Annual Report and Accounts 2008/09

Renewable Fuels Agency

the independent sustainable fuels regulator

Renewable Fuels Agency Annual Report and Accounts 2008/09

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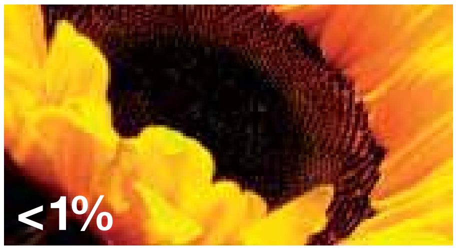
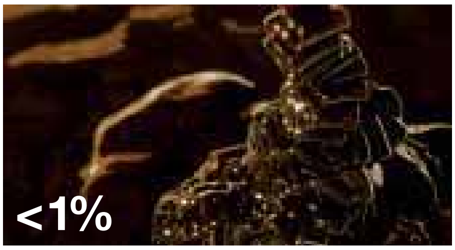
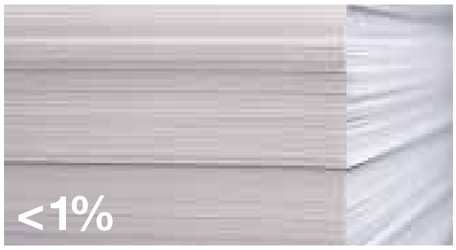






These images represent the biofuel feedstocks reported in the UK in 2008/09. These are arranged in order of quantity reported to the RFA (percentage of total biofuel supply):

Soy 35%; oilseed rape 25%; sugar cane 14%; palm 10%; tallow 9%; used cooking oil 3%; sugar beet 3%; unknown 1%; sunflower <1%; molasses <1%; municipal solid waste <1%; sulphite liquor <1%; cheese by-product <1%.

Chair's introduction

This is the second Annual Report and Accounts for the RFA, which first came into being in October 2007. The Agency is an executive Non-Departmental Public Body, sponsored by the Department for Transport, whose aim is to help the UK achieve its renewable transport fuel targets in a sustainable manner. It does this by administering the Renewable Transport Fuel Obligation, to which a small correction was made in March 2009, and by reporting to the Secretary of State, Parliament and the general public on its effects.

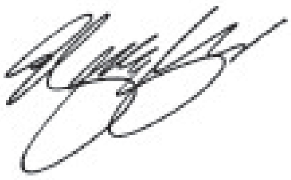
In our first full year we have published four Quarterly Reports which have provided increasingly detailed information about biofuel quantities and sustainability performance. The methods used are world leading and we will continue to improve them in consultation with Government and all stakeholders.

Biofuels, however, remain a controversial area and the Agency was asked to lead a study into certain indirect effects not included in current sustainability assessments, such as the impacts resulting from land use change and on food prices. This became known as the Gallagher Review. Government accepted its findings that, while there was a future for biofuels, current targets should be reduced until the full consequences of these indirect effects could be assessed.

The Agency, with others, has already started work on how these effects will be measured and our Chief Executive has been asked by many countries to share our knowledge with their experts.

I believe our efforts so far provide a good platform for our future work, which includes more detailed reporting against increasingly challenging targets for biofuel quantities and sustainability performance; follow up research to the Gallagher Review; and new duties to promote sustainable biofuels.

These are laid out in our Corporate Plan published on our website. If you have any comments on this or on our Annual Report and Accounts please contact us.



Ed Gallagher
Chair

Chief Executive's statement

The RFA is a young organisation, rapidly evolving to meet the challenges we are set. We're proud of our achievements so far and are ready to take on new tasks as both the use of biofuels and the issues raised by them increase in their significance.

For now, the RFA administers the Renewable Transport Fuel Obligation (RTFO), leads the world on carbon and sustainability reporting and is characterised by active commitments to both genuinely working with our stakeholders and promptly publishing our data and findings.

As the UK's independent sustainable fuels regulator, we firmly see our role as bringing clarity and evidence based analysis to the subject. Biofuels carry great promise as a way of reducing carbon emissions from road transport at low cost. However, alongside this is a clear appreciation that biofuels must be sustainable.

The Gallagher Review stated that negative indirect effects from biofuels can potentially outweigh the benefits. It acknowledged that indirect effects were not being accounted for by current sustainability systems, including our own.

However, our reporting has made tangible the evidence that it is possible to source biofuels meeting current sustainability standards and we believe that it *is* possible to design systems to recognise indirect effects. Companies have begun to rise to the challenge of tracing their fuels, but with certification schemes not yet available for many crops the transition to complete sustainability monitoring remains challenging. The political process of harmonising across markets brings its own risks.

We at the RFA are sharing the lessons of our experience in collecting evidence and promoting good practice not only with other member states but beyond, as countries around the world develop systems to ensure that the 'right' biofuels are used.

For consumers to have confidence in biofuels, we need to be able to show evidence of good stewardship and we will not shirk the responsibility of meeting the scientific and moral challenges set by increased awareness of biofuel use.

I am confident that we will achieve these high aspirations, not least because we continue to seek to work in genuine partnership with all who have an interest in biofuels. It is this approach that keeps the UK in the vanguard of sustainability in this rapidly evolving energy shift.

Nick Goodall
CEO

Our Board




Greg Archer
Greg Archer is the Director of the Low Carbon Vehicle Partnership, an action and advisory group accelerating the shift to low carbon vehicles and fuels in the UK. He has previously worked for the Carbon Trust and was an Associate Director of Atkins Environment. He was one of the lead authors of the Gallagher Review.

Gareth Llewellyn
Gareth Llewellyn is Global Head of Safety and Sustainable Development for Anglo American Plc. He is a member of faculty at Cambridge University, where he speaks on climate change and energy for the Prince of Wales's Cambridge Programme for Industry. Formerly he was Global Director for Corporate Responsibility for National Grid, a Non-Executive Director of National Grid Property Holdings, and a Director of the UK Business Council for Sustainable Energy.

Brian White
Brian White is co-founder and Director of biofuel trading company BioenerG Ltd. He is currently Chair of the National Energy Foundation, Non-Executive Director of Xaviour Energy Ltd, Chair of Milton Keynes Energy Agency and Chair of the Milton Keynes Enterprise Hub. He was Member of Parliament for North East Milton Keynes between 1997 and 2005.

Paul Jefferiss
Dr. Paul Jefferiss is Group Head of Climate, Carbon and Environment at BP. Previous executive roles include Director of Energy at the Union of Concerned Scientists, Director of the Green Alliance and Head of Environmental Policy at the RSPB. He has previously served as a board member of the Low Carbon Vehicle Partnership, the National Energy Foundation, the SITA Trust, the European Environmental Bureau and the Renewable Energy Policy Project.

Professor Ed Gallagher
Professor Ed Gallagher was previously the Chief Executive of the Environment Agency and National Rivers Authority as well as the Manufacturing Director of Amersham International and the Director of Marketing and Product Development at Black and Decker. He has been the Chair of Energywatch since 2004, and was Governor and then Chair of Middlesex University from 1994-2004.

Nick Goodall
Nick Goodall became CEO of the Renewable Fuels Agency (RFA), the UK's independent sustainable fuels regulator, in July 2008. From May 2003 to October 2007, he established and was Chief Executive of the Energy Networks Association (electricity and gas transmission and distribution). Concurrently, he was CEO at Renewables East to 2004.

Biofuels

Every year around 50 billion litres of road fuel are consumed in the UK, and carbon emissions from road transport account for around a quarter of total UK annual emissions.

Given the significant threat posed by climate change, the UK needs to substantially reduce its carbon emissions. The UK also has international legal obligations to reduce emissions and under EU law must increase the use of renewable energy, including in transport.

Burning fossil fuels in vehicle engines releases carbon that has been stored away underground for millions of years into the atmosphere as carbon dioxide, and contributes to climate change. The challenge is to find renewable fuels that do not cause the release of fossil carbon.

Plant and animal material contain carbon recently absorbed from the air. This material can be processed to produce biofuels which are compatible with existing engines when blended with regular fuels bought at the forecourt. Providing the production of these fuels does not cause large amounts of carbon to be released, net emissions are reduced. The two most common biofuels are bioethanol and biodiesel, and biogas is also available in small quantities.

Biodiesel

Most biofuel in the UK is biodiesel. While vehicles with modified diesel engines are able to run on pure plant oils (the first ever diesel engine ran on peanut oil), it's more usual to take vegetable oil or 'tallow' and process it chemically to make FAME (fatty acid methyl ester) biodiesel. This biodiesel can be used in any diesel engine at blends of up to 5% under current fuel quality standards without special labelling. Many people also use higher blends up to 100% biodiesel, although this may cause problems for some engines.

There are also other biofuel diesel substitutes available or in development, such as 'hydrogenated vegetable oil' (HVO) biodiesel and 'Fischer-Tropsch' diesel. These can offer higher fuel quality than biodiesel allowing higher blends, and some of these advanced technologies can utilise a wider range of feedstocks[1] including wastes. Some biodiesel can start to solidify at low temperatures, so suppliers must be careful about the blend they use in different seasons to avoid causing problems for drivers.

The most common biodiesel feedstock used in the UK over the past year has been soy oil from the USA.

Bioethanol

Ethanol is made by fermenting the carbohydrates in crops or wastes and distilling the product, much like making vodka. Just as biodiesel can be blended into diesel, bioethanol can be blended into petrol up to 5% without special labelling. Some car manufacturers sell 'specialised E85' vehicles that can run on up to 85% ethanol. Bioethanol has a higher octane rating than petrol, potentially improving engine performance. However, it only contains about three quarters of the energy per litre of petrol, so more is needed to go the same distance.

In the future, 'cellulosic ethanol' – ethanol from non-edible parts of plants, such as woody biomass and grasses, is likely to become commercially available. There are also other potential biofuel petrol substitutes like biobutanol which contain more energy than bioethanol. The most common bioethanol feedstock used in the UK over the past year has been sugarcane from Brazil.

Biogas

There is also a small amount of biogas used for road transport in the UK. Biogas consisting mostly of methane can be collected from the natural decomposition of organic matter, for instance on landfill sites, or produced by the anaerobic digestion of wastes. Biogas can only be used in vehicles specially designed to run on compressed natural gas (CNG) or liquefied natural gas (LNG). It is more often used by fleet operators than private motorists.

1 The feedstock for a biofuel is the raw material from which it is manufactured. This could be a crop like oil seed rape, or a waste like used cooking oil. In the future, feedstocks could include algae and wood.

The Renewable Transport Fuel Obligation (RTFO)

Biofuel supply Obligation

2.5% 2008/09

3.25% 2009/10

The UK Government introduced the Renewable Transport Fuel Obligation (RTFO) to reduce carbon emissions from road transport by setting long term targets for increasing the use of renewable fuels in the UK. Previously, support has been given to biofuels through a tax incentive of 20p per litre that has been offered to biodiesel since 2002 and bioethanol since 2005. Under this about 1% of the road transport fuel used in the UK in 2007/08 was biofuel. This tax incentive is to be removed in April 2010.

Most fossil fuel used for road transport in the UK is refined or imported by one of 15 suppliers, and the RTFO puts an obligation on these companies ('obligated suppliers'). In 2008/09, the Obligation was to supply 2.5% biofuel.

An obligated supplier must prove to the Renewable Fuels Agency (RFA), the administrator of the RTFO, that it has met its Obligation by producing Renewable Transport Fuel Certificates (RTFCs) at the end of the year. One RTFC is awarded for every litre of biofuel reported to the RFA, and an obligated supplier can obtain them either by supplying biofuel itself, or by trading with other biofuel suppliers.

This option to trade provides biofuel suppliers, even if they have no Obligation, with a potential revenue stream to support the production of biofuel.

There is also a 'safety valve' on the RTFO, the option to 'buy-out' without either supplying biofuel or supporting the supply of biofuel by buying certificates. The buy-out price of 15p limits the maximum likely price impact on consumers. If biofuel production becomes more than 15p per litre more expensive than fossil fuel production (including the duty incentive), suppliers can meet their Obligation more cheaply by paying the buy-out than by supplying biofuel.

