon savings or are getting their fuel from sustainable sources, surely there must be some standard element within that, or people will just make a generalised claim regardless or they will all use different standards. There must be, somewhere in this reporting document, the standard that we are all reaching for and trying to get. Why can the Minister not provide us with that and use it more coherently with this statutory instrument?

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Jim Fitzpatrick: I shall try to answer the hon. Lady's specific point in a moment. However, I can assure her that the RFA will be doing everything it can to put as much information as is expected by the public into the open, so that consumers can make

their choices and so that the public are able to see the performance of their fuel supplier and make their purchasing decisions appropriately. The reporting mechanisms will show, as far as possible, the country of origin, although because of the way that the spot markets operate sometimes that is not entirely known. But that will be a matter for development. I am sure that companies that are not able to satisfy the consumer by demonstrating that they are buying products from countries where species are not under pressure will not be very attractive to the discerning consumer on the forecourt.

The hon. Member for Solihull mentioned reports that rape seed biodiesel produces more CO2 emissions than fossil fuel. We are aware of that recent study, but I hope that she will forgive me for saying that it has not yet been peer reviewed. We are considering it. The science is constantly evolving and we will take new evidence into account as we update our carbon calculation methodology. However, as I mentioned earlier, experts generally agree that, compared with fossil fuels, biofuels deliver carbon savings.

The hon. Member for Richmond Park mentioned savings and strict standards. We should be introducing the standards soon. I have to tell her that the EU is likely to propose an EU-wide sustainability framework for biofuels shortly, as mentioned by the hon. Gentleman. The UK has been lobbying the European Community and other member states on the sort of framework that we want to see. The RTFO order cannot include the standards before they exist. We designed the reporting mechanisms to be as robust as possible, as it will allow us to operate until such time as further work has been done in Europe.

Mr. Brazier: The Minister has been generous in giving way. The Committee understands that last point, but he still has not answered the question that has been put to him repeatedly—why are we rushing this unamendable order through before the standard is available? If it is so close, why not produce something that is tailored to the standard—we may even wish to do better than the standard—that is based on a solid objective, rather than have an order that has absolutely nothing to guarantee on sustainability except an element of reporting?

Jim Fitzpatrick: We clearly disagree on the validity and the value of the reporting mechanism and whether it does the job that we all want, which is to demonstrate that the biofuels on sale in the UK can be bought with confidence because people will not be endangering rainforests or species and the like. On the one hand, we are being accused of dragging our feet and being behind the rest of Europe; and on the other hand, when we try to make progress, we are told to stop and to make no further progress until Europe develops its standards—and then adopt that standard. The hon. Gentleman cannot have it both ways. That is why we are trying to make progress today.

The hon. Member for Richmond Park asked about carbon and sustainability guidance not being available.

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The draft guidance was published in July for public consultation; copies were laid in the House Library and are available on the Department for Transport website.

My hon. Friend the Member for Stoke-on-Trent, North raised the question of a mechanism to advise on renewable fuels and to influence decisions on sustainability. We agree entirely that the new agency will have a key role in monitoring, advising and moving matters on. The Government are making great efforts to ensure that there is agreement at EU level. I can tell my hon. Friend that other Departments have been involved in the development and the drafting of the RTFO before us today. She made a good point about liaising with DEFRA and the Exchequer, and we are very much involved with them.

My hon. Friend also asked about the Environmental Audit Committee and the lack of incentives or perverse effects. The reporting requirements set down today, we argue,

are leading the world; they represent the best available solution. We believe that reporting on the environmental impacts of the biofuels supplied by the new office will encourage suppliers to do their utmost to protect their green credentials when supplying the appropriate fuels.

Susan Kramer: The Minister is being extremely generous in giving way. Has he noticed that when it comes to the administrator requiring reporting from the transport fuel suppliers, it is not a "must" but a "may"? I presume that the language was chosen with care, because in other parts of the order the administrator "must" require various forms of reporting. Will he reassure us on that point?

Jim Fitzpatrick: The reassurance that I can give the hon. Lady is pretty much that which I have been trying to articulate to the Committee this afternoon. It is that the reporting mechanism allows the RFA to publish and demonstrate to the public what companies are doing, the savings that they are claiming, their sourcing and the rest of it. If they do not do so, the RFA will publish the fact. In my view, that in itself will be an indictment of any company that is not big enough to stand up and explain exactly what it is doing. We have assurances that that is exactly what companies will be expected to do.

I am grateful for the hon. Lady's generous comments about giving way so often, but I do so because I want to demonstrate that the issues being raised by hon. Members on both sides are, as my hon. Friend the Member for Stoke-on-Trent, North wanted to know, ones that Departments have been working on for years. We are not trying to smuggle things through. We are not in any way, shape or form saying that it is an absolute panacea, but we are saying that it is a way forward. It is a way forward that we can trust; we believe that it is robust and that it will start delivering carbon savings.

