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Renewable Fuels Agency
Project 2010/003
Stakeholder event

13th October 2010

Introduction

Assessment of the impacts of the Renewable Transport Fuels Obligation (RTFO) in the UK – 2009/10

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Purpose

- Assessment of the effects of the 2nd year of the RTFO on UK business and agricultural markets
- Anticipated effects of the RED – anecdotal and evidential
- To enable the RFA to further prepare for the RED implementation
- The report to contribute to the RFA's January report to Parliament

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- **Research and compilation being done by:**

Ian Waller – Fivebargate consultants

Richard Whitlock – Richard Whitlock Ltd

Alastair Dickie – CFM UK Ltd

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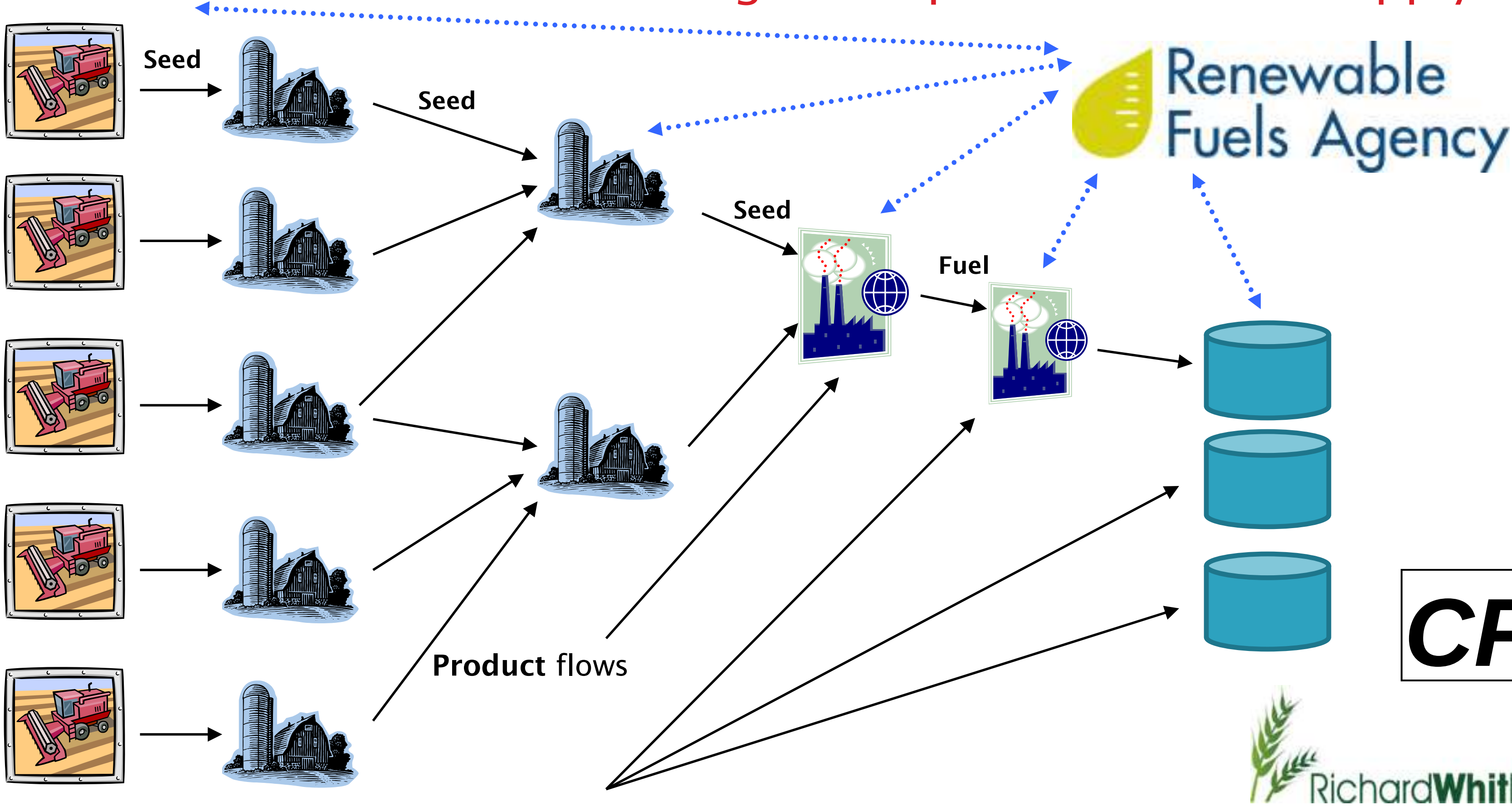
Overview of scope of study

