

July 2007

**Department of Communications, Energy  
and Natural Resources (DCENR)**

- Compliance with Directive 2003/30/EC

*“Report on measures taken to promote the use of biofuels or other  
renewable fuels to replace diesel or petrol.*

*Compliance with Directive 2003/30/EC (Article 4)”*

**1. Introduction**

*DIRECTIVE 2003/30/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 8<sup>th</sup> May 2003 on the promotion of the use of biofuels or other renewable fuels for transport, inter alia, requires Member States to report to the Commission before 1<sup>st</sup> July each year on specific measures to promote biofuels and biomass, indicative targets for market penetration and current market status of biofuels and biomass.*

The fourth report following entry into force of this Directive is now due.

This fourth report sets out Ireland’s position as follows:

- The measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes;
- The national resources allocated to the production of biomass for energy uses other than transport;
- The total sales of transport fuel and the share of biofuels, pure or blended, and other renewable fuels placed on the market for the preceding year.
- The national indicative target for the second phase.

The information provided in this report is *additional* to information provided in Ireland’s 2004, 2005 and 2006 report to the Commission.

## 2. Measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes.

### Fiscal Measures

#### **Biofuels Mineral Oil Tax Relief Schemes**

- **Pilot Biofuels Mineral Oil Tax Relief Scheme**

The Pilot Biofuels Mineral Oil Tax Relief Scheme which was launched in August 2005 for a two year period has already achieved the introduction of over 5.5m litres of biofuel to the Irish market. Following the success of the pilot scheme a second Biofuels MOT Relief Scheme was launched rolled out in 2006.

- **Biofuels Mineral Oil Tax Relief Scheme II**

On 25<sup>th</sup> July 2006 a new excise relief programme for biofuels, valued at over €200m, was launched with a closing date for receipt of applications of 28th August 2006.

The scheme is being rolled out over a five-year period to 2010 and is providing excise relief on selected biofuel projects in four specific biofuel categories as follows:

- Biofuels blended with diesel and complying with diesel standard EN590, which can be sold at regular diesel pumps. Biofuels can be produced from oil crops such as oil seed rape, as well as from tallow or recovered vegetable oil. Biodiesel blended at 5% can be used in all diesel engines and is covered by engine warranties.
- Bio-ethanol in a 5% blend with petrol, which can be sold at regular petrol pumps, and bioethanol in blends of up to 85% with petrol, for separate sale and use in flexible fuel vehicles (these vehicles have been granted 50% VRT relief under the Finance Act 2006). Bio-ethanol can be made from sugarbeet, wheat or other feedstocks and one project under the 2005 excise relief scheme is producing bioethanol from whey.
- Pure Plant oil, which is made from crops such as oil seed rape and used in modified diesel engines as a pure 100% biofuel.
- Biofuels for use in captive fleets. This is an innovative category in which developers can propose a range of biofuels, including high blend biodiesel, for use in dedicated vehicle fleets where it is established that the engines of the vehicles are capable of running on the biofuel or biofuel blend proposed.

When at full capacity in 2008, the scheme is intended to result in 163m litres of biofuels being placed on the Irish transport market, representing 2.2% of the entire fuel market.

DCENR received 102 applications in the biofuels MOT Relief Scheme II. On 23<sup>rd</sup> November 2006, following assessment of the applications, details of the sixteen biofuels projects to be granted excise relief under the Scheme were announced. There were 4 successful projects in the Bioethanol category, 4 successful projects in the EN590 category, 3 successful projects in the Pure Plant Oil category and 5 successful projects in the Captive Fleets category.

The biofuels excise relief schemes are already resulting in the mainstreaming of biofuels in the regular petrol and diesel fuel chain. Already several filling stations are providing petrol and diesel which contain a 5% blend of biofuels. Other producers are developing niche markets for higher blend biofuels. The schemes have provided a platform for the development of new and innovative projects and for a range of discussion and consultations on biofuels policy going forward.

### **Vehicle Registration Tax (VRT) Relief for Flexible Fuel Vehicles**

The Finance Act 2007 extends the Vehicle Registration Tax (VRT) relief to electric cars – cars which can be propelled solely by a rechargeable battery – on a pilot one year basis from 1 January 2007. Since VRT relief was introduced for a limited range of environmentally sustainable vehicles was introduced, almost 2,000 hybrid vehicles, over 500 flexible fuel vehicles, and 4 electric vehicles have been registered on the Irish market. The Government’s Bioenergy Action Plan and White Paper “Delivering a Sustainable Energy Future for Ireland” commit to the rebalancing of vehicle registration tax and motor tax, supported by mandatory labelling to provide more information on CO<sub>2</sub> emissions and fuel economy. From 2008, the basis for assessing both vehicle registration tax and motor tax will be more closely aligned with CO<sub>2</sub> emissions. This is intended to provide further incentives for consumers to choose fuel-efficient cars with lower Co2 emissions.

