



Nederlandse Emissieautoriteit  
Dutch Emissions Authority

## Summary of the quick scan implementation double counting regulation

The RED (Renewable Energy Directive) requires all EU Member States to ensure that at least 10% of their transport fuels come from renewable sources in 2020. The RED specifies that certain biofuels (from wastes, residues, non-food cellulosic materials and ligno-cellulosic materials) can be counted double for compliance with the obligations imposed on the sector and for achieving the national targets. The Netherlands has set out guidelines for double counting in its Regulation for Renewable Energy for Transport.

The purpose of double counting certain biofuels is to:

- limit the use of food crops;
- increase the CO<sub>2</sub> performance of the fuel mix;
- promote the development of more advanced biofuels.

Double counting aims at a more efficient use of used cooking oil (UCO) and residual waste flows and it is achieving visible effect. At the same time, double counting has created new economic incentives in global biofuel supply chains. This quick scan provides a broad analysis of these biofuel supply chains, the infrastructure of administrative enforcement and key vulnerabilities in the resulting system, based on a combination of desk research and a limited number of interviews. The NEa has not conducted a further investigation into the findings and indications obtained from the interviews. As a quick scan, it only offers a qualitative picture of the key vulnerabilities.

The main conclusions relating to the biofuels system and the infrastructure of administrative enforcement suggest a significant susceptibility to fraud, which can be attributed to the following causes:

### **Biofuel supply chains are highly complex**

The trade in biomass quantities typically involves multiple providers and buyers in the worldwide marketplace for oils, fats and fuels. It also often involves the blending and division of batches of biomass. In many cases, the trade in biofuels extends across several countries. As a consequence, various sustainability systems with different requirements may be involved in safeguarding sustainability at different points in the supply chain. Given the many links in this supply chain, there are many points at which errors, abuses or fraud can occur.

### **Biofuel supply chain enforcement is very limited and also complex**

As the majority of production and trade take place outside the Netherlands or even outside Europe, these flows are not on the radar of any competent authority. And in case of public enforcement, multiple competent authorities tend to be involved, each operating on the basis of different legislation (renewable energy laws as well as legislation on e.g. waste and animal fats) that is not always aligned. Different legislation and subsidisation provide economic operators in this system with incentives to conduct transactions in a certain way. Yet insight and overview are lacking, as is pan-European enforcement of private systems.

### **No clear view of physical flows**

Possibilities also exist to change the physical characteristics of biofuels (and the raw materials for biofuels) through blending and division of batches, under the condition that the vendor's mass balance remains unchanged. This means that the paperwork does not necessarily reflect the physical characteristics of the batch. As such, there is no accurate view of physical flows.

The system is therefore very vulnerable, both to undesirable effects and abuse and fraud. The financial incentives to somehow swap the classification of non-renewable and/or single-counting raw materials to double-counting raw materials are considerable. Neither is there adequate enforcement. Though this does not in itself mean that fraud is actually taking place on a large scale, it raises a valid question as to whether policy objectives are being achieved in practice. For instance, if raw materials applicable for the food industry are being fraudulently classified as waste (thus counting double), they will end up in the fuel supply chain after all. Reported CO<sub>2</sub> reductions are therefore open to question, since the CO<sub>2</sub> impact of waste is only measured from the moment that the material concerned is classified as waste. Given this situation, there is an urgent need to limit the risk of fraud as quickly as possible and to increase enforceability. At the same time, it is clear from this analysis that there are no simple solutions to the problems at issue. In addition, vulnerabilities and the risk of errors, abuse or fraud are not limited to the double-counting scheme; they also apply to flows not eligible for double counting, though there is less of an economic incentive.

### **Recommendations**

The main recommendations concern measures that can reduce susceptibility to fraud and increase enforceability. A distinction has been drawn between the national double-counting scheme, on the one hand, and the international sustainability systems underpinning double counting, on the other. The recommendations on double counting require national coordination, whereas those concerning sustainability systems require European coordination.

As far as the national double-counting schemes are concerned, the following steps in particular are recommended:

- Limit the incentives that make flows susceptible to fraud. Revoke the current double-counting scheme for fuels and replace it with a regulation that eliminates or diminishes the incentives for the flows most susceptible to fraud (UCO and blended fats).
- Strengthen cooperation within national authorities and between government enforcement and private controls. More coordinated legislation and closer cooperation between the relevant competent authorities will improve reliability. The NEa can also contribute to this process.
- Increase the accountability of companies claiming delivery of double-counting fuels by introducing 'supply chain liability' for these companies.

The following changes to European sustainability regulations are recommended to increase the reliability of sustainability systems:

- Improve the infrastructure of administrative enforcement. Introduce more government enforcement to supplement private controls. For instance, through a combination of a European competent authority on European sustainability systems and national competent authorities for biofuels.
- Increase the traceability of flows, for example by making physical inspections (of blended flows) possible.



— Nederlandse Emissieautoriteit  
— Dutch Emissions Authority

- Ensure clarity and European harmonisation of laws and regulations as much as possible.