



FEDERATION OF PETROLEUM SUPPLIERS LTD

3 Slaters Court, Princess St, Knutsford, Cheshire WA16 6BW UK
Tel: +44-1565-631313 Fax: +44-1565-631314 email: sh@fpsonline.co.uk

COMMENTS ON GREEN PAPER 'TOWARDS A SUSTAINABLE ENERGY FUTURE FOR IRELAND'

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The Federation of Petroleum Suppliers is the trade association for the oil distribution industry in the Republic of Ireland and the UK. It represents a large number of distributors in Ireland from the small family business to distribution arms of some of the major oil companies. With the exception of service stations, these distributors are responsible for almost all deliveries of non-road mobile machinery diesel and of heating oils to end users in Ireland.

Comments

3.2.3 What actions should be taken to create strategic storage capacity in the gas sector?

In view of Ireland's high reliance on imported gas, the uncertainty over gas supplies that were experienced last winter, and the continuing concerns over the reliability of large suppliers such as Russia, there should be a compulsory stocking obligation upon gas importers, similar to that for oil stocks.

3.2.7 Given the existing level of dependence on imported fossil fuels, what needs to be done to enhance contingency measures?

Whatever measures are put in place to reduce reliance on imported fossil fuels, these products will remain of major importance for some considerable time to come. FPS supports any move towards holding more of the strategic stocks in the country, rather than under bi-lateral agreements with other Member States. This product would then be readily and immediately available for release in times of shortage.

With Ireland's dependence on sea-borne oil imports, building of additional storage facilities should be encouraged, preferably in areas with good road connections for its onward distribution.

It is not only transport fuels that are of importance to the functioning of the country but also gas oil and kerosene for power and heating. The work of distributors in ensuring supply of these products to end users must be recognised. Whilst distributors may only have limited storage capacity at their depots, these supplies can be vital in ensuring product availability in emergencies and it is the distributors who have the flexibility to adapt to these situations.

Similarly, the position of independent forecourts is vital. Unfortunately, however, these sites are finding it increasingly difficult to compete since the supermarkets entered the market, driving down road transport fuel prices to a level often at or below cost. This makes it uneconomic for independent sites to continue in business as, unlike supermarkets, they are unable to cross-subsidise from other activities. Many now take smaller deliveries as they can no longer afford to keep their storage tanks full. In any emergency situation, it is vital that these sites have maximum stocking levels to ensure that maximum product is available throughout the country and the Government should give these sites as much assistance as possible, not only to remain open, but also to remain viable and with their tanks fully stocked.

3.2.8 Does the Green Paper generally set out the right policy directions for security of energy supply?

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Figures given in the Green Paper confirm that oil remains the dominant energy source in Ireland, with a market share of almost 56% in 2004. Whilst oil prices are, and will no doubt continue to be, volatile (1.2.21), the same is true of gas prices. Indeed, oil is only marginally dearer than natural gas for home heating for old housing stock and cheaper for new build homes at the moment (Source: Sutherland Comparative Domestic Heating Costs, October 2006). Therefore, the same prominence should be afforded to ensuring security of the oil supply as is given to gas.

3.2.10 *In addition to electricity generation, what actions should be taken to develop renewable energy usage in the transport and heat sectors?*

FPS is concerned that the EU's Biofuels Directive will impact adversely in ways that were not anticipated by the EU – environmentally and socially. Food processors are already complaining that the price of feedstock for margarine has increased, pushing up the price to the consumer. Whilst this may not be of such dire consequence in the developed world, the effect on poorer areas of the world needs to be taken into account.

Ireland is unable to produce sufficient indigenous feedstock to meet the EU Biofuels Directive obligation. It will therefore have to import biofuels. This is likely to have an adverse effect on rainforest and other ecologically important areas that are being cleared in order to grow biofuel crops to meet demand. For example, last year, Indonesia, which already has 6 million hectares of palms for oil production, announced plans to expand this by 3 million hectares, partly by converting 1.8 million hectares of forest in Borneo into what would be the world's largest palm oil plantation.

Any biofuel or biofuel feedstock imported into Ireland should not come from sources that cause adverse social or ecological effects.

Use of biofuels in road transport is not the best use of the fuel: it can be more cost effective and environmentally beneficial to use energy crops to generate electricity than for transport applications.

FPS members in the UK have encountered a number of problems regarding 'housekeeping' of biofuels, which mirror problems experienced by oil distributors in Germany, which has had a longer experience with biodiesel in the general marketplace than the UK. These relate to the hygroscopic nature of biodiesel and its propensity to oxidise. There has already been at least one insurance claim relating to water in biodiesel. Bioethanol has similar storage limitations, but is completely miscible with water, so water contamination/condensation will not be immediately noticeable in a petrol blend.

It is essential that these problems are resolved before biodiesel is introduced on a wide scale.

In addition to 'housekeeping' issues, there can be issues of quality in connection with some biodiesel. It is therefore imperative that there is an adequate testing regime and that any duty rebate is linked to a fiscal definition if public confidence in biofuels is to be assured. A fiscal definition for biodiesel should include a minimum content of 'methyl ester' and not just 'ester', which includes other, less than satisfactory products, and an iodine value.

3.2.11 *What significant new initiatives could be taken to increase energy efficiency across the economy and in particular in households, businesses, the public sector, the transport sector and the built environment?*

The implementation of the Energy End-Use Efficiency and Energy Services Directive into national legislation should introduce a number of new initiatives to encourage energy end-use efficiency in all sectors.

Better public transport would give people an alternative to using private cars.

3.2.15 *Do we need to choose between mandatory targets and better incentives for renewable energy and energy efficiency or is a mix of both the best way forward?*

Use of renewable energy is best encouraged by fiscal incentives.

3.2.22 *What further action should be taken to alleviate fuel poverty?*

As has been stated in the response to question 3.2.8, there is very little difference between the costs of natural gas and oil domestic heating at present. The most efficient oil boilers are more efficient than the most efficient gas boilers (Source: <http://www.sedbuk.com/>). Any fuel poverty initiative and subsidy should therefore encourage oil domestic heating for fuel poor households that are outside the gas network.