### **Biofuels Obligation**

In February 2007 Ireland announced a move to a biofuels obligation from 2009. Under this scheme, fuel suppliers to the Irish market will be required to ensure that biofuels represent a certain percentage of their annual fuels. With targets as high as 5.75% and 10%, the obligation will provide enhanced opportunities for farmers to contribute to this emerging market. The obligation will also give all market players the necessary long-term certainty to make appropriate investment decisions.

Targets of 5.75% for 2010 and 10% by 2020 have been announced as part of the obligation. The obligation will require legislation and a consultation on the obligation will be rolled out in 2007.

## **Agricultural Measures**

In addition to measures to increase the penetration of biofuels, Irish farmers are also being incentivised by a new €6 million bioenergy scheme to top-up the EU energy crop premium by the Department of Agriculture, Fisheries and Food. Under this scheme, farmers will receive an additional €80 per hectare on top of the existing €45 premium. In that context, that Department is providing an additional €6m in the 2007 - 2009 period to support the supply of raw materials from the emerging energy crops sector for biofuel production. The €80 payment is limited to a maximum ceiling of 37.5 hectares per producer in 2007. It is anticipated this threshold will be increased further during the year. This is an additional incentive for tillage farmers to grow energy crops, particularly those farmers who had previously grown sugar beet.

## **Transport Measures**

The Department of Transport and Marine and the German-Irish Chamber of Commerce has introduced a pilot project “Biofuels for Transport” to incentivise the use of Pure Plant Oil biofuel among transport operators, in particular those with fleets of vehicles. The scheme, was launched early in 2007 and over 40 vehicles have been selected to receive a 75% grant to modify their engines. Three informational seminars form part of the project, two have already been held – one in February and one in May – and the third seminar is being held in October, which will trace progress on the scheme and provide feedback platforms for users. All selected vehicles will have engines modified and be running on PPO by the end of July 2007.

In October 2006 Dublin City Council chose bio-fuel cars to replace older cars in their fleet. They are the first local authority in Ireland to choose vehicles that run on bio-ethanol. Its first order of 18 flexi-fuel Ford Focus cars is for frontline staff delivering Housing, Drainage and Waste Management services to residents and customers and represents 10% of the Council’s car fleet. This is additional to initiatives undertaken by other local authorities as reported in previous reports to the Commission.

Ireland’s Bioenergy Action Plan, published in March 2007, commits to public bus companies moving as soon as possible towards a 5% blend in all their existing diesel fleet and to ensure that all of their new fossil fleet purchases are capable of using biofuels at blends of at least 30%.

The Irish Government has committed to the publication of a Sustainable Transport Action Plan before the end of 2007, which will identify further measures which will help a switch to biofuels and more energy efficient forms of fuel for transport.

### **3. The national resources allocated to the production of biomass for energy uses other than transport**

#### **Renewable Energy Grant Aid Package**

##### **ReHeat Programme**

In Budget 2006 a further €4m was added to the ReHeat Programme bringing the total funding available for the programme to €26m to 2010. The programme has now been expanded to include solar and other renewable technologies, and to allow community and voluntary groups to avail of the grants.

The scheme will support the conversion to renewable energy in up to 600 installations. It is anticipated that when the programme is fully rolled out approximately 600,000 MWH of wood fuel will be used annually. This will displace approximately 60 million litres of heating oil per annum, which is 8% of the heating oil consumed in the commercial sector in 2004 (767m litres). It will result in a reduction of CO<sub>2</sub> emissions of about 160,000 tonnes per annum. Investment, applications and commitments to date are as follows:

- €1.5million committed, average project grant €8,000
- 125 received applications: 100 for Capital Investment 25 for Feasibility Study
- 63 approved applications: 48 for Capital Investment 15 for Feasibility Study. (This includes the incomplete and complete approved projects)
- Of the approved applications 11 complete: 5 for capital investment 6 for Feasibility Studies

Applicants are from a range of sectors including hotels, agricultural companies, manufacturing, the leisure sector and health service.

##### **Greener Homes Scheme**

Funding of €7m was originally provided for the Greener Homes Scheme but this was increased to €47m in Budget 2006. There have been over 16,000 applications received since the scheme was launched in March 2006 with over 40% of the applications for grant aid relating to grants for biomass technologies.

##### **Charles Parson's Awards**

In 2006, the Government launched the Charles Parson's Awards scheme. The overall objective of the initiative is to develop sustainable research capacity in priority areas of energy research. The first call for Proposals, in 2006, resulted in seven awards, four of which involved funding for biomass related research. Funding of €12m was allocated to the four Universities involved. A further call for proposals issued in June 2007.

