Fact Sheet on Oil Sands

The Fuel Quality Directive

The Fuel Quality Directive requires that fuel suppliers reduce the lifecycle greenhouse gas emissions per unit of energy ("GHG intensity") of the fuel/energy they supply by 6 per cent by 2020. The Directive does not prevent oil sand products being imported for sale into Europe through an outright ban. It seeks to reduce the greenhouse gas emissions associated with fuels used in Europe.

The Directive obliges suppliers to report information on the greenhouse gas intensity of the fuel they have supplied. Assigning a default value to particular sources of fuel has been proposed as the method by which to quantify that data.

Under the Fuel Quality Directive, in order to account for the GHG emissions from transport fuels, a standard methodology needs to be agreed so that suppliers can report the GHG intensity of the fuels they supply. A similar methodology has already been established for biofuels – biofuel suppliers are able to use a series of default values for the GHG intensities of different biofuels. Each biofuel-feedstock combination is assigned a typical "default" GHG intensity that has been determined by the scientific community and agreed at a European level. Suppliers can then report that fixed value, or they have the option of undertaking their own calculation of the GHG intensity.

Implementation of Article 7a of the Fuel Quality Directive

The European Commission put forward a proposal for implementing measures under Article 7a of the Fuel Quality Directive on 4 October 2011. In short it proposes:

a. A greenhouse gas accounting methodology for fuel/energy other than biofuel (i.e. fossil fuels such as petrol, diesel and compressed natural gas, and energy carriers such as hydrogen) based on a series of default values;
b. A methodology for counting the contribution made to greenhouse gas savings through the supply of electricity used in electric vehicles;
c. Reporting requirements for suppliers and Member States (i.e. details on how to report greenhouse gas performance and fuel/energy characteristics);
d. A review to be held before 2015 — the review to include an impact assessment to consider the burden placed on industry by these implementing measures and allows the Commission to propose a new greenhouse gas accounting methodology/updated default values.

Full details of the European Commission's proposals can be found here: *http://ec.europa.eu/transparency/regcomitology/index.cfm?do=search.documentdetail&2A801s70lFwjg6RoPTjUUEpDU4MfDGIJHglKuEmrBsQxdbQ+Al/X9VTTMRqv00VG*.

The UK Government's position on the Commission's proposals

The Government is committed to reducing greenhouse gas emissions and wants the Fuel Quality Directive to be a key tool in achieving this aim. The Government takes the treatment of high-emitting oil sands seriously and is seeking an effective solution to address the carbon emissions from all highly polluting crudes, not simply those from oil sands.

The European Commission has put forward some very good proposals that cover a wide range of issues including a default value for oil sands/natural bitumen and the Government is considering how these align with its environmental objectives.

However, there are a number of different sources of crude where extraction leads to higher greenhouse gas emissions and these are less attractive than those which do not. These include crude from Angola and Nigeria which have lifecycle emissions considerably higher than those associated with fuel from elsewhere.

European Commission data[1] shows that in 2010 0.11% of oil imported into Europe came from Canada in 2010, and all of that oil was derived from light crude (i.e. none was sourced from oil sand crude). Conversely, the same data show that 5.91% in total came from Nigeria and Angola.

The Government believes that any methodology for calculating the greenhouse gas intensity of fuels used in Europe should account for the greenhouse gas emissions associated with all crude sources and should be based on robust and objective data. It must also be flexible and reviewed often enough to adapt to changes — for example so it can be updated as new evidence becomes available or reward new processes and technologies that reduce greenhouse gas emissions.

As the European Commission is not proposing a review until 2015, it will be difficult to see these other crudes being addressed in the short to medium term. These other crudes are already used in Europe. Any methodology that does not take into account the emissions of these fuels will not provide a robust solution for the environment — there will be no incentive to reduce the emissions of these other crudes and their supply in Europe will be allowed to continue with no proper accounting of their associated emissions.

The Government's position on the local effects of oil sands activities in Canada

The UK Government is keen to support improvements that ensure that the adverse social and environmental impacts of industrial processes are limited, and encourages other countries to live up to their international environmental and climate change responsibilities. However, responsibility for the regulatory oversight of oil extraction activities is a matter for national authorities. In the case of Canadian oil sands the relevant regulators are the provincial Government of Alberta and the federal Government of Canada.

Next Steps

To date, there has not been any vote on these proposed implementing measures and the European Commission has not yet scheduled a vote to take place on the proposals.

The Government continues to work with others, including the European Commission, other Member States, environmental groups and the fuel industry, to build support for an approach that achieves its environmental objectives of achieving real action on climate change.

Department for Transport (Low Carbon Fuels) – January 2012

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[1] http://ec.europa.eu/energy/observatory/oil/doc/import/coi/eu-coi-from-extra-eu-2010-01-12.pdf