KEY MESSAGES ON RED II PROPOSAL FROM THE INTERNATIONAL PERSPECTIVES

INTRODUCTION

These KEY MESSAGES FROM THE INTERNATIONAL PERSPECTIVES complement the general KEY MESSAGES and the SECTOR-SPECIFIC KEY MESSAGES ON RED II PROPOSAL. The three documents as a whole, constitute the Forum's position on the proposed RED II.

CANADA - INTERNATIONAL

On Biomass – There should be more emphasis on supplying biomass. It feels that in the REDII proposal biomass is a given and it is assumed that it will be there and available. However, the REDII document focuses on all types of energy going from heat, cold, electricity up to liquid fuel. The REDII document clearly states that emphasis should be given to the production of HEAT and COLD. A mechanism should be established in order to help the industry that will establish for the production of ART fuels to have access to biomass at a fair price. Considering the fact that these biorefineries will be 3-5 times the OPEX of first generation it would be very detrimental for them to pay disproportionated prices for biomass. There is concern that assuming that biomass will be available and at a good price is a huge mistake and without biomass, there is no fuel (unless e-fuels rise dramatically).

On Policy – The answer may be as simple as carbon tax. If you add a carbon tax you penalize the oil, coal and natural gas industry. Of course, the consumers will end up paying for this but the point is that these funds needs to be invested back into renewables in order to help them make sense out of the economics of advanced renewable transportation fuels. In Canada, price of carbon should reach 50$/tonne in 2022, this mechanism could be very beneficial, especially to establish technologies such as e-fuels where CO_2 will become a negative value feedstock. The more you ask for carbon tax the more you can invest back into new technologies. It will be a hard and painful transition which will require a close interaction with the population that will end up paying for this. However, carbon tax should be reduced once the objectives are met. Another point on the policy, and in agreement with the SGAB report, is that there should be less drastic transitions between the first- and second-generation biofuels. First generation biofuels are essential to reach the GHG reduction objectives. Hence it would be a big mistake to put them aside right away. Overall, the main message is to penalize carbon emission to support GHG reduction options.

On technology – Funding should be reviewed by teams of external reviewers that will ensure that the project make sense prior to fund them. Following biomass supplies may be the second most problematic aspect assuming that policy is settled.

USA - INTERNATIONAL

1. A policy permitting periodic revision of goals and targets on a time horizon of less than 15 years is stifling to investment. Projects breaking ground in 2020 will not start generating revenues until at least 2025. The RED II framework could consider an explicit long-term goal for the transport sector (such as EU-wide carbon intensity reduction) that connects the nearer-term expectations for biofuels penetration percentage with the post-2030 ambitions for carbon intensity. Perhaps set a 'glide-path' of carbon reductions needed from transport. This would eliminate the specter of a regulatory cliff approaching investors, and promise prolonged returns on investment based on contribution to the carbon reduction targets going forward.
2. Transportation fuels need to be fungible across the entire European market to assure investments are made where the access to biomass resources favor them, regardless of local (national) fuel consumption or fuel mix. A pan-European market based on carbon reduction credits (with a value based on carbon intensity, for example) generated by renewable fuel producers that trade for renewable fuel obligations is one way to provide for this.

USA - INTERNATIONAL

3. Flexibility with respect to production methods and feedstocks incentivizes continuing development and improvement of processes. A credit proportional to relative carbon efficiency provides process and pathway flexibility, while encouraging and rewarding technologies and processes that maximize carbon reductions.

4. Funding to subsidize capital investment in first-of-a-kind (FOAK) plants is needed. This will lubricate private investment. FOAK plants will foster innovation for improvements, but they themselves will suffer economically against improved plants unless they have had capital support to improve their ROI. Conceptually, the financial basis used for NER-300 funding seems suitable for FOAK subsidy if it is allowed to be used to offset capital investment.

DISCLAIMER *- The "Key Messages of the ART Fuels Forum" have been drafted by the Management team of the Alternative & Renewable Transport Fuels Forum (ART Fuels Forum). The stakeholders who contributed to this work shared the aim of establishing a constructive and transparent exchange of views on the policy, technical, economic and environmental issues associated with the development and deployment of Alternative and Renewable Transport fuels. The objective was to evaluate the boundaries under which advanced biofuels can contribute to mitigating carbon emissions from transport. Each stakeholder contributed knowledge and vision of these issues. The information and conclusions in these Messages represent these contributions, but should not be treated as binding on the companies and organizations involved. The positions and recommendations listed above are those of the Members of the ART Fuels Forum and do not necessarily reflect the official position either of the Commission or of the Organizations represented by the ART Fuels Forum Members; nor they are recommended by the Commission or of the Organizations represented by the ART Fuels Forum Members.*

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