Any money paid to buy-out is recycled to suppliers of biofuels.

In addition to encouraging the supply of more biofuel, the RTFO includes a 'world first' system to report on the carbon emissions and sustainability of biofuel. Not all biofuels are a good thing for the environment or for people – there are risks that must be managed and monitored.

The Renewable Fuels Agency

More than just an administrator, our work helps to drive forward the biofuel sustainability agenda.

We are the organisation charged by the UK Government with running the Renewable Transport Fuel Obligation. We allocate Renewable Transport Fuel Certificates (RTFCs) to suppliers of biofuels in the UK. We ensure obligated companies meet their annual Obligation. We run the RTFO's world leading carbon and sustainability reporting system. We promote the supply of sustainable biofuels.

More than just an administrator, our work helps to drive forward the biofuel sustainability agenda. We are the UK's independent sustainable fuels regulator, reporting to the UK Parliament and the public on the impacts of fuel supplied under the RTFO.

Suppliers of biofuels in the UK wishing to claim RTFCs must report to us through the online 'RFA Operating System (ROS)' the volume of biofuel they supply, and its carbon and sustainability characteristics. We ensure that the data is verifiable and robust, and we prevent fraud.

To make a positive contribution to a low carbon future, biofuels must be sustainable. The reports we publish on the carbon and sustainability (C&S) of biofuel supplied in the UK are the first of their kind in the world. We report every month on the biofuels supplied in the UK, every quarter on the performance of individual suppliers and every year on the wider impacts of the RTFO.

To assist suppliers in their reporting, we provide a 'Carbon Calculator' to determine the lifecycle carbon emissions from their fuels. We benchmark feedstock sustainability schemes against our 'Meta-Standard' for biofuel sustainability.

We keep our stakeholders in the UK and beyond up to date with our activities and developments in the world of biofuels through regularly hosting, attending and speaking at meetings and conferences, as well as with the monthly 'Renewable Fuels Digest'.

In 2008 we undertook the Gallagher Review, which identified the importance of addressing the indirect effects of biofuel production, and may be asked to carry out further such reports by the UK Government in future. We are involved in several committees and working groups looking at biofuel sustainability.

We are a small organisation, led by an independent board with six members including our Chief Executive, and with thirteen other staff. We have an annual budget of about £1.5 million and are based on the south coast of England in St Leonards-on-Sea.

We were legally created in October 2007, and are a Non-Departmental Public Body sponsored by the Cleaner Fuels and Vehicles Division of the Department for Transport.

Obligated suppliers, biofuel suppliers, certificate traders and brokers, fuel retailers, verifiers

A short guide to who's who.

Obligated suppliers
Companies supplying over 450,000 litres of fossil road transport fuel into the UK market annually are obligated under the RTFO. The obligated suppliers are refiners and importers of fossil fuels, and include well known companies with fuel retail operations like Shell and BP, and less well known ones like Greenergy and Prax.

Biofuel suppliers
Many companies supply biofuel into the UK market, but do not supply fossil fuel, and are not obligated under the RTFO. These companies can earn RTFCs and sell them on to obligated suppliers, or surrender them for a share of any buy-out fund at the end of the year. They include suppliers of biodiesel from used cooking oil and tallow, companies selling pure plant oil and suppliers of road transport biogas.

Certificate traders and brokers
Parties can register with the RFA as traders in RTFCs. Traders look to purchase RTFCs and sell them on at a profit. Brokers on the other hand arrange sales of RTFCs for a fee, but do not register with the RFA or take ownership of the RTFCs at any point. Traders and brokers can help the market in RTFCs to operate efficiently.

Fuel retailers
The operators of the forecourts where consumers fill up their cars are not subject to the RTFO (unless the same company also imports or refines fossil fuels). A fuel retailer, for instance Tesco, buys petrol and diesel refined or imported by an obligated supplier, that may contain biofuel blended up to 5% by volume. Any higher blend of biofuel must be labelled, for instance B30 (30% biodiesel) or E85 (85% ethanol).

Verifiers
Verifiers provide assurance that the data provided to the RFA by suppliers in their 'RTFO C&S annual reports' is accurate. They are appointed by the suppliers, and must be competent to assess sustainability risk and qualified to provide assurance under the ISAE 3000 audit standard.

Counter fraud

Public confidence in us, and our value to the public, relies on the accuracy and reliability of our data. We take our duty to validate the data submitted to us seriously and have enhanced our capabilities significantly over the past year.

Suppliers must submit information on fuel volumes and carbon and sustainability via our online reporting system. At the end of the year, those reporting over 450,000 litres of biofuel must also submit an annual report with additional details of their performance, including an independent verifier's opinion on the accuracy of their data.

Volume validation

Our validation of volumes is primarily based on checking information submitted to us against the fuel duty returns suppliers make to Her Majesty's Revenue and Customs (HMRC). Where the information held by HMRC is insufficient to validate the volumes, we undertake further checks with the company concerned. By validating volume data each month we avoid putting an additional workload on ourselves and on suppliers at the end of the year.

In October 2008 a discrepancy was identified in the RTFO Order. Because of this, fossil fuel supplied in a blend with biofuel was not obligated under the RTFO in 2008/09. We put in place a new validation process to track the volumes of fossil fuel supplied unblended (and therefore still obligated), as HMRC does not keep records of this. The discrepancy has been corrected for the second year of the Obligation.

We have used data from HMRC made available to us under the Climate Change Act (November 2008) to investigate several companies to determine whether they were avoiding the obligation. We are confident that anybody who is evading their duty liabilities (and hence whose data is not available from HMRC) is unlikely to be supplying enough fossil fuel to be obligated by the RTFO.

We have also visited a number of companies to identify systems and areas for audit activity.

C&S verification

At the end of each reporting year, we require suppliers of large volumes of biofuel to have their carbon and sustainability data independently verified.

Suppliers must appoint a verifier competent to determine sustainability risk. We have published guidelines for these verifiers, who must carry out a 'limited assurance' engagement to an international standard called ISAE 3000. The verifier must confirm that they can find no reason to believe that the carbon and sustainability data submitted to the RFA is untrue.

In addition to these annual checks, we continuously challenge any reported carbon and sustainability data that we have reason to suspect may be incorrect. We also have the power to request additional information from any supplier to substantiate their claims.

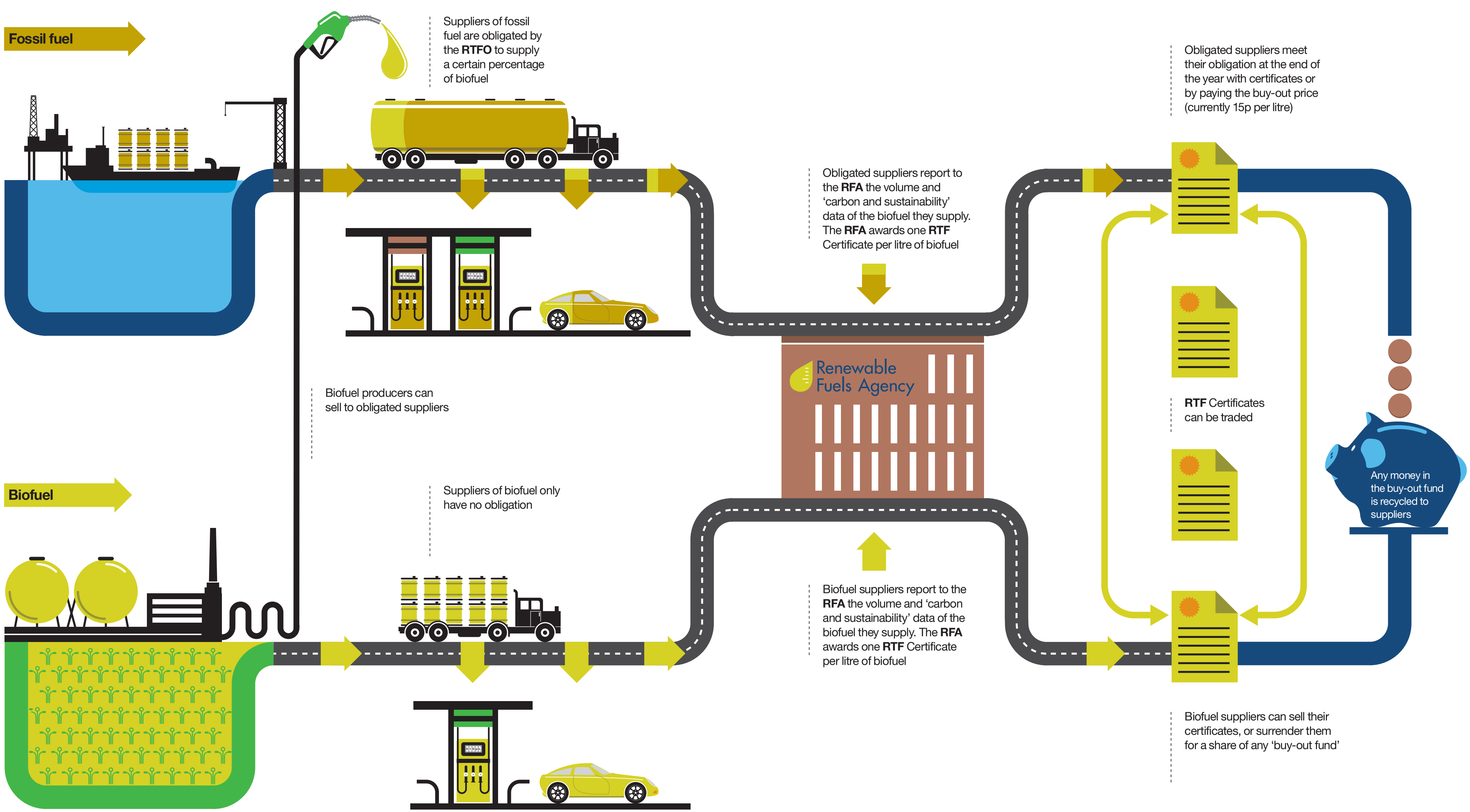
For the 2008/09 obligation, these 'RTFO C&S annual reports' will be submitted at the end of September 2009 and reported on in our report to Parliament in January 2010.

Our powers to fine

The RFA has powers to impose Civil Penalties of up to £50,000 for either the evasion of the obligation or the submission of inaccurate data. We have not imposed any Civil Penalties this year.

The RTFO process

An illustration of how the RTFO works



Carbon and Sustainability

The RFA's reporting on the carbon emissions and sustainability of biofuels is world leading.

Central to the RTFO is the carbon and sustainability (C&S) reporting system.

Significantly different levels of carbon emissions are caused by producing biofuels from different feedstocks from different countries using different processing technologies. We report the carbon emissions of biofuels based on a full 'lifecycle analysis' of emissions all throughout the production chain.

Our technical guidance provides 'default factors' for carbon savings based on common practice for specific feedstocks, countries and processes. These can be used depending on how much information suppliers have about their biofuels. Our defaults are conservative, generally based on worst common practice, to encourage suppliers to find out more detailed information about their biofuels, as this will often allow them to report lower carbon emissions.

The system is designed to influence production and processing to achieve better carbon savings, for instance by encouraging best practice on reducing the use of nitrogen fertiliser or using biomass instead of coal to power processing plants.

We also have a set of sustainability criteria, the RTFO Meta-Standard, for environmental and social sustainability. Fuels meeting the environmental standard must be grown with due regard for protecting biodiversity; carbon stocks; and soil, air and water quality. To meet the social standard, workers' rights and land rights must be respected. Suppliers of biofuels must report whether their feedstocks have been assessed against the criteria, either directly or by certification to an existing scheme that covers enough of the criteria to be a 'Qualifying Standard'.

The RFA's reporting on the carbon emissions and sustainability of biofuels is world leading, and as other nations in the EU and elsewhere introduce their own biofuels incentives and mandates many of them are looking to us for guidance.

We are also aware that our system has limitations – perhaps foremost among these is that it does not as yet deal with the emissions from indirect land use change identified by the Gallagher Review. Our 'Carbon and Sustainability Reporting Technical Guidance' is constantly being developed.