Joan Walley: I welcome the fact that my hon. Friend is raising those issues about reporting, but there is an issue with other Government Departments and whether there is a duty on them to have regard to sustainable development, be that in relation to the regulator or to various other organisations that are set up. Will there be a statutory duty on the office that is being set up to have such regard to sustainable development? It is not just about what individual

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companies are able to show; it is about having robust standards to demonstrate that sustainability and sustainable development are being taken into account. When we were considering the illegal felling of unsustainable timber, we had a real problem in that there was no proper, robust specification to show whether something was sustainably sourced.

Jim Fitzpatrick: I assure my hon. Friend that the whole thrust of Government policy in this area is very much to do with what she asks us to confirm. We need to demonstrate the sustainability of the sourcing and performance of biofuels in due course, and the RFA will be able to do that.

The hon. Member for Richmond Park said that increasing oil prices would make the RTFO irrelevant and would remove the chance to control standards. We believe that there is an opportunity for biofuels, depending on the relative, not absolute, prices of biofuels and fossil fuels. Our modelling incorporates a range of fossil fuel prices into the long-term future, rather than being based on short-term fluctuations. Reporting mechanisms will still give consumers the chance to distinguish between suppliers on the basis of the sustainability of the fuels. The hon. Lady also asked whether sustainability standards are set out. That is all in our reporting guidance, which sets out the sustainability principles and criteria.

The hon. Member for Canterbury asked why we are rushing the order through. I repeat that we do not believe that we are rushing. The order has been well planned and has had a long gestation. A lot of work has gone into developing it and we are introducing it because we are confident that it is robust enough and will do the job that the UK needs to be done.

My hon. Friend the Member for Stoke-on-Trent, North asked why high-blend biofuels will not have a market. That is a question of fuel duty incentives and so is a matter for the Chancellor. We will make sure that he has sight of my hon. Friend's comments. Under the RTFO, it will be for transport fuel suppliers to decide whether to supply high or low blends of biofuels.

My hon. Friend also asked about the obligation to have graduated rewards from the outset. World Trade Organisation rules prevent discrimination against products on the basis of how they are produced, but we have announced our intention to move to such a system when that and other obstacles have been overcome. The calculation of carbon savings is still in its infancy and is an emerging science, so there is no universally agreed methodology.

My hon. Friend the Member for Weaver Vale asked about the certainty of the independent review that we announced today. Obviously, I cannot anticipate the outcome, but when he checks the *Hansard* he will be able to read exactly what I said, in case he did not manage to get it down. There will be a review of much of what he asked for, including the wider impacts of supporting the use of tallow as a biodiesel feedstock, and of the RTFO on other UK industries that use tallow as a feedstock. There will be full consultation with the industries and companies that he mentioned, and others, to ensure that we make it as robust as possible and conduct as full a review as he would expect.

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Mr. Hall: I did not make this point very clear, but with one part of the process there is a subsidy of 35p per litre for tallow that goes into biofuels and no subsidy when it goes into the soap industry. That ought to be an integral part of the review.

Jim Fitzpatrick: My hon. Friend makes a good point. Clearly, the financial implications of the subsidy would have to be taken into account by the review. There are different arguments about whether tallow would be helped or hindered as a result of the RTFO, but the price mechanism would have to feature as part of the consideration. When we are taking evidence and looking for submissions, I am sure that the industrial companies that he mentions will make that point absolutely clear to us so that it is weighed up in the balance of the review, as and when it takes place.

The hon. Member for Canterbury said in his opening comments, if I am correct, that this is a moral question. I do not believe that the different sides of the House of Commons differ in our mutual concern for the planet and all of its inhabitants. I believe that his concern is legitimate. His anecdote about the Members' Dining Room and food waste, apart from being a bit bizarre, demonstrates that this is not a simple issue. It is a very complex issue and a very important piece in the environmental protection jigsaw. We believe that we have the structures in place to demonstrate how we will deal with the issue of sustainability.

Mr. Brazier: The point is that in a country in which more than half the food produced goes to waste, the scope for second generation technology, in just that one area, is huge.

Jim Fitzpatrick: I take the hon. Gentleman's point. It is our contention that, to get to second generation delivery, we have to build up the first generation and develop the science. We are delivering a structure and a mechanism that we believe will take us through that stage as quickly as possible. The order is about protecting the planet and cutting carbon emissions and I commend it to the Committee.

Question put:—

The Committee divided: Ayes 10, Noes 5.

Division No. 1]

AYES

Allen, Mr. Graham
Fitzpatrick, Jim

Gardiner, Barry
Hall, Mr. Mike
Kidney, Mr. David
Lucas, Ian
MacShane, rh Mr. Denis
Tami, Mark
Walley, Joan
Wright, Mr. Anthony

NOES

Bone, Mr. Peter
Brazier, Mr. Julian
Malins, Mr. Humfrey
Wright, Mr. Anthony
Young, rh Sir George
Question accordingly agreed to.

Resolved,

That the Committee has considered the draft Renewable Transport Fuel Obligations Order 2007.

Committee rose at seven minutes to Six o'clock.