Understanding the impact of RTFO on supply chains



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Market review

Use of independent Argus & HGCA market price series

Identify relationships

GAS Oil v FAME

Gasoline v Ethanol

Check market costs of blending

v 20ppl duty break

v buy out limit of 35ppl

Agricultural commodity prices

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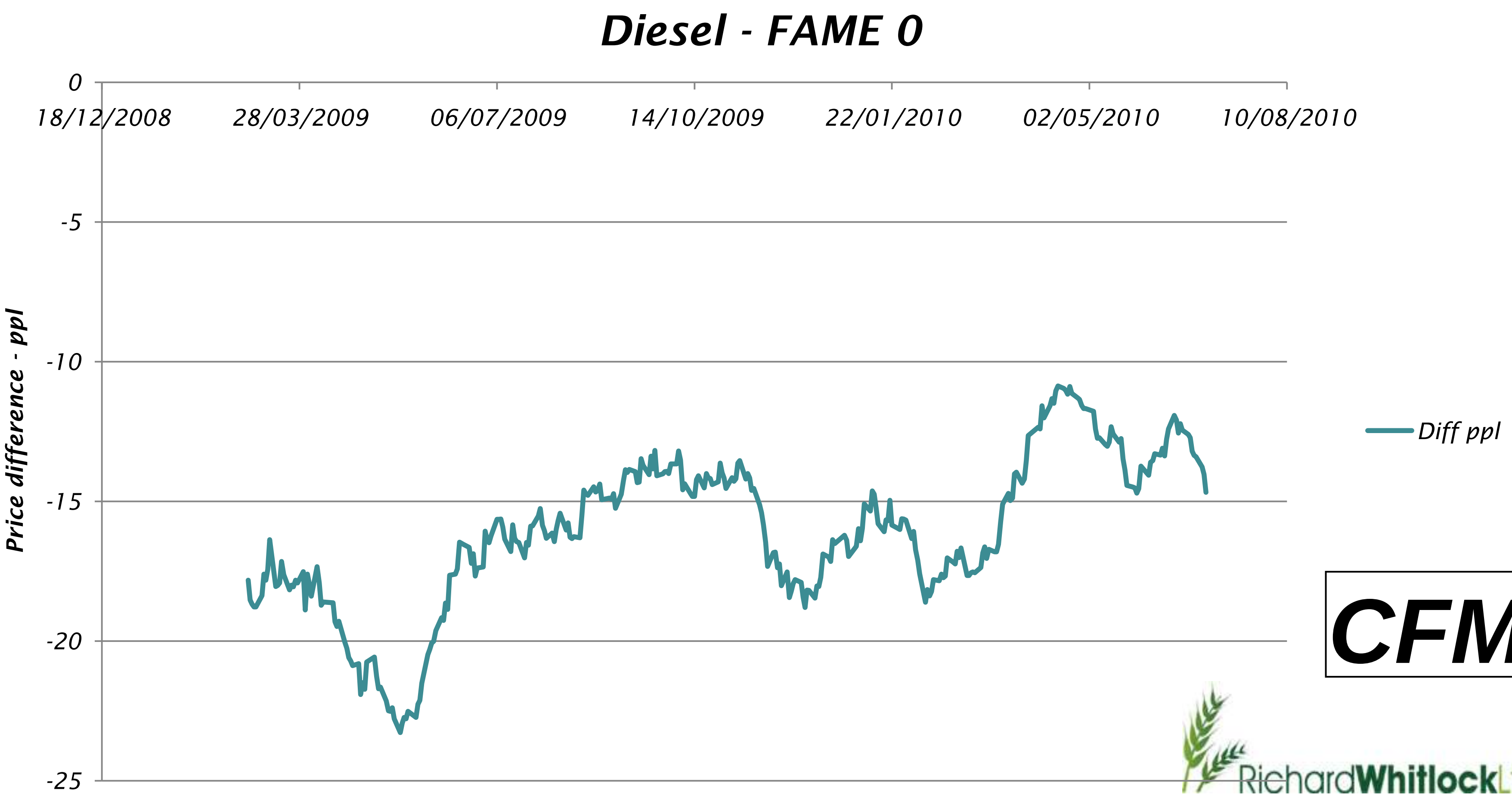
Market Review