There is currently no legal penalty for failing to meet sustainability standards or achieve carbon savings. However, we do report on a quarterly basis on the performance of named suppliers against the Government's RTFO carbon and sustainability targets. Mandatory sustainability criteria for biofuels are to be introduced by the EU's Renewable Energy Directive (RED) and Fuel Quality Directive (FQD).

Lifecycle analysis and 'carbon equivalent emissions'

A lifecycle analysis of carbon emissions assesses the carbon emissions caused by each stage of the biofuel production process, from the farm to the processing plant to the consumer. It includes emissions from fertilisers and other chemical inputs; farm machinery; processing plants; and transport of the raw feedstock and processed fuel.

We use 'carbon emissions' as shorthand for 'equivalent carbon dioxide emissions' (CO_2e), and our lifecycle analysis includes other greenhouse gases such as methane and nitrous oxide, both of which have a more potent warming effect than carbon dioxide.

Standards

Reporting under the RTFO is based on a meta-standard approach to sustainability.

Existing schemes are assessed against the environmental and social sustainability principles and criteria we have defined as the RTFO Meta-Standard. This 'benchmarking' process considers both the criteria covered and robustness of the checks that are in place. If a scheme is considered robust and meets enough of the criteria, it is a 'Qualifying Standard'. If a scheme meets all the criteria, it achieves the RTFO Meta-Standard.

It is also possible for a company to arrange its own independent auditing against the Meta-Standard.

The following schemes have been benchmarked as environmental 'Qualifying Standards':

- Assured Combinable Crops Scheme (ACCS)
- Basel criteria for soy
- Forest Stewardship Council (FSC)
- Genesis Quality Assurance (GQA)
- Linking Environment and Farming Marque (LEAF)
- Roundtable on Sustainable Palm Oil (RSPO)
- Roundtable on Responsible Soy (RTRS)
- Sustainable Agriculture Network/Rainforest Alliance (SAN/RA)

Of these, ACCS and Genesis QA meet the environmental Meta-Standard, while the Basel criteria, RSPO, RTRS and SAN/RA additionally meet the social Qualifying Standard.

For a company to report that their feedstock met a standard there must be robust and reliable audit procedures for the plantation, and a chain of custody to link the fuel being supplied in the UK to sustainable production.

The Meta-Standard system has great potential, but there are challenges too. For many feedstocks, and in many countries, there are no established sustainability schemes. There are several schemes that we have benchmarked but which do not meet our 'Qualifying Standard', while some schemes that do have faced criticism.

We are meeting these challenges by supporting the development of new schemes such as the Better Sugarcane Initiative; engaging with existing schemes such as Scottish Quality Cereals to explore how they could develop to become 'Qualifying Standards'; and by monitoring the effectiveness of benchmarked schemes where there are concerns.

By demonstrating the importance and achievability of sustainability certification, the biofuels sector can lead a global shift to a more sustainable model of agriculture.

Meta-standard approach

Using a meta-standard approach to biofuel sustainability allows us to define the sustainability criteria that biofuel feedstocks should meet whilst enabling the use of existing assurance schemes. These schemes have the advantage that they are developed for particular feedstocks and designed with regard to specific local conditions, and may have their own systems of auditing and chains of custody.

Year of RTFO results (provisional)*

This is the provisional data from the first year of the RTFO 15 April 2008 – 14 April 2009. It is based on the data submitted to us every month by registered suppliers. After the end-of-year verification process we will publish the fully verified results in January 2010.

This is the first year of mandatory carbon and sustainability reporting under the RTFO. The reporting scheme is intended as a stepping stone towards mandatory standards. We hope to see a gradual process of improved performance, as the targets increase each year.

These are provisional headline figures from the first year: the full set of data is available from our website, www.renewablefuelsagency.org/rtfo.

1,250m

litres of biofuel was supplied

2.6%

of UK road transport fuel was biofuel, above the Government's target of 2.5%

82%

of biofuel was supplied as biodiesel

0.4m

kilograms of biogas were supplied

47%

average greenhouse gas saving was reported, above the Government's target of 40%

24%

of biofuel feedstocks met an environmental sustainability standard, below the Government's target of 30%

69%

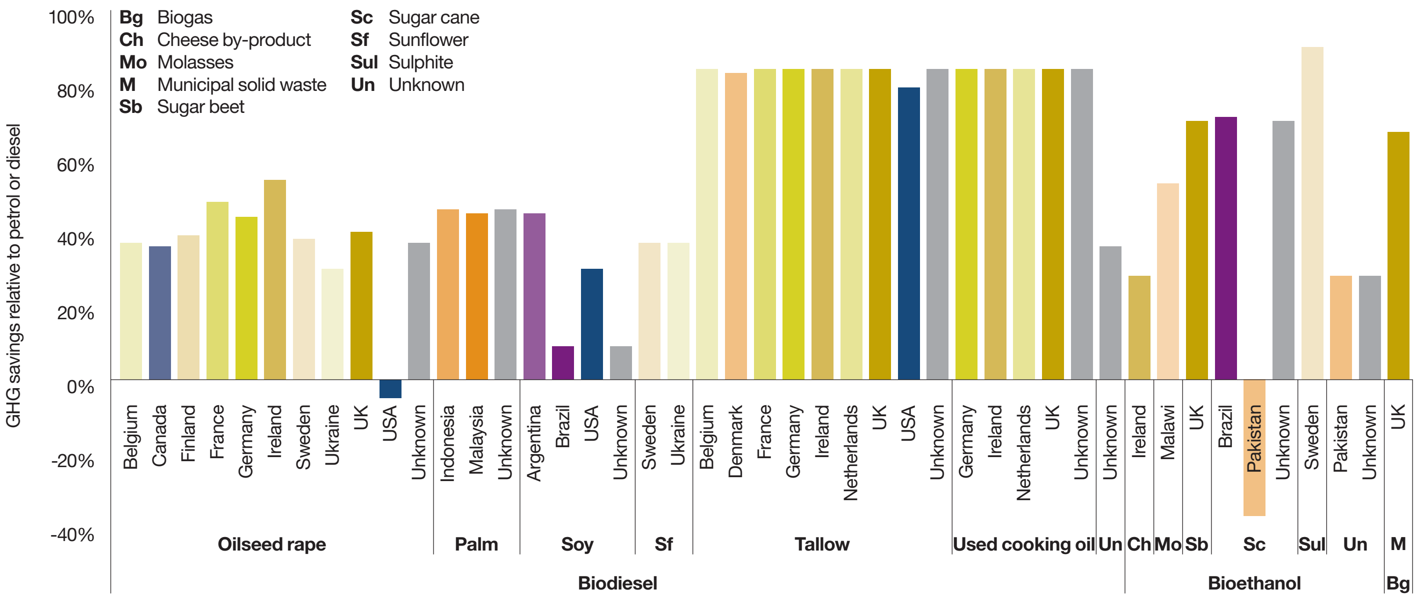
of requested data was reported to us, above the Government's target of 50%

99%

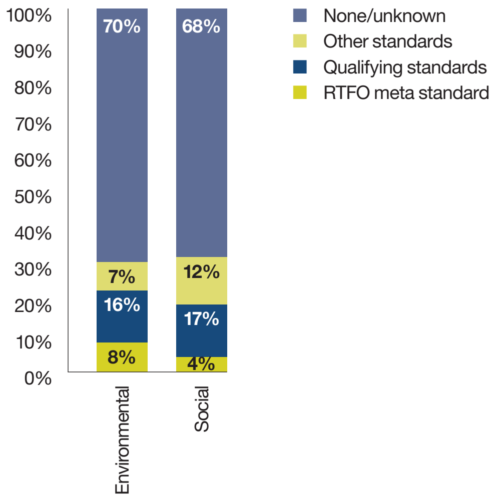
of feedstock from the UK met an environmental sustainability standard

* The RTFO data presented in this Annual Report is taken from our fourth quarterly RTFO report, as published at www.renewablefuelsagency.org/rtfo. The data presented here is provisional and unverified. We will publish the finalised data from the 2008/09 obligation period following the end-of-year verification process, in January 2010.

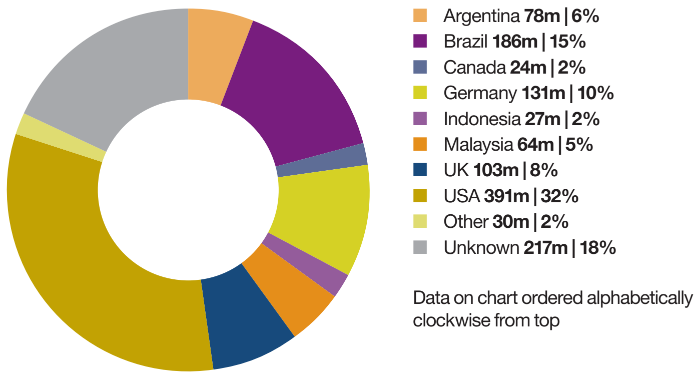
Greenhouse gas savings of biofuels by feedstock and country of origin*



Proportion of biofuel meeting sustainability standards*



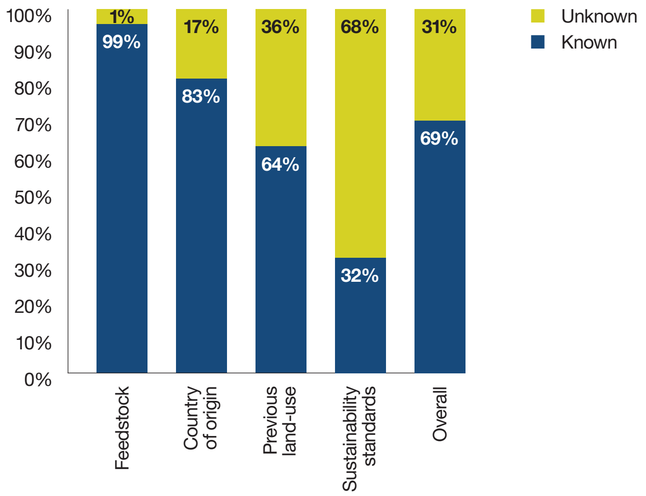
Proportion of biofuel by country*



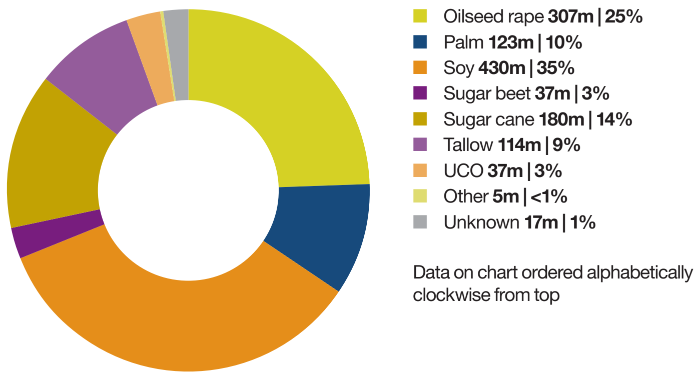
Data on chart ordered alphabetically clockwise from top

'Other' includes Belgium, Denmark, Finland, France, Ireland, Malawi, Netherlands, Pakistan, Sweden and Ukraine

Data capture – volumes of biofuel with known/unknown feedstock, country of origin, previous land-use, sustainability standards, and overall*



Proportion of biofuel by feedstock*



Data on chart ordered alphabetically clockwise from top

'Other' includes cheese by-product, municipal solid waste, molasses, sulphite and sunflower

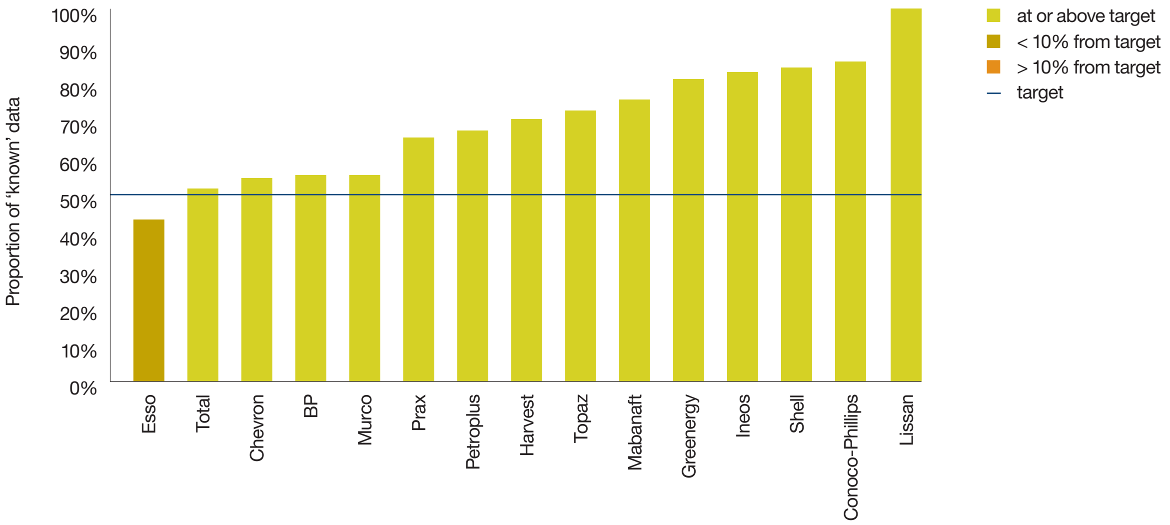
Year of company results (provisional)*

In addition to reporting monthly on the overall supply of biofuel under the RTFO, we report quarterly on the performance of individual companies against the Government's carbon and sustainability targets. The significant majority of biofuel is supplied into the UK market by companies that also supply fossil fuel.

