

July 2006

**Department of Communications, Marine
and Natural Resources**

- 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 8th 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 1st 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 third report following entry into force of this Directive is now due.

This third 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 information provided in this report is *additional* to information provided in Ireland’s 2004 and 2005 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.

Renewable energy policy is a function of Ireland's Department of Communications, Marine and Natural Resources (DCMNR). Sustainable Energy Ireland (SEI) is an agency, acting under the aegis of DCMNR, and undertakes a range of activities and programmes aimed at promoting the increased deployment of renewable energy and awareness of energy efficiency.

Fiscal Measures

Biofuels Mineral Oil Tax Relief Scheme

In 2005, the Department of Communications, Marine and Natural Resources (DCMNR) rolled out a pilot scheme for Mineral Oil Tax relief for biofuels, which culminated in 8 projects (4 Pure Plant Oil, 3 Biodiesel and 1 Bioethanol) being approved for excise relief over a two-year period commencing in August 2005. To date under the scheme:

Conoco Phillips, which owns Ireland's only oil refinery, completed a test run of 1m litres of biofuels made from soyabean oil. The project involved pioneering techniques for the processing of biofuels and Conoco Phillips reported that the project showed significant potential for long term development.

Maxol fuel distributors and Ford Motor Company submitted a joint project which has seen the introduction of the first flexible fuel vehicles in the EU outside of Sweden. 30 Flexible Fuel Vehicles have already been introduced into Ireland as part of this initiative. Three bio-ethanol pumps dispensing E85 (85% ethanol) have been opened. Tests on a 5% blend have been completed and this blend is now being sold with further expansion planned. The ethanol for this project is being produced from whey by a milk production group in West Cork.

Greyhound Recycling are producing biodiesel from recovered vegetable oil at their plant in Meath and are involved in a pilot initiative with Dublin Bus Tour buses.

Eco Ola are producing biodiesel from recovered vegetable oil in the Galway region. The project is being rolled out in conjunction with the Galway Mayo Institute of Technology and the company will be providing biodiesel for Galway City Council's fleet of vehicles.

Pure plant oil projects are producing and selling vehicle fuels in three regions (Wexford, Wicklow and Kilkenny) to date. A fourth pure plant oil project is scheduled to come on stream in Donegal this year.

The scheme will see the production of 16m litres of biofuels in the two-year period and will cost in the region of €6m in excise forgone. Up to the end of December 2005 the pilot scheme saw the introduction of 1.3m litres of biofuels onto the Irish market.

Following on the success of the pilot biofuels scheme, a five-year package of excise relief valued at over €200m was announced in the context of Budget

2006. The new scheme will allow Ireland to achieve 2.2% market penetration of biofuels by 2008. Funding is also being provided towards the capital cost of developing biofuels processing facilities.

The excise relief proposed will result in the production of 163m litres of biofuels when it is fully operational in 2008. State Aids approval has been sought for the scheme which was launched on 25th July. Under the scheme, excise relief will be granted through a competitive process in four biofuels categories: Biodiesel complying with EN590, Bioethanol at 5% and up to 85% blends, pure plant oil and Biofuels in "captive fleets". The latter category allows for blends in excess of 5% biodiesel or other biofuels which are suited to specific captive fleets.

Captive Fleet Initiatives

In April 2006 Bus Éireann, the Irish Bus company, announced that it is to pilot the use of biofuel on part of its fleet in Cork city. Currently, the Bus Éireann fleet in Cork, which comprises of approximately 160 vehicles, is run entirely on diesel. The trial of biofuel, to assess its longer viability, is to be carried out on vehicles in the Cork City Tours fleet. An evaluation will follow the pilot and if successful, it is envisaged that the use of biofuel will be extended. The biofuel to be used is biodiesel - a blend of standard diesel with 5% biofuel, produced from recovered vegetable oil.

In May 2006, Dublin Bus, the Dublin city bus company, announced that they will be using biodiesel on a trial basis in five of their open-top tour buses around the city. They are being supplied with biodiesel by one of the successful companies awarded excise relief in the pilot biofuels scheme, which was launched in 2005.

The National Parks and Wildlife Service of the Department of Environment, Heritage and Local Government, announced this year that they will be converting their entire fleet of 140 vehicles to run on biofuels over a two year period.

Galway City Council announced in July 2006 that they will be using biodiesel in their fleet of trucks and vans. The council uses an estimated 350,000 litres of mineral diesel fuel per annum and has introduced a 5% mix of biodiesel to the annual consumption. The biodiesel is being supplied by one of the successful applicants in the 2005 pilot biofuels scheme and is being made from recovered vegetable oil which is collected from local restaurants.

Cork City Council have pioneered biofuels use in the public sector and have been using pure plant oil in their fleet of vehicles for a number of years.

Vehicle Registration Tax (VRT) Relief for Flexible Fuel Vehicles

In Budget 2006, in order to complement the introduction of the biofuels excise relief scheme, the Minister for Finance provided for a 50% VRT relief on cars capable of using biofuels of at least 85% blend (flexible fuel vehicles) for the years 2006 and 2007. The Finance Act 2006 also provided for the extension of the current 50% VRT relief for hybrid electric cars to end 2007.

Agricultural Measures

In 2005, the Department of Agriculture and Food had 268 contracts in place with farmers under the Energy Crops/Non-Food Setaside Schemes - 136 farmers applied for the Energy Crops Scheme, 131 farmers applied for the Non-Food Setaside Scheme.