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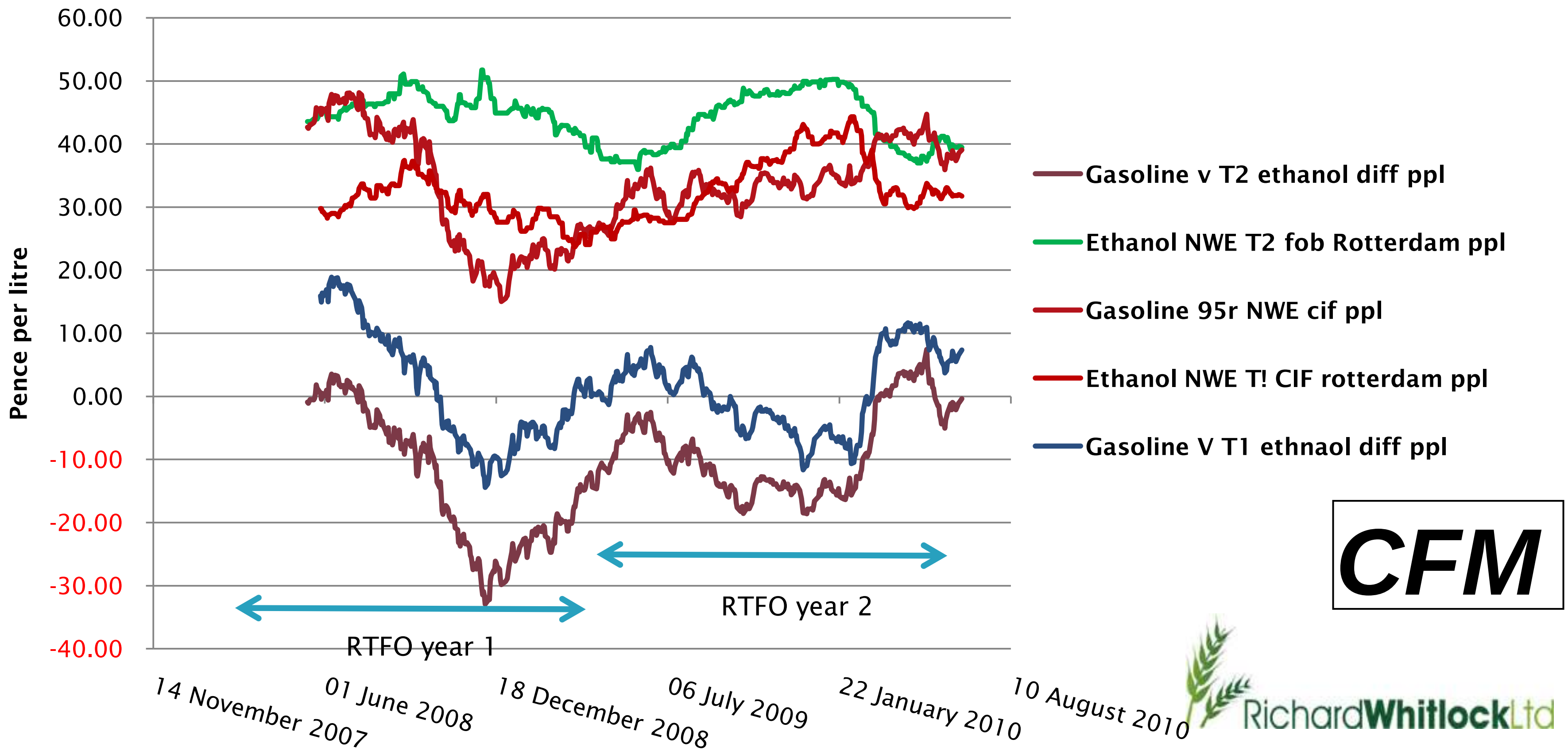
Market Review