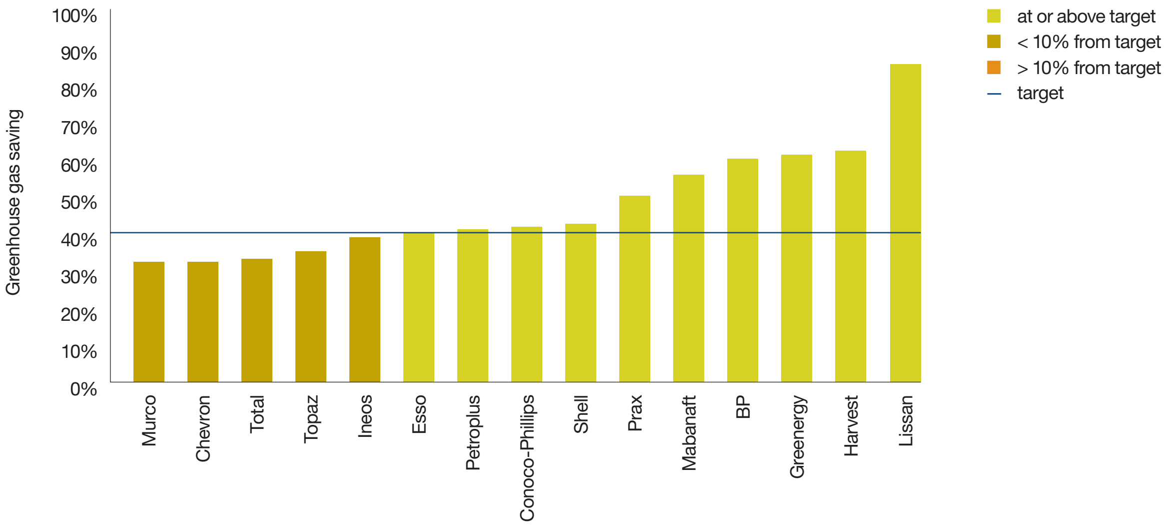
The carbon and sustainability performance of all the suppliers of biofuels registered under the RTFO is tabulated below.The graphs on the facing page compare the performance of the 15 companies supplying both fossil fuel and biofuel against the Government's targets.

	Company	Proportion meeting a qualifying environmental standard	Greenhouse gas saving %	Data capture %	Company	Proportion meeting a qualifying environmental standard	Greenhouse gas saving %	Data capture %
Suppliers of fossil fuel and biofuel	BP Oil UK Ltd	4%	60%	56%	Mabanaft UK Ltd	48%	56%	75%
	Chevron Ltd	0%	33%	54%	Murco Petroleum Ltd	0%	33%	56%
	ConocoPhillips Ltd	78%	42%	85%	Petroplus Refining Teesside Ltd	17%	41%	67%
	Esso Petroleum Company Ltd	1%	40%	43%	Prax Petroleum Ltd	64%	50%	65%
	Greenergy Fuels Ltd	43%	61%	81%	Shell UK Ltd	11%	43%	84%
	Harvest Energy Ltd	24%	62%	70%	Topaz Energy Ltd	0%	35%	72%
	Ineos Refining Ltd	35%	39%	83%	Total UK Ltd	4%	34%	51%
	Lissan Coal Company Ltd	100%	85%	100%				
Suppliers of biofuel	ABAKO Ltd	100%	85%	100%	Kassero Edible Oils Ltd	100%	85%	100%
	Argent Energy (UK) Ltd	100%	85%	100%	Longma Clean Energy	100%	85%	100%
	Associated British Bio-Fuels Ltd	100%	85%	100%	MFS Fuel Supplies Ltd	100%	85%	100%
	Biesel (UK) Ltd	100%	85%	100%	MPB Bioproducts Ltd	100%	36%	100%
	Bio UK Fuels (Sheffield) Ltd	100%	85%	100%	Muirhouse Farm Partnership	100%	36%	100%
	Biofuel Refineries Ltd	100%	86%	100%	Ozone Friendly Fuels	100%	85%	100%
	Biomotive Fuels Ltd	100%	85%	100%	Pilkington Oils Ltd	100%	85%	100%
	Celtic Biodiesel Ltd	100%	85%	100%	PRS Environmental	100%	85%	100%
	Convert2Green Ltd	100%	85%	100%	Pure Fuels Ltd	100%	85%	100%
	Devon Biofuels	100%	85%	100%	Refuel Energy Ltd	100%	85%	100%
	Doncaster Bio Fuels	100%	85%	100%	Regenatec Ltd	0%	10%	50%
	Double Green Ltd	100%	85%	100%	Rix Biodiesel	100%	85%	100%
	Ebony Solutions Ltd	100%	85%	100%	Shepherds Bakery	100%	85%	100%
	Edible Oil Direct Ltd	100%	85%	100%	Uptown Oil Ltd	100%	85%	100%
	Gasrec Ltd	100%	69%	100%	Veg Oil Motoring	100%	99%	100%
	Goldenfuels	100%	85%	100%	Verdant Fuel Ltd	70%	67%	93%
	Green Fuels Ltd	100%	84%	100%	V-Fuels Biodiesel Ltd	72%	63%	79%
	GreenerDiesel.com (UK) Ltd	100%	85%	100%	Wight Made Diesel	100%	85%	100%
	GreenFuel Supply Solutions Ltd	100%	63%	100%				

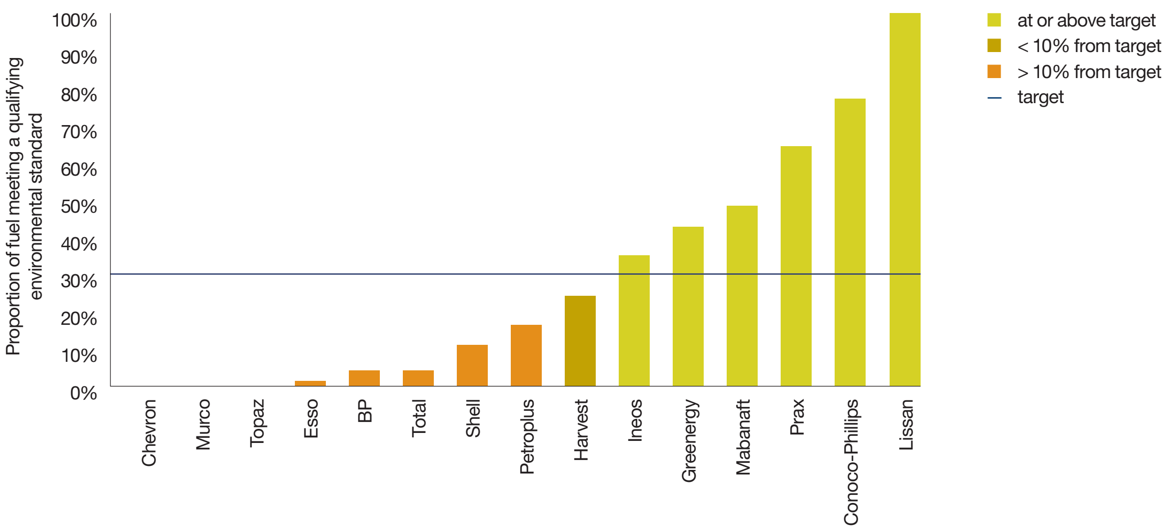
Data capture*



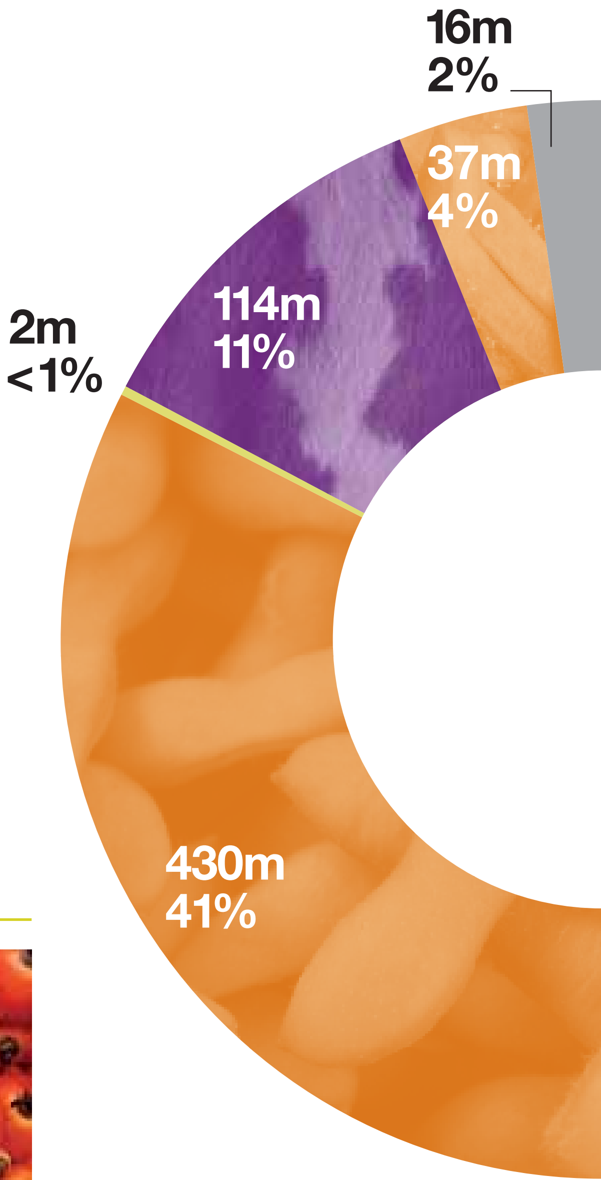
Greenhouse gas saving*



Proportion of fuel meeting a qualifying environmental standard*



Biodiesel case studies



Used cooking oil

If you have a small, local retailer of pure biodiesel, there is a strong chance that they are using used cooking oil (UCO) as a feedstock. Some people even buy old chip fat from local restaurants to make biodiesel for personal use.

In the past, there was little market for UCO, and restaurateurs would pay for it to be removed. Now, however, competition between biodiesel producers has pushed up the price. There have even been cases of drums of used oil being stolen from restaurants.

Converting UCO that might otherwise have gone to landfill to biodiesel is an excellent example of sustainable biofuel. There is no pressure on land use and no impact on food prices, and the feedstock is not diverted from a valuable existing use. The quantity of UCO available is relatively limited however, and thus provides only around 3% of fuel supplied under the RTFO.

Our default carbon saving for UCO is 85%.

