

THE EUROPEAN ENERGY DIRECTIVE, BREXIT AND VOLUNTARY SCHEMES

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The Renewable Energy Directive (EURED) has set up a 15% greenhouse gas emission target for the UK by 2020. It will not be until after Brexit occurs in 2019, that the regulations will be assessed and a decision is made on any possible changes. However, Britain's Climate Change Act actually imposes even tougher requirements to cut carbon emissions by 80% by 2050, using 1990 baseline levels.

When counting progress on this target, certain renewable sources count more than others; for instance, energy from some feedstocks (mainly wastes and residues) are counted at double the amount actually produced. Therefore, targets could be achieved without contributing the actual 15% towards the overall renewable energy target. The double counting method is optional for EU countries, and they have authority to decide which feedstocks are entitled to double count and which ones are not. This has caused some companies to redirect some of their bio based fuels materials into the different countries to maximise the incentives given on each country. Furthermore, companies are getting very creative in finding new sources, and by doing so, new uses for wastes and residues are being found.

In order to count towards these targets, biofuels and bioliquids used in the EU must comply with the EU's sustainability criteria. One way for companies to demonstrate that their biofuels and bioliquids comply with the criteria is to participate in voluntary schemes that have been recognised by the European Commission (EC).

Even though there are weaknesses with the EURED, it has facilitated companies in reducing their overall carbon emissions. Therefore, the directive although demanding does help towards greenhouse gas reductions, and will continue to do so.

It is worth mentioning that there is not a general accounting database for the bio based fuels for the whole of Europe, and each country is monitoring it independently from each other. Although receiving incentives for the same bio based fuels materials in different EC countries is banned, it has become evident that there are difficulties in recording this as the countries not only account independently from each other, but also the accounting methodology is different. It is getting more and more challenging for parties involved within the supply chain, including companies, regulators, auditors and verifiers, to ensure the same material is not accounted twice. There is an obvious gap in the legislation and incentives, which allows companies to abuse the systems implemented in the different countries.

The EC has approved voluntary schemes that automatically demonstrate compliance against the EURED, and the legislation gives regulators in each country the authority to benchmark schemes. Here in the UK, this authority has not been used to date, although the tools to do so are already in place.

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SGS SET TO USE EC APPROVED VOLUNTARY SCHEMES TO HELP UK ORGANISATIONS COMPLY WITH THE EURED
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There are two main types of voluntary schemes: company specific, where usually the approval covers the company specific supply chain: and third-party schemes, which works as a product certification standard, where each operator within the supply chain applies for certification and this certification needs to be in place from the point of origin until the last point of supply. However, these schemes are making it difficult to prove accounting is not happening in different EU countries. Despite several unsuccessful efforts of different schemes and industry associations, this is probably one of the biggest gaps in the EURED.

It is evident the EC has a preference for third-party schemes, mainly due to transparency issues, even though it is not possible to prove that these schemes provide the guarantees that companies are not accounting the same bio based fuel twice in the EU. The main reason is that these schemes have robust approval and monitoring processes, and stakeholder engagements, which company specific schemes are usually lacking. However, this makes the administration of these third-party schemes burdensome, as usually by the time the necessary approvals are received, the market opportunity has been lost for some operators. It is here the flexibility of having a company specific voluntary scheme is an advantage. Once you find a new source for the bio based material, and as long as you use the approved methodology, then you could potentially incorporate it without having to wait until that new source is approved by the third-party scheme.

Even though third-party schemes are the most popular, company specific schemes could provide an extra level of assurance for companies reporting in numerous different EU countries, provided scheme requirements are applied correctly, and any 'add-ons' needed for different countries are included. It will also give UK based companies trading within the EU the flexibility to incorporate requirements as Brexit decisions are taken, as well as complying with EU regulation. With the current experience and background in assurance and transparency standards, there is support for organisations willing to take control and implement methodologies that cover the concerns over these types of schemes.

In summary, it seems very little will change in the short term and it seems unlikely a full restructure of regulators and legislation will occur as tools and acts were already in place even before EURED.

However, companies could start getting prepared by incorporating those tools that will make the change smoother and simpler. Just by taking control of their compliance demonstration process through a voluntary scheme, changes in EURED legislation (it seems it will get more detailed for biomass and biogas products) and Brexit talks could be easier to absorb.

Although this process seems long and onerous, with the appropriate support, such as regulators, associations and scheme development experts, it can make the process smoother and worthwhile in this time of uncertainty.

It is worth mentioning, that whether the UK mirrors current EU legislation or not, a large group of suppliers within the UK will still be subject to the EURED, as trading with EU is unavoidable.

If you would like to know more or speak to one of our experts regarding EURED or a voluntary scheme, call us on [0800 900 094](tel:0800900094) or email uk.nowisthetime@sgs.com

“UK BASED COMPANIES TRADING WITHIN THE EU WILL BENEFIT FROM THE FLEXIBILITY TO INCORPORATE REQUIREMENTS AS BREXIT DECISIONS ARE TAKEN”