Ethanol vs gasoline pricing



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Market review

Price relationships

Strong relationship between gas oil and FAME 0

Strong relationship between FAME 0 and Soy Methyl Ester

Strong relationship between FAME 0 and Palm Methyl Ester

Weaker relationship between FAME 0 and Rapeseed Methyl Ester

No relationship between gasoline and ethanol

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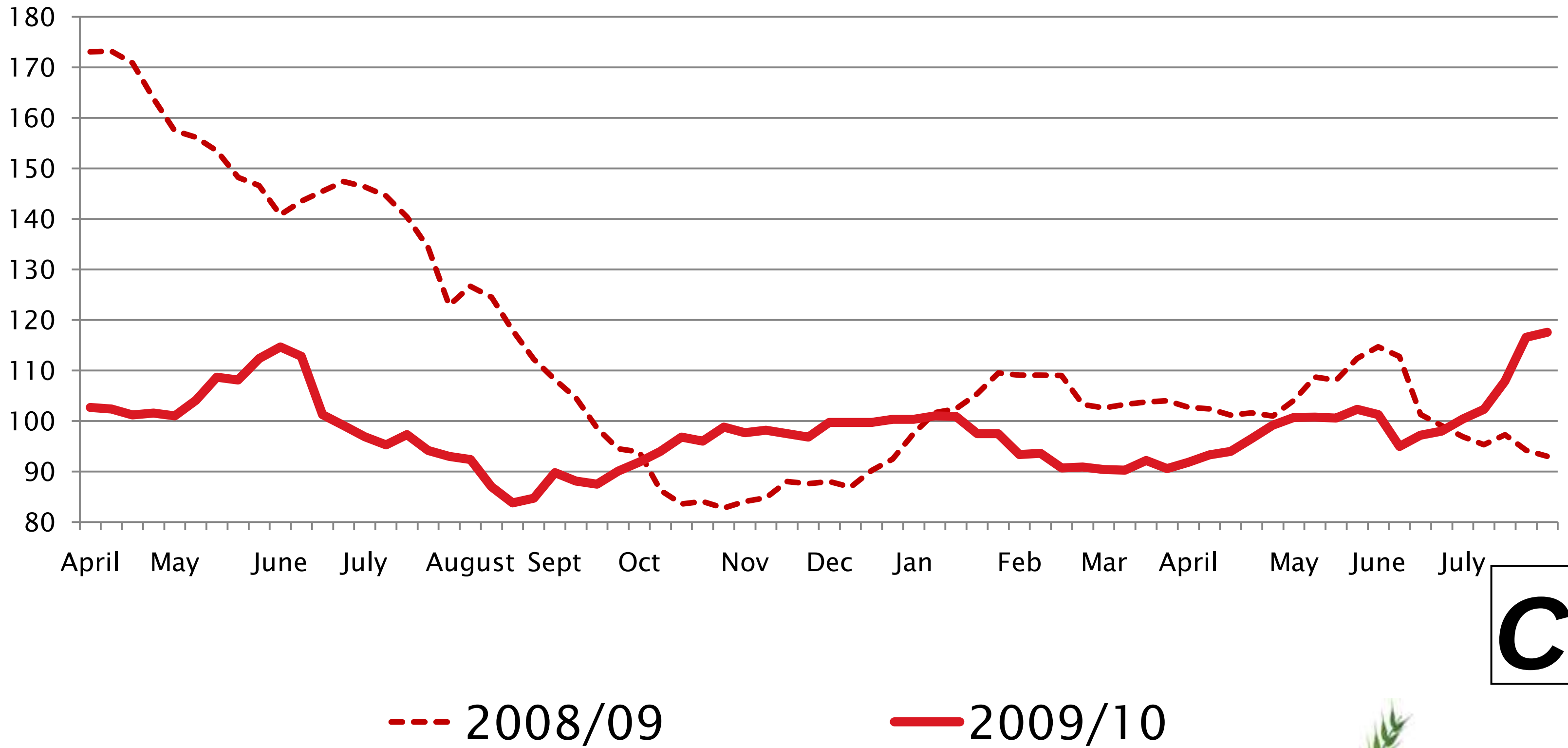
Market Review