Palm oil from Malaysia and Indonesia

Perhaps the most controversial of current biofuel feedstocks is palm oil. The oil palm originates in West Africa but was introduced to Malaysia by the British in 1910, and produces large quantities of oil in both its fruit and kernel – it is one of the world's most productive oil crops. Palm oil is particularly controversial because its cultivation has been directly linked to deforestation in both Malaysia and Indonesia.

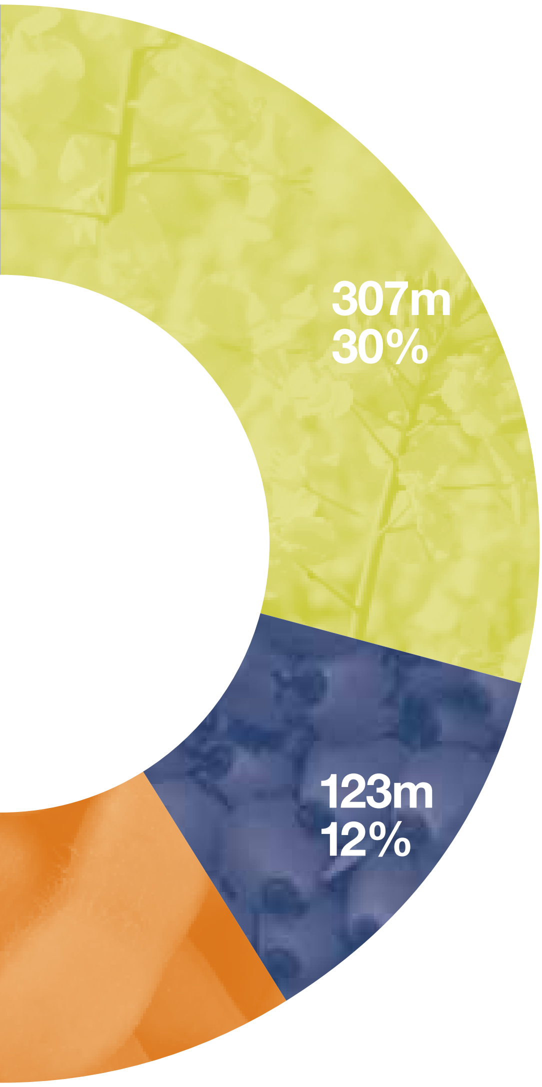
The loss of rainforest in these countries not only causes very substantial carbon emissions, but threatens the habitats of species including the orangutan.

Aiming to make palm plantations more sustainable, the Roundtable on Sustainable Palm Oil (RSPO) became operational in 2008 and meets the RTFO Qualifying Standard. The RSPO has however been subject to criticism. We will be reporting in more detail in our January report to Parliament.

Our default carbon saving for palm oil is 46%.

Proportion of biodiesel by feedstock*

- Oilseed rape **307m | 30%**
- Palm **123m | 12%**
- Soy **430m | 41%**
- Sunflower **2m | <1%**
- Tallow **114m | 11%**
- UCO **37m | 4%**
- Unknown **16m | 2%**



Tallow

Tallow is a rendered form of animal fat. Just like plant oil, tallow can be processed to produce FAME biodiesel and used in a diesel engine. Tallow is the most used by-product as a feedstock for biofuel supplied in the UK, accounting for over 10% of biodiesel, with most of it being imported from the US. As a by-product, it automatically meets the RTFO's sustainability 'Qualifying Standard'.

The use of tallow for biodiesel has been questioned because it may divert the resource from other possible uses. For example, research for the Department for Transport has suggested that using tallow for biodiesel might result in the replacement of tallow with fuel oil to power rendering plants, potentially indirectly causing a net increase in carbon emissions.

We are doing more research and looking at how to develop a carbon lifecycle methodology to take account of these effects. The results of this research will be made available to the European Commission to inform decisions on the Renewable Energy Directive.

In the meantime tallow is assigned a high default carbon saving of 80%.

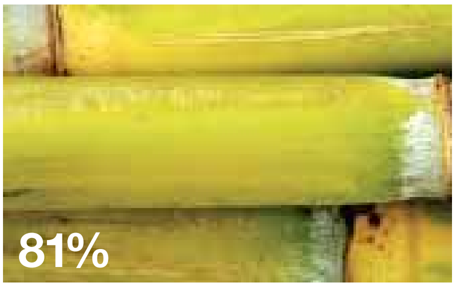
American soy

For the biofuel industry in Europe, one of the biggest challenges of the past year has been competing with imports of biodiesel receiving US subsidies. The US was providing $1 for every gallon of biodiesel blended into fossil diesel. This included subsidies for 'splash and dash' biodiesel shipped in from outside the US for blending, before being re-exported as 'B99' – 99 parts biodiesel with one part fossil diesel. These B99 exports were then eligible for further subsidy in the EU.

American soy was the most widely used biodiesel feedstock in the UK last year, and it is likely that much of it was imported as subsidised B99. The 'splash and dash' element of the subsidy was closed off in December due to domestic opposition in the US, while in March the EU placed countervailing tariffs on all US biodiesel following a lengthy process to demonstrate the negative effect the subsidy had on EU industry.

There is no operational certification scheme for US soy, and our default carbon saving value is 33%.

Bioethanol case studies



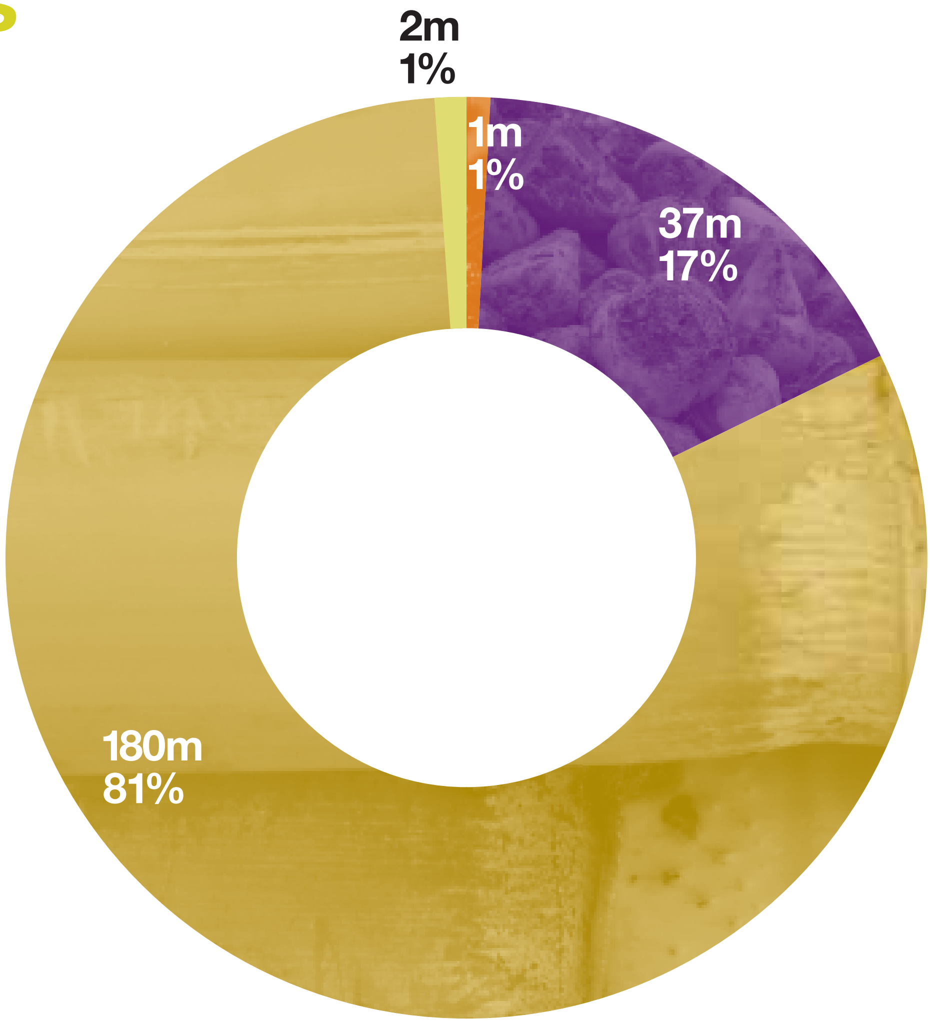
Brazilian sugarcane

Most of the ethanol sold for UK road transport comes from Brazilian sugarcane. Brazil has been using sugarcane ethanol as a petrol substitute since the oil crisis in the 70s, when it wanted to reduce dependence on foreign imports and sensitivity to oil price fluctuations. More recently, the industry is resurgent as rising oil prices coupled to concerns about climate change have made sugarcane ethanol financially attractive and have expanded export markets.

In the UK, 82% of ethanol supplied under the RTFO last year was from Brazilian sugarcane. It offers very good carbon savings due to the high productivity of the crop and good practice such as the use of the waste 'bagasse' to power processing plants.

Our default carbon saving is 71%.

There is currently no operational benchmarked sustainability standard for sugarcane. We are working to support the development of the Better Sugarcane Initiative into an operational sustainability standard, and have reported on sugarcane ethanol independently audited to both the environmental and social RTFO Meta-Standard.



Proportion of bioethanol by feedstock*

- Molasses **1m | 1%**
- Sugar beet **37m | 17%**
- Sugar cane **180m | 81%**
- Other **2m | 1%**

'Other' includes cheese by-product, sulphite and 'unknown'

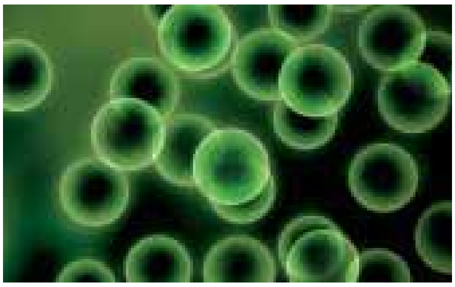
Sugar beet from the UK

Sugar beet is a variety of beet bred selectively over several centuries to optimise its sucrose content. Its use as an alternative to imported sugarcane dates back to the early 19th century, and in the UK it is grown primarily by farmers in the east of England. Sugar beet can be processed to make sugar, which can be fermented and distilled to produce ethanol.

Sugar beet in the UK is normally certified against the Assured Combinable Crops Scheme, and thus meets the RTFO environmental Meta-Standard.

Our default carbon saving for sugar beet is 41%

Future feedstocks?



Jatropha

The jatropha shrub is native to Central America, but has been introduced throughout the tropics, and is widely used as a hedgerow. The seeds of the plant have a high fat content of around 40%, with reported potential oil yields per hectare above those of soy or oilseed rape, making jatropha an attractive feedstock for biodiesel.

Another appeal of jatropha is that it is able to grow in poor soils where other crops would struggle. This presents the prospect of avoiding competition with food while supporting rural development. However, there is contention about whether jatropha can be economically viable in marginal conditions.

Algae

Some strains of algae produce significant quantities of oil. Some of the boldest claims for the potential yield of biofuel feedstocks are made for algae. Proponents argue that yields per hectare tens of times higher than for conventional oil crops are possible.

Algae are also promising as a feedstock as some strains can be grown in salt water or waste water on infertile land thus avoiding competition with food or for water. The challenge for algal biofuel as with other advanced technologies is to make production financially viable.

Woody biomass

There are two major routes for the production of biofuel from woody biomass. Biomass to liquids technologies involve ‘gasifying’ wood using heat. The gases released can then be processed into biodiesel using ‘Fischer-Tropsch’ synthesis. This process can produce high quality synthetic diesel fuel, but can be cost intensive. Alternatively, the gas can be fed to special bacteria, which can ‘ferment’ it to produce bioethanol.

The other alternative is to break down the woody material into simpler sugars, using chemicals or enzymes. These simpler sugars can then be fermented and distilled in the same way as sugarcane or sugar beet.

Both routes offer potentially high carbon savings, but are yet to reach commercialisation.

Indirect effects – the Gallagher Review

The RTFO addresses the direct impacts of biofuels through the system of carbon and sustainability reporting. We can assess and work to control these direct effects by encouraging fuels that deliver greater carbon savings and are grown more sustainably.