## **Agricultural Measures**

### **Wood Biomass Harvesting Machinery Scheme**

The Department of Agriculture and Food has introduced a special scheme of supports to grant aid biomass harvesting machinery, such as harvesters and chippers for processing of forest biomass. The funding being provided is €1.2m, and the scheme has attracted significant attention to date. Grants are being made available as follows:

- **Mobile Wood Chipping Units:**  
Grant support shall not exceed €46,000 or an amount equivalent to 40% of the actual cost (ex VAT) of the completed investment, whichever is the lesser.
- **Self-Contained Chippers:**  
For self-contained chippers, other than self-propelled chippers, grant support shall not exceed €150,000 or an amount equivalent to 40% of the actual cost (ex VAT) of the completed investment, whichever is the lesser.  
For self-propelled chippers, grant support shall not exceed €200,000 or an amount equivalent to 40% of the actual cost (ex VAT) of the completed investment, whichever is the lesser.

### **Energy Crops Premium Scheme**

The Department of Agriculture and Food has also introduced a new Bioenergy Scheme providing establishment grants to farmers for up to 50% of the costs associated with establishing miscanthus and willow on set-aside land and on areas, which have been subject to an aid for the EU Premium of €45 per hectare. €8m is being allocated over the period 2007 to 2009 for the grant scheme to encourage the planting of willow and miscanthus for the production of biomass suitable for use as a renewable source of heat and energy. The scheme is being piloted in 2007 and will allow up to 1,400 hectares of willow and miscanthus to be grant aided in the first year. Biomass crops such as willow and miscanthus have considerable potential for heat and electricity generation. The scheme has already reached its targets in terms of applications for 2007. Miscanthus has proved the most popular crop accounting for up to 90% of applications;

### **Renewable Energy Feed in Tariff (REFIT)**

Details of Ireland's Renewable Electricity Feed in Tariff Programme (REFIT) were included in last years report. An initial tranche of applications have been accepted. However legal commitments for individual projects await State Aids approval for the programme from DG Competition. There is now an increasing focus on biomass and wave/tidal resources as longer term contributors to the electricity market.

### **Bioenergy Action Plan for Ireland**

In March 2007, the Bioenergy Action Plan for Ireland was published. The Action Plan followed the work of a Ministerial Task Force in which seven Government Departments were represented. The Plan contains 50 action items across seven

Government Departments, many of which are already being implemented (including the biofuels and renewable heat programmes). Some of these initiatives are detailed elsewhere in this report. Actions *additional* to those detailed elsewhere include:

- Establishment of targets of 5% and 12% market penetration of renewable energy in the heat market in 2010 and 2020 respectively, a significant proportion of which will comprise bio-energy;
- Establishment of targets of 5.75% and 10% market penetration of biofuels in 2010 and 2020 respectively, to be delivered through a biofuels obligation;
- Bioenergy heating systems to become the standard norm in new public buildings;
- Convert within 12 months, 12 of the State's large existing buildings to bioenergy heating systems;
- Use of biomass CHP in future major public site developments;
- More favourable consideration to buildings which use bioenergy or other renewable technologies when considering buildings for lease by the public sector;
- Expansion of existing programme of biomass heating in schools;
- Target of 30% biomass co-firing in Ireland's three peat generating stations by 2015;
- Expansion of renewable energy installer training;
- Development of industry and product standards for wood pellets and wood chip;
- Encouragement of afforestation, introduction of a Forest Environmental Protection Scheme and development of the forest wood energy chain.
- Amendment of planning guidelines to facilitate micro renewable technologies;
- Review of Building Regulations to incentivise the use of renewable technologies for heating in buildings;
- Increased emphasis on funding for priority research in the renewable energy area, including biomass research.

Full details of the actions agreed in the *Bioenergy Action Plan for Ireland* can be viewed by downloading the plan here: [Bioenergy Action Plan](#)

**4. Total sales of transport fuel and the share of biofuels, pure or blended, and other renewable fuels placed on the market for the preceding year.**

The following table illustrates the latest statistics available on transport energy consumption by fuel.

<b>2006</b>				
<b>Fuel Type</b>	<b>ktoe</b>	<b>Biofuel ktoe</b>	<b>Biofuel % of total</b>	<b>Biofuel Description</b>
<b>Petrol</b>	1838	0.64	0.0146%	<i>Ethanol</i>
<b>Diesel</b>	2538	1.27	0.029%	<i>ETBE</i>
<b>Electricity</b>	5	1.94	0.0443%	<i>Biodiesel, Renewable diesel and rapeseed oil</i>
<b>Total</b>	<b>4381</b>	<b>3.85</b>	<b>0.09%</b>	

The figures indicate that market penetration of biofuels in 2006 was 0.09%. Biofuels market penetration has doubled since 2005 and is increasing since the launch of the second biofuels Mineral Oil Tax relief scheme in November 2006. Market penetration of 2.2% is expected by 2008.

**5 Level of National Indicative Targets for the second phase**

Ireland's White Paper "Delivering a Sustainable Energy Future for Ireland" which was published earlier this year commits to a target of 5.75% market penetration of biofuels by 2010 and 10% by 2020 to be achieved through a biofuels obligation introduced in 2009. The commitment to introduce a biofuels obligation in 2009 will require consultation and legislative provision. A formal consultation on the proposed obligation will be issued in 2007.