UK Feed Wheat *(£/t, ex farm)*



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Stakeholder process

Oil
Oil companies
Biofuel manufacturers
Prospective manufacturers
Failed manufacturers
RVO processors

Agriculture
Farmers
Agricultural merchants & Co-ops
Oilseeds processors
Shippers

Trade associations
Representing:
- Food/feed sectors
- Fossil fuel sectors
- REA
- NFU, NFUS
- CLA
- Environmental NGO's

Others
Academics
Assurance schemes

The results will be cross analysed by sector and group

All answers confidential & non-attributable

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Stakeholder scoring questions

Rated 1 - 5 1 = poor, none, low, very negative
5 = excellent, a lot, high, very positive
N/A = not applicable / don't know
WNA = would not answer

Example questions:

- What do you know about sustainability?
- What has been the overall impact of the RTFO on your business in the year 2009/10?

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Open Questions

Example questions:

- What are the 3 best things about the RTFO programme and why?
- How could the communications needs and benefits of the biofuels industry be improved?

Interview surveys approx 70% complete

Some still to be included in data analysis

Farmer specific questions

How likely is it that you will change your agricultural practice due to biofuels developments:-

1. Cropped area
2. Carbon reporting
3. Sustainability compliance
4. Crop carbohydrate/energy levels
5. Varieties, quality and condition?