In late 2007 and early 2008, however, there was growing unease that biofuels were also having indirect effects that were not being addressed by the RTFO. The Secretary of State for Transport therefore asked our Chair, Professor Ed Gallagher, to lead a review of the indirect effects of biofuels production.

It was argued that the cultivation of biofuels was driving indirect land use change, and that demand for biofuel feedstocks was causing food prices to rise.

Using corn for biofuel, for instance, means less corn is available for human consumption, but the demand for food isn't reduced. Researchers such as Tim Searchinger argued that when you 'displace' production in one part of the world, you put an upward pressure on commodity prices that encourages new land to be brought into production elsewhere to meet the additional demand. If this land conversion causes the release of carbon from soil and vegetation, it could cancel out the carbon benefit of using the biofuel.

The Gallagher Review was undertaken in a remarkably short time, taking input from experts all over the world through meetings and a call for evidence. It found that the concerns were justified, and that without putting additional controls in place increased use of biofuels will cause indirect land use change, and drive up the price of food. Potentially, this could eliminate the carbon savings from biofuels, and adversely affect the welfare of millions of people.

The review also found that both of these effects are potentially controllable. It recommended that biofuel production should target idle and marginal land and appropriate wastes and residues. In the meantime, it called for a slow down in targets for the use of biofuels.

The Gallagher Review made it clear that indirect effects of biofuels cannot be ignored. We have shared the findings of the review widely, and as well as having the recommended slowdown implemented by the UK Government, indirect effects have been written into the EU's Renewable Energy Directive.

The review was not the final word on the indirect effects of biofuels, and we have an ongoing programme of work, including collaborations with other organisations, aimed at finding ways to minimise the negative impacts of biofuels use.

RFA supporting other governments

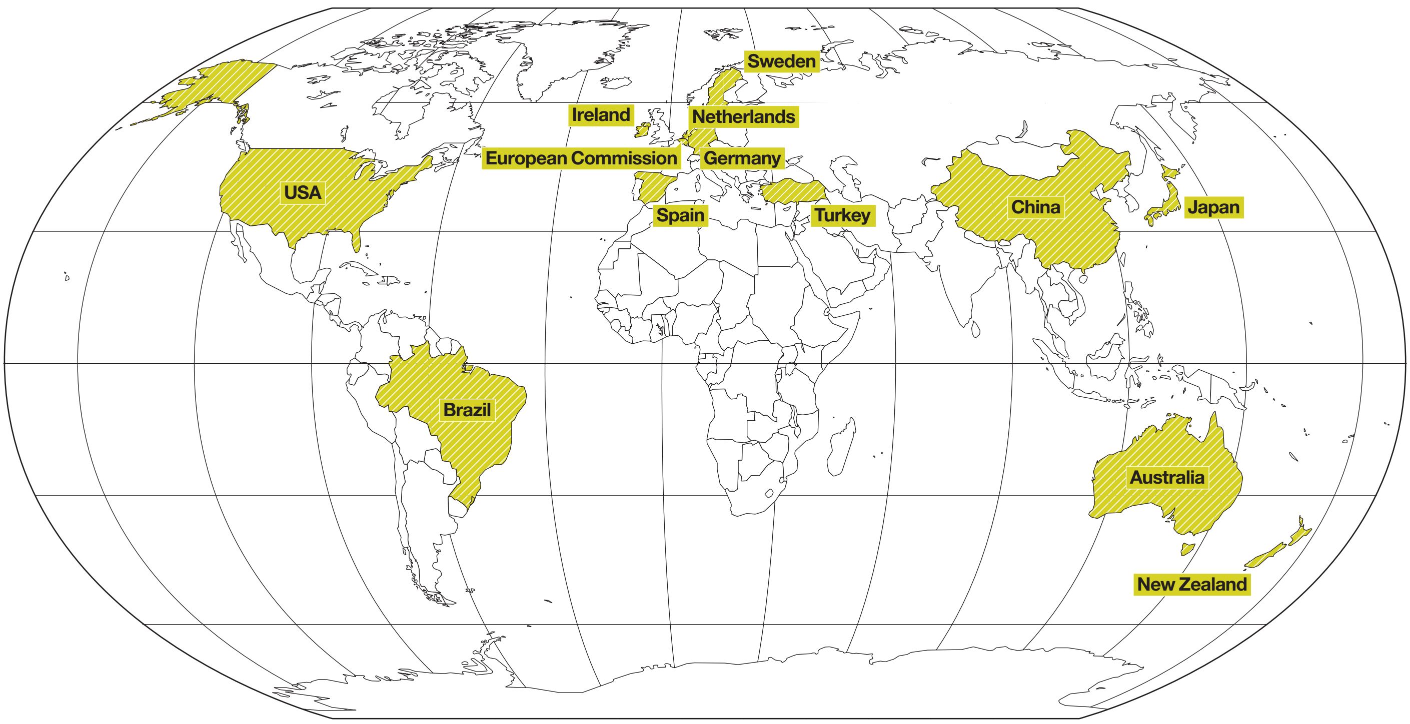
The UK's RTFO is the first renewable fuel obligation mechanism that requires carbon and sustainability reporting.

By implementing the C&S reporting system under the RTFO, we have set the standard against which other biofuel reporting systems worldwide will be judged. Climate change is a global problem requiring global action, and it's in everyone's interest for biofuels to be sourced sustainably not only in the UK, or the EU, but worldwide.

As world leaders in carbon and sustainability reporting we have made our expertise and experience available to representatives of governments all over the world who are dealing with biofuels, with the aim of spreading best practise and promoting the use of sustainable biofuels globally, and also of learning from what other countries are doing.

During 2008/09 we have had meetings with representatives from Australia, Brazil, China, the European Commission, Germany, the Netherlands, Ireland, Japan, New Zealand, Spain, Sweden, Turkey and the United States of America.

As the Renewable Energy Directive is implemented in Europe, and other countries continue to look to biofuels as a tool to fight climate change, enhance energy security and support economic development, we will continue to offer our advice.



The Renewable Energy Directive (RED)

'Biofuel production should be sustainable'. So says the EU's Renewable Energy Directive (RED), the legislation that will define the way biofuels are used in Europe for the next decade. The Directive, which contains targets for the use of renewable energy across the European economy, has a specific target of 10% renewables by energy in land transport by 2020. This can include power sources like hydrogen fuels cells and electric cars, but the bulk of the target is likely to be met by biofuels.

The UK will have to adapt to meet the RED, with the UK Government required to lay out its implementation plan in 2010. The RED will introduce, among other things, mandatory targets for biofuel sustainability. These are some key points from the Directive:

- Biofuels must deliver a minimum carbon saving of 35%, rising to 50% for old plants and 60% for new plants later.
- Biofuels should not be produced in highly biodiverse areas.
- Biofuels should not be produced on land with high carbon stock.
- Biofuels should not be produced on former peatland.
- The Commission must report by the end of 2010 on the impact of indirect land use change, and ways to avoid that impact.
- The Commission will set default greenhouse gas emissions values for many biofuel production pathways.
- Where there is no default, emissions must be calculated using a methodology defined in the RED.
- Emissions credits will be given where there are co-products.
- Fuels from some advanced technologies and from wastes will count double towards supplier targets.
- Sustainability must be tracked using a mass balance chain of custody.
- The Commission shall report in 2010 and 2012 on the possible use of other chain of custody methods (such as 'book and claim').
- The Commission may decide that sustainability agreements between countries and/or voluntary sustainability schemes are adequate to demonstrate compliance with the mandatory sustainability criteria – but only where adequate standards of independent auditing are in place.
- The target is for a use of 10% renewable energy in land transport, but renewable fuels used in shipping and aviation can also be counted towards the total.

The RED must be transposed into UK law by 5 December 2010. The UK Government has set up a stakeholder panel to help advise on the implementation of the Directive. As regulators of the current RTFO, the RFA sits on this panel and will advise the Government in its preparations for transposition.

The Fuel Quality Directive (FQD)

The Renewable Energy Directive is not the only EU legislation that will impact transport renewables in the UK. While the RED sets targets for the proportion of renewable energy used in transport, the existing Fuel Quality Directive (FQD) is to be amended to set a target for suppliers to reduce the overall lifecycle carbon emissions of the fuels they supply.

There are various measures suppliers may be able to take to reduce emissions from fossil fuels – these include reduced flaring, improved refinery efficiency and switching to lower carbon energy for refineries. Refiners can also reduce emissions by using biofuels.

For biofuels to be counted towards the emission reductions targets, they must meet the same sustainability criteria as are set out in the RED.

The FQD demands a 6% reduction in carbon emissions by 2020. This level of savings was set to be broadly consistent with the 10% target for renewable energy in transport in the RED – for instance, a company could meet the target by supplying 10% biofuels delivering a 60% carbon saving.

As well as setting targets for reducing the carbon emissions of fuels, the new FQD will raise the percentage of biofuel that can be blended into standard petrol and diesel. For petrol, the percentage is to rise from 5% to 10%. For diesel, the percentage will rise from 5% to 7%. Using these higher blends is unlikely to affect most drivers, and will allow blended biofuels to make a higher contribution to the 2020 target for 10% renewable energy in land transport.

Blended biofuel increase

5→10% petrol

5→7% diesel

Meeting our Corporate Plan and Business Plan

Our Corporate Plan for 2008-11 lays out our aim and objectives, and the key activities that we undertake to support these. The corporate plan is available from our website.
http://www.renewablefuelsagency.org/reportsandpublications.cfm

Our 2008/09 Business Plan specified our approach to meeting two of our objectives, to 'be an effective and efficient administrator'; and 'to be respected by all stakeholders'. By meeting these objectives, we have supported our aim of 'helping the UK to meet its renewable fuels targets sustainably' and primary objective of 'helping the Government achieve its targets for the RTFO'.

Thirty priorities together with success criteria were specified. Of these, twenty seven were met. Of the three remaining, two are scheduled for completion in the summer of 2009, relating to Investors in People accreditation. The third was 'answering all queries within ten days'. We achieved 90% compliance. This reflects the additional interest in the Agency's work triggered by the Gallagher Review.

The Gallagher Review led to the inclusion of indirect land use change in the EU Renewable Energy Directive. The review's recommendations for a slow down in UK biofuel targets and a review of EU policy in 2014 have also both been enshrined in legislation.

Our carbon and sustainability reporting has set a benchmark for transparency. The data from our reports is widely referenced in media and by Governments, industry and by NGOs. We have subsequently advised several European member and other states on the design of their systems.

Subject to verification, of the Government's four targets for the RTFO three appear to have been met. The Obligation has succeeded in bringing over 2.5% biofuel into the UK road transport fuel market. The fuels supplied have delivered carbon savings of over 40% (although this does not yet include indirect emissions), and over 50% of the data we requested from suppliers was reported.

The Government's aim of achieving 30% of biofuels meeting sustainability standards has not apparently been met. We feel that we have helped the UK meet its renewable fuel targets sustainably, but recognise that raising performance will require standards for more feedstocks, the addressing of indirect effects and probably, increased regulatory or statutory powers.

This may come about as the UK implements the forthcoming Renewable Energy Directive. In the meantime, the RFA's administration of the Obligation has, by wide acclaim, been a success, and our broader carbon and sustainability work is helping to put the world on the path towards genuine sustainability in its use of renewable transport fuels.

Business plan 2009/10

In short, our aim is to help the UK achieve its renewable transport fuel targets in a sustainable manner. For the year 2009/10, our Business Plan illustrates our work in the areas of RTFO administration, Carbon and Sustainability Development and Stakeholder Relations, supported by efficient administration.

Stakeholder relations

From the outset the Agency, and before that the development of the RTFO, has benefited from a genuine partnership of interested and expert individuals, companies and organisations working together to design a functional and ambitious programme for sustainable biofuel use.

The RFA continues in this spirit, holding regular open meetings, targeted workshops and publishing material widely, including our monthly data analysis and popular 'Renewable Fuels Digest'.

Our commitment to supporting global interest in best practice in carbon and sustainability reporting for biofuels means that our reach goes far beyond the UK and Brussels, direct to both other member states and opinion formers on every continent.