The main crop sown was Oilseed Rape with 2,500 hectares sown, of which 1,681 hectares were under the Energy Crops Scheme and 819 hectares were sown under the Non-Food Setaside Scheme. 136 hectares of Wheat were sown, which was all under the Non-Food Setaside Scheme. Uptake on the schemes increased in 2005.

Research and Development Measures

In addition to the project activities reported on in previous years, which are ongoing, there are also research and development measures being undertaken.

In November 2005 Sustainable Energy Ireland (SEI) launched a pilot Bioheat programme in which grant aid of 25% was provided towards the cost of wood chip and pellet boilers in the commercial, services and industrial sectors. To date funding of over €700,000 has been provided for 21 boiler installations and funding of over €1,700 has been provided to one project towards undertaking a feasibility study. The boiler installations range in size from 100 KW to over 500KW.

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

Renewable Energy Grant Aid Package

In December 2005 a multi annual finance package of €65m was provided for renewable energy which will also include grants for a range of renewable heat, electricity and transport initiatives.

In March 2006, as part of this package, DCMNR launched a “Greener Homes” scheme, which is aimed at providing grant aid to individual domestic

householders towards the installation of renewable energy heat technologies. The scheme is valued at €27m over a five year period and provides grant aid for the installation of a range of renewable technologies including wood pellet stoves and boilers. There has been a very high level of interest in the scheme since it was launched. In the first three months of the programme, 3,000 applications were received, 34% of which relate to wood pellet stoves and boilers.

Following the success of the pilot Bioheat programme launched by SEI in November 2005, in June 2006 DCMNR launched a €22m grant aid scheme for commercial biomass heat technologies. The scheme will allow companies and small businesses to obtain grants for the installation of wood chip and wood pellet boilers in large buildings and commercial premises. The scheme is being rolled out over a five year period and will potentially support the conversion to renewable energy in up to 600 installations depending on overall project size. It is anticipated that when the programme is fully rolled out approximately 600,000 megawatt hours of wood fuel will be used annually which will displace in the region of 60 million litres of heating oil per annum. This will result in a reduction of CO2 emissions of about 160,000 tonnes per annum.

Agricultural Measures

Ireland's bioenergy programme is designed to stimulate the demand for biomass products, including energy crops, wood chip and wood pellet, thereby providing valuable economic potential for rural economies supporting sustainable jobs and growth.

Complementing the initiatives by DCMNR to stimulate demand, the Department of Agriculture and Food are finalising plans for a scheme to support the purchase of specialised wood biomass harvesting and processing equipment and expect to be in a position to announce this initiative soon. The Department of Agriculture and Food is also planning to implement a support scheme for the planting of short-rotation willow coppice as a source of energy. The scheme is aimed at encouraging the development of short rotation coppice (SRC) as a viable component of the farm enterprise, and at increasing the supply of locally grown woodchip biofuel suitable for use as a clean and renewable source of heat and energy.

Renewable Energy Feed in Tariff (REFIT)

In May 2006 DCMNR launched a new initiative to increase the use of renewable energy technologies in electricity production. The Renewable Energy Feed In Tariff (REFIT) Programme will support the construction of an initial target of at least 400 megawatts of new renewable energy powered electricity generating plants.

REFIT aims to more than double the contribution of renewable sources in electricity production from 5.2% in 2004 to 13.2% by 2010 by increasing the total capacity of renewable energy technologies built to 1,450 MWs.

Recognising the potential role of biomass in terms of providing dispatchable supply, contributing to environmental objectives and supporting the rural community, a significantly higher biomass feed-in price has been provided for biomass electricity in the REFIT programme (€72 per megawatt hour compared to €57/MWh for wind-powered plants).

Projects funded by Sustainable Energy Ireland

In addition to the RERD&D programme, SEI's House of Tomorrow Programme has committed over €20.2m funding covering 84 demonstration projects and a total of 3,900 housing units. The scheme encourages housing developers to incorporate design and technology packages for high standard energy and CO₂ performance. The range of technologies included in these packages included wood pellet boilers which have been approved for 456 homes.

EU Interreg Programme

In last year's report we indicated that a biomass project had received funding under the Interreg Programme. The project entitled "Wood Derived Biomass Heating for all Applications", has an estimated total cost of €10,000. The project is due for completion later this year and to date five biomass heating installations have been provided. The installations in place under the programme are as follows:

Kinnego Marina in Craigavon, Co Armagh
Belturbet Community Development Association in Co Cavan
Killeshandra Eco Tourism in Co Cavan
The Dolmen Centre Tourist site in Portnoo, Co Donegal
Eglish Poultry in Co Tyrone

Bio-energy Ministerial Task Force

The Government is establishing a Ministerial Task Force to draw up a national Bio-energy Action Plan in line with emerging EU policy. The Government Ministers participating in the Task Force include the Minister for Communications, Marine and Natural Resources; Finance; Agriculture and Food; Transport, Environment Heritage and Local Government; Enterprise Trade and Employment and the Tánaiste (Deputy Prime Minister). The Task Force will have its inaugural meeting on 31st July.

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.

Table 1: Transport energy by fuel in 2005 (Provisional Figures)

Fuel Type	ktoe	Biofuel consumption ktoe	Biofuel Description	Biofuel Total	% of
Petrol	1821	0.01	Ethanol	0.0004	
Kerosene	857				
Fuel Oil	17				
LPG	5				
Diesel	2369	1.06	Biodiesel and rapeseed oil	0.0449	
Electricity	14				
	5083			0.0453	

Source: SEI

The figures indicate that market penetration of biofuels in 2005 was 0.045%. This figure will rise as the current pilot scheme develops and with the launch of the second biofuels mineral oil tax relief scheme.