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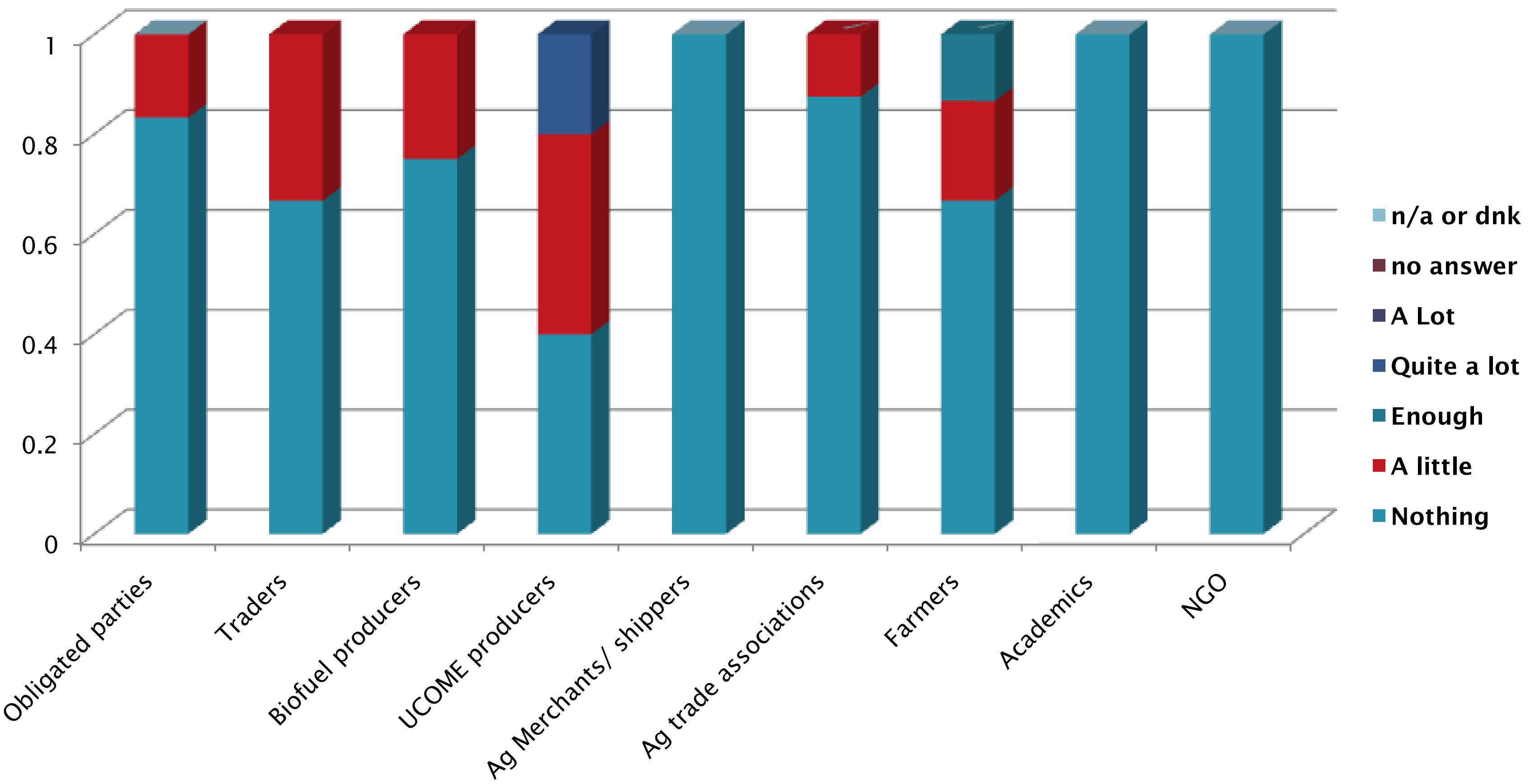
Provisional Results

Q5a – Have you had value for C&S?