Our efforts have been extended in the light of the need for evidence-based input to the various debates and policy discussions that have included biofuels. These have included 'food vs fuel', deforestation and animal habitat conservation and the Agency has been recognised for its world-leading work on having an 'on-the-ground' reporting mechanism.

During 2008/09, the Agency's stakeholder relationship work included:

- Publishing monthly RTFO reports and the Renewable Fuels Digest;
- Consulting on our Carbon and Sustainability Technical Guidance and Verifier's Guidance and conducting a call for evidence for the Gallagher Review;
- Addressing 14 conferences, both in the UK and overseas;
- Attending conferences, working groups and workshops as participants;
- Holding six fossil fuel suppliers meetings, two biofuel suppliers meetings, the stakeholder workshop for the Gallagher Review, four other heavily subscribed stakeholder workshops and various workshops and training sessions on specific topics;
- Giving interviews for TV, radio and newspapers, including the BBC, ITN, NBC, Sky and Al Jazeera, holding a press conference for the Gallagher Review and writing articles for the specialist press;
- Publishing our website, which has received two million hits from over fifty thousand unique visitors. The Gallagher Review has been downloaded one hundred and forty thousand times; and
- Holding our first annual open board meeting.

Our work on the carbon and sustainability of biofuels is ongoing. In January 2010 we will be publishing our first report to Parliament on the impacts of the RTFO, including a consideration of the wider effects of biofuels in the UK. We are involved in a continuous programme of research to inform this report and the rest of our work.

The next part of this document is our Accounts for 2008/09. If you would like more information on any aspect of our work, our website www.renewablefuelsagency.org is regularly updated, and includes contact details for the Agency.

Accounts 2008/09

Management commentary

This is the second Annual Report and Accounts for the Renewable Fuels Agency (RFA). The RFA is an executive non-departmental public body, created in October 2007 and sponsored by the Department for Transport (DfT). In 2008/09 the organisation was funded through £1.321m Grant-in-Aid from the Department, of this £607k was spent on staff costs.

The first year of the Renewable Transport Fuel Obligation began on 15 April 2008 and ended on 14 April 2009. In October 2008, a discrepancy in the RTFO Order was identified and the Government took steps to correct this, with effect from the beginning of the second obligation year. We will be reporting on the effects of the discrepancy in our report on the obligation year 2008/09 to be made in January 2010.

The Agency published *The Gallagher Review of the indirect effects of biofuels production* in July 2008, which led to the Government consulting on a reduction in the rate of increase in the supply of biofuels, subsequently confirmed in April 2009 and implemented from the beginning of the second year of the Obligation.

Monthly reports of aggregated unverified data, and quarterly reports of data by named supplier were made throughout the year. We developed guidance for verifiers of RTFO Carbon and Sustainability annual reports.

Our Corporate Plan 2008-11 was published. It informs our Business Plan, Risk Register and financial management which is reviewed by the Board (of six, including myself as the Chief Executive, appointed by the Secretary of State to serve until 2011). The Business Plan is implemented by the Management Team of the Agency and, together with the risk register and budget, is systematically reviewed monthly. *Meeting our Corporate Plan and Business Plan* outlines our performance.

We also review our activities with the sponsor team at the Department for Transport on a monthly basis. We are audited both by our internal auditors (currently the Department for Transport's Audit and Risk Assurance team), and externally by the Comptroller and Auditor General.

The Board of the RFA regards all health and safety 'incidents' as avoidable, and views the promotion and observance of health and safety measures as an important objective for all employees of the RFA. No incidents were reported in 2008/09.

Sickness absence for November 2007 – October 2008 was recorded as 11 days, which, due to the small but rising number of staff (from three to twelve) gives an average of 3.3 days per staff year. This exceeds the Cabinet Office guidance that absence should be below 7.5 days per year.

Our pension arrangements are detailed in the *Notes to the Accounts* under Note 1f and Note 3, and in the *Remuneration report*.

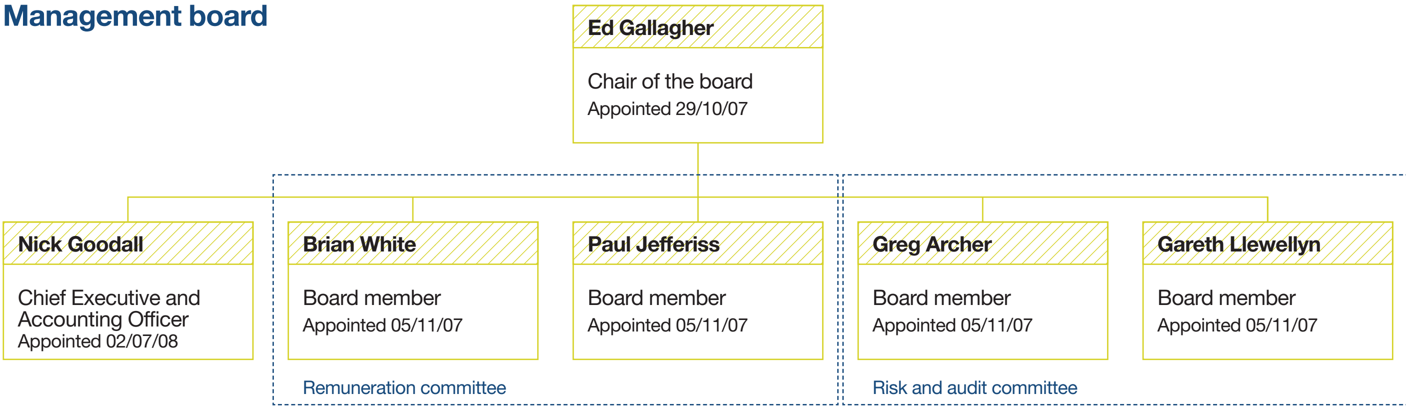
The Board's other financial interests are laid out in the *Directors' and senior officers' interests*.

Following this commentary are set out the *Remuneration report, Our environmental performance,* the *Statement of Accounting Officer's responsibilities,* the *Accounting Officer's Statement on Internal Control,* and *The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament*. These are followed by the *Statement of Accounts* for the year 2008/09. These accounts have been prepared under a direction from the Secretary of State under the RTFO Order 2007. The Comptroller & Auditor General (C&AG) is the external auditor appointed by statute.

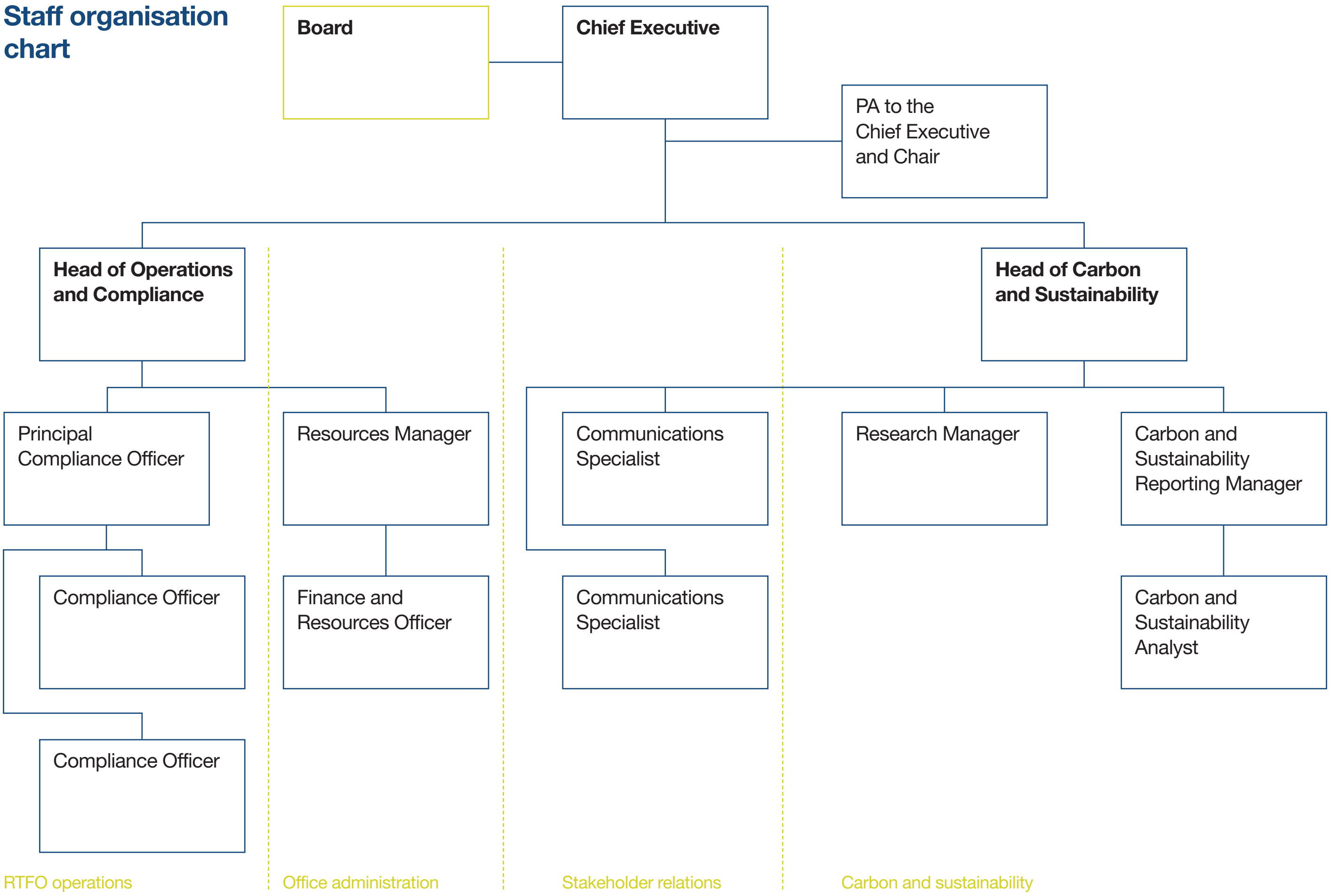
As Accounting Officer, so far as I am aware, there is no relevant audit information of which the Renewable Fuels Agency's auditors are unaware. I have taken all reasonable steps to make myself aware of any relevant audit information and that the RFA's auditors are aware of that information.

Governance structure

Management board



Staff organisation chart



Directors' and senior officers' interests

Name and Position	Relevant Investments	Other remunerated Employment, Office or Profession	Other Regular Sources of Remuneration	Directorship
Edward Patrick Gallagher *Chair*	None in energy or automotive sectors	Chair , Energywatch; Non-Executive director, Ecus Ltd; Board, Consumer Focus; Chair, Envision	Consultancy	Non-exec director, Ecus Ltd
Gregory Trevor Archer *Board member*	None	Director, Low Carbon Vehicle Partnership; Board, Consumer Focus; Chair, Envision	None	Cenex – Centre of Excellence for Low Carbon and Fuel Cell Technology
Paul Jefferiss *Non-Executive director*	Shares held in BP	Director of Environmental Policy, BP; Non-exec director, Carbon Trust Investments Ltd; Non-exec director, Sita Trust	None	Non-Executive director, Carbon Trust; Non-executive director, Carbon Trust Investments Ltd; Non-executive director, Sita Trust
Gareth Llewellyn *Non-Executive director*	None	Global Head of Safety and Sustainable Development, Anglo American; Member of Faculty, Cambridge Programme for Industry, Cambridge University	None	Chair of CLAIRE (Contaminated Land: Applications in the Real Environment)
Brian White *Board member*	None	Self employed consultancy, BioenerG Ltd	None	Bioener G Ltd; Non-executive director, JSW Technology
Nicholas Goodall *Chief Executive*	None	See Directorship	None	Goodall & Blinkhorn Ltd

Financial interests as at 31 March 2009

Nick Goodall
Chief Executive and Accounting Officer
7 July 2009

Remuneration report

Remuneration Policy

For the purposes of the Remuneration Report, the senior managers of the RFA are the Chair, Board members and the Chief Executive Officer (CEO).

The Chair's remuneration for the year is based on an average contribution of five days per calendar month and the Board members remuneration for the year is based on an average contribution of two days per calendar month.