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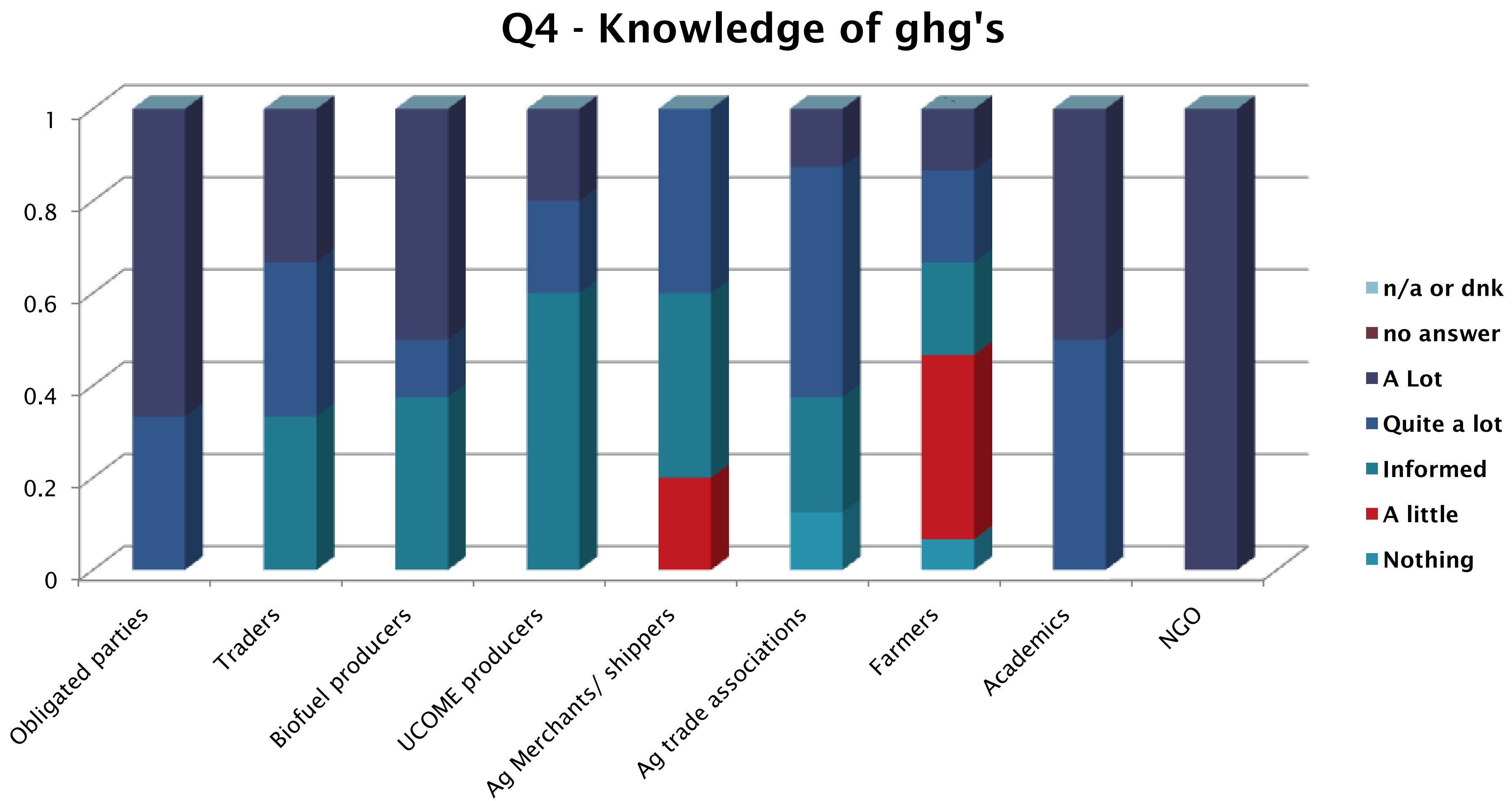
Analysis



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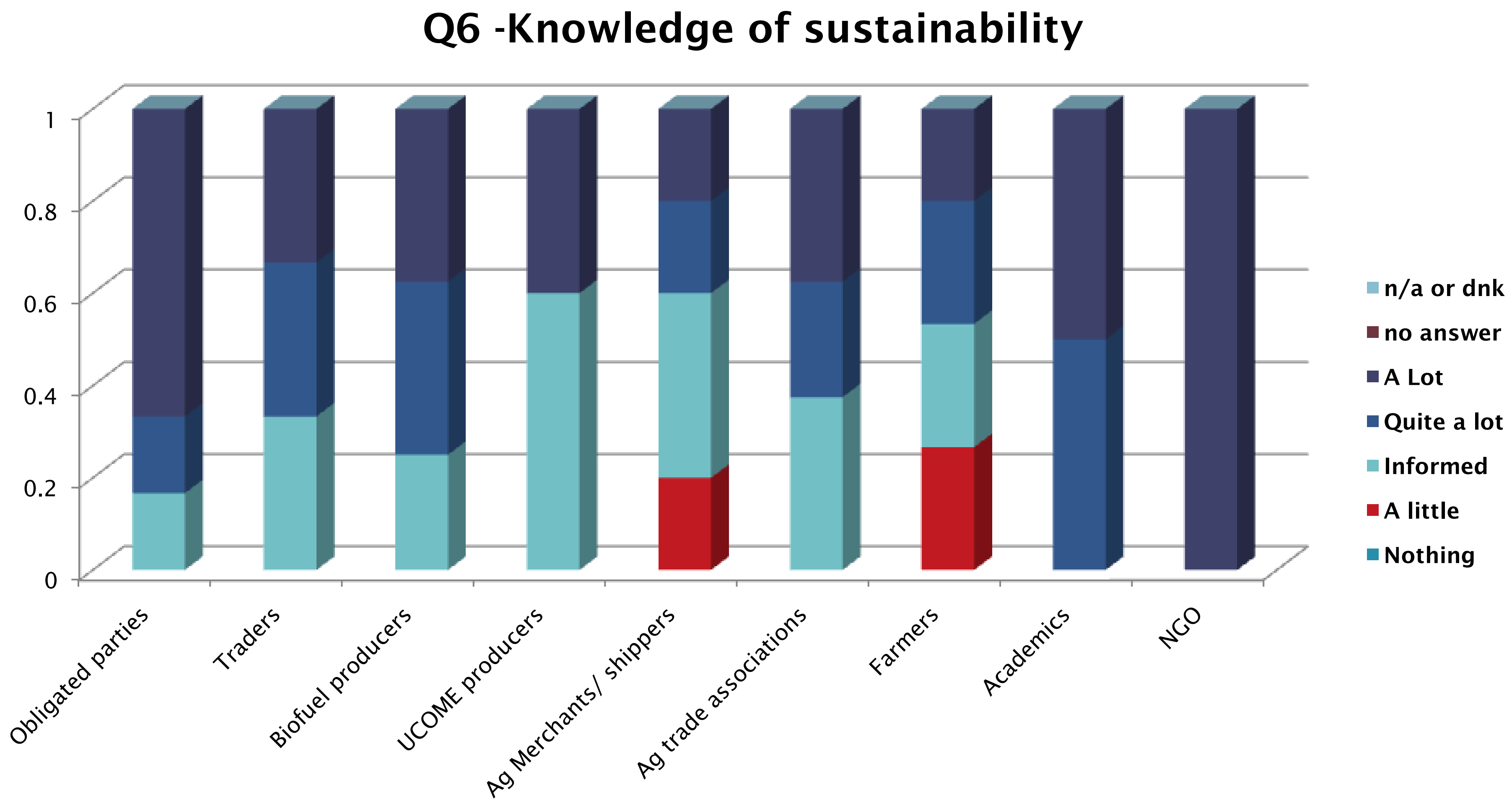
Analysis


Q6 -Knowledge of sustainability
1
0.8
0.6
0.4
0.2
0
Obligated parties
Traders
Biofuel producers
UCOME producers
Ag Merchants/ shippers
Ag trade associations
Farmers
Academics
NGO
n/a or dnk
no answer
A Lot
Quite a lot
Informed
A little
Nothing

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Function of questionnaire

- Same questions asked to everyone
- Linking questions to RED will help RFA & industry to implement RED when it arrives.
- Communications analysis to help RFA/Industry to get the right messages at the right time to the very broad stakeholder group - oil majors to farmers
- Report is designed to carry impact points, but will contain enough data for further specialist analysis by users
- Provide some 'signposts' to help with the monitoring of markets

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Analysis and Reporting

- Full details of questions and report breakdown in appendix or on a web-link
- Detailed conclusions and significant charts in the body of the report
- Main conclusions highlighted in the executive summary

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Some early provisional findings

- RTFO appears to have a mixed effect on supply chains and stakeholders in terms of revenues and expenses
- Obligated parties report largely no effect, though analysis shows significant £ revenue benefits. Is this a feature of Biofuels being a small part of overall revenues?
- No value has yet been seen for C&S provenance
- Future value is expected for C&S provenance – varying in scale across the supply
- Parties closer to obligated party have a better knowledge of C&S

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Further answers to find from the analysis

- Has the RTFO regulation done enough to encourage C&S improvements throughout the supply chain?
- Have the financial rewards and incentives been distributed along the supply chain?
- What is the potential value to market minimum C&S standard biofuels?
- If you want to give the process more feedback, now is your chance --------

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