The travel expenses of the RFA Board members are tied to the rates allowed to staff of the RFA. Reasonable actual costs are reimbursed. A robust mechanism is in place to ensure propriety of expenses claimed. In the case of the CEO the expenses are reviewed by the Chair of the Risk and Audit Committee.

The staff of the RFA are subject to levels of remuneration and terms and conditions of service (including superannuation) within the general pay structure agreed with the Department for Transport and the Treasury. The RFA does not have delegated power to amend these terms and conditions.

CEO remuneration is agreed between the Board, via the Remuneration Committee, and the Department for Transport. The members of the Remuneration Committee are Paul Jefferiss (Chair) and Brian White. The Remuneration Committee makes recommendations to the RFA Board on salary increases and bonus payments for the CEO, taking account of the Annual Report of the Senior Salaries Review Body on Senior Salaries and Treasury/Cabinet Office guidance.

Disclosure of remuneration and pension information for 2008/09

The following sections provide details of the remuneration and pension costs of the Management Board and have been audited.

Board members

Remuneration paid to non-executive Board members from their date of appointment to 31 March 2009 is set out below. The remuneration shown excludes Employer's NI contributions. The RFA does not make any pension provision for Board members. It has been agreed with HMRC that the RFA will pay the tax on certain expenses to the Board members. The Chair of the Board's travel expenses to and from his normal home to the place of work for the year from 1 April 2008 to 31 March 2009 have amounted to £1,008. This is a taxable benefit and the tax and Class 1B National Insurance Contributions on it is £887 which will be paid by the RFA. Other Board members have not claimed expenses for travel to and from home to the place of work.

All Board members have a three month notice period, and no compensation terms for early termination in their contracts. The table below has been audited.

	Board fees paid in the period ended £000s		**Date appointment commenced**	**Appointment expiry date**
	31 Mar 2009	**26 Oct-31 Mar 2008**		
Prof. E Gallagher (Chair)	30	12.75	26/10/07	28/10/10
G Archer	11*	3.65	05/11/07	04/11/10
P Jefferiss	9	3.65	05/11/07	04/11/10
G Llewellyn	9	3.65	05/11/07	04/11/10
B White	9	3.65	05/11/07	04/11/10

* Includes £2k Special Bonus to reflect his input to the Gallagher Review

Senior Officers

Interim Chief Executive Officer

For the period 1 April 08 to 18 July 08 an interim CEO was paid on a consultancy basis. The gross figure shown is that paid by the DfT to Serco Consulting and recharged to the RFA. It does not show any breakdown of tax or pension contribution, nor performance pay, or other allowances. There were no benefits in kind or non cash benefits provided for the CEO in the period.

	Consultancy fee paid in the period ended £000s		**Date appointment commenced**	**Appointment expiry date**
	31 Mar 2009	**26 Oct-31 Mar 2008**		
Sue McDougall (Acting CEO)	90	71	5/12/07	18/07/08

Chief Executive Officer

Nick Goodall was appointed the CEO for a fixed period of three years running from 2 July 2008 to 1 July 2011.

Full details of the CEO's pay and pension costs are as follows:

Nick Goodall

Salary details	£000s
Salary paid in the period ended 31 March 09	67
Annual full year salary	90-95
Bonus	10
Special performance bonus	2
Employer's pension contribution	17
Pension	
Real Increase in pension at age 60	0-2.5
Real increase in related lump sum at 60	0
Pension at 31/03/09	0-2.5
Lump sum at 31/03/09	0
Cash equivalent transfer value at 02/07/08	0
Cash equivalent transfer value at 31/03/09	16
Real increase in cash equivalent transfer value	14
Benefits in Kind	**To nearest £100**
Tax and NICs paid by RFA on home to office expenses, paid with the agreement of HMRC	2400

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 July 2008, RFA staff may join the defined benefit 'whole career' scheme (nuvos) unless they have a reserved right to join one of the three 'final salary' schemes (classic, premium or classic plus). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI).

The CEO is a member of the nuvos pension scheme.

Employee contributions for nuvos are set at the rate of 3.5% of pensionable earnings. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensions.gov.uk.

Cash Equivalent Transfer Values (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the CEO has accrued as a consequence of his total membership of the pension scheme, not just his service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in value of CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Nick Goodall
Chief Executive and Accounting Officer
7 July 2009

Our environmental performance

We care about the environment and recognise that our activities have an environmental impact. That's why we use our professional expertise to monitor and minimise our environmental footprint. We have developed an Environmental Management Strategy for our staff to cover how we manage the environmental impact of the operations of the RFA. As 2008/09 was our first year of operation, we do not have any previous performance to benchmark ourselves against.

Building

In order to ensure the best value for money to the public, we occupy a small part of a larger Government building, which gives us limited influence on that part of our impact. Under our Environmental Management Strategy, we dedicate staff resource to encouraging the main tenants, the building owners and facilities managers to improve the environmental performance of the building. We have obtained the following emissions data about our building, Ashdown House, Hastings from our landlords, and calculated our share of emissions:

	Floor area	Carbon emissions
Ashdown House, Hastings	19,309 m^2	1,426,021 $kgCO_2$
Renewable Fuels Agency	115 m^2	8,294 $kgCO_2$

Travel

We encourage RFA staff to use the least carbon intensive forms of transport to reduce our travel related footprint. We have monitored all of our travel. This data has been fed into the Carbon Trust's carbon footprint calculator to give the following values:

Travel funded by the RFA	road	0.2 tCO_2
	rail	2.9 tCO_2
	air	2.3 tCO_2
Travel funded by others	air	9.4 tCO_2

Water

The water use of our building is 0.32m^3 per m^2 per year. This places the building into the 'best practice use' category as defined by the CIRIA water key performance indicators and benchmarks for hotels and offices[1].

1 http://www.ciria.org/service/AM/ContentManagerNet/Search/SearchRedirect.aspx?Section=advanced

Statement of Accounting Officer's responsibilities

Under paragraph 13(2) of the Schedule to the Renewable Transport Fuel Obligations Order 2007 the Secretary of State has directed the Renewable Fuels Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Renewable Fuels Agency and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Secretary of State has designated the Chief Executive as Accounting Officer of the Renewable Fuels Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Renewable Fuels Agency's assets, are set out in Chapter 3 of HM Treasury's 'Managing Public Money'.

Accounting Officer's Statement on Internal Control

Scope of Responsibility
As Accounting Officer I have responsibility for maintaining a sound system of internal control which supports the achievement of organisational policies, aims and objectives whilst safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

I was appointed as Accounting Officer by the Principal Accounting Officer of the Department for Transport, which provides the Grant-in-Aid that funds the operations of the Agency. I am responsible to the Department for Transport's Principal Accounting Officer and to Parliament for ensuring value for money, regularity and propriety in deploying all the organisation's resources.

In my capacity as Chief Executive of the Renewable Fuels Agency, I and my staff meet with officials from the Department for Transport at regular intervals. These meetings usually occur on a monthly basis and issues discussed include performance against operational plans, financial expenditure and policy development. In addition, the Renewable Fuels Agency's Chair has met with Ministers several times (reflecting the fact that the Agency is relatively new) to discuss the performance of the RFA, its current and future activities and any policy developments relevant to those activities. Meetings will continue on an annual basis.

The purpose of the system of internal control
The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

Capacity to handle risk
As Accounting Officer, I have responsibility for reviewing our capacity to handle risk. To effect this, the Renewable Fuels Agency has developed and implemented the following:

- a risk management policy: Our policy reflects the purpose of, and underlying approach to, risk management and the role of the Board (and its Risk and Audit Committee),the management team and staff more widely. This policy has been made available to all staff; and
- an organisational risk register: The register identifies the main strategic and operational risks. The register has been fundamentally reviewed to reflect the risks associated with the operation of the RFA rather than the risks relevant to the set-up of the RFA in 2007/08. All risks are grouped by operational activities as set out in the Corporate Plan and Business plan and are assigned to individual risk owners.

The risk register also includes mitigating actions to eliminate or reduce these risks and is reviewed periodically for effectiveness.

The risk and control framework
The Renewable Fuels Agency's risk management framework takes account of the Code of Good Practice on Corporate Governance in Central Government Departments issued by HM Treasury.

The system of internal control put in place during 2007/08 has been further refined and is now embedded in the organisation. This has included the development of a risk register which has reflected the shift from an 'establishment' to 'operational' mode; monthly Management and Board reviews of risks; and the appointment of internal auditors.

In 2009/10 we will further enhance the risk register by inclusion of additional descriptions of all control measures in place. This is intended to facilitate oversight by our internal audit function and our Risk and Audit Committee.

Information assurance
I am the Senior Information Risk Officer (SIRO) for the Agency and have appointed Information Asset Owners (IAOs) and provided the relevant assurance to the sponsoring Department.

The role and duties of the SIRO are:

- Lead and foster a culture that values, protects and uses information for the public good,
- Own the overall information risk policy and risk assessment process, test its outcome, and ensure it is used,
- Advise the accounting officer on the information risk aspects of his statement on internal control.

It is the view of the Board that, given the small size of the Agency, there is no practical solution available other than to appoint the Accounting Officer as the SIRO, with additional checks put in place to ensure oversight.

Accordingly, after discussions with DfT's Information Risk specialists and following approval by the Agency's Risk and Audit Committee, I have been appointed SIRO in addition to my duties as Accounting Officer.

In order to ensure that Information Risks have been correctly incorporated into this Statement on Internal Control the Agency has included them in the Risk Register. This is therefore reviewed by the Internal Audit work plan. The results of this are reviewed by the Risk and Audit Committee.

There have been no losses of personal data. All data relating to fuel volumes is stored on the RFA's operating system (ROS). This is housed within the DfT IT environment and has passed the appropriate security checks to enable it to host 'restricted' level information. All data transfers between HMRC and the RFA are governed by the confidentiality requirements set out in the Climate Change Act 2008 and are conducted both within the government secure internet (gsi) and are password protected.

We have a risk management policy in place, which defines our tolerance of risk. It was reviewed by Internal Audit and has been found to be acceptable. It will be reviewed in 2009/10 to ensure that it meets Treasury standards.

The Board
The Renewable Fuels Agency is supported by a Board which consists of a non-executive Chair, four non-executives and myself as an executive member since joining the Agency on 2 July 2008. The Board met 11 times during the year 1 April 2008 to 31 March 2009, including once as an 'open' board to which all stakeholders were invited.

The Board is primarily responsible for:

- setting the organisation's strategies to comply with the provisions of the Renewable Transport Fuel Obligations Order 2007 (as amended), the Climate Change Act 2008 and other relevant legislation;
- identifying the central activities required to support delivery of the corporate plan and approving the annual budget; and
- evaluating the impact of emerging issues or significant divergences from planned delivery.

In support of these responsibilities, during the year the Board also:

- considered and approved the RFA's work plans for the period, including the allocation of resources to deliver those plans;
- monitored progress against the work plans for the period through regular reports from the management team;
- considered regular financial reports;
- considered and approved policies and procedures to be adopted by the RFA; and
- considered and approved major expenditure (>£50,000) in accordance with the financial scheme of delegation operated by the RFA.

The Risk and Audit Committee
The Risk and Audit Committee is a sub-committee of the Board that reports to the Board and makes whatever recommendations to the Board it deems appropriate in order that a report to the Department on internal controls and such other matters as may be required by law, regulation and the requirements of good governance can be included in the Agency's Annual Report and Accounts.

Its functions are to:

- Investigate the effectiveness of the Agency's financial reporting and internal control policies.
- Investigate the procedures for the identification, assessment and reporting of risks.
- Consider any appropriate issues raised by internal audit in its internal control reports and any disclosures from internal audit with respect to deficiencies in the internal controls or any fraud by any employee having a significant role in the internal controls.
- Review the internal control report required to be included in the Agency's Annual Report and Accounts pursuant to applicable listing rules, legislation and best practice.
- Consider the appropriateness of measures undertaken by the executive on specific risks and issues.

The Committee consists of two non-executive members and I also attend all meetings, as do representatives of our internal and external auditors.

The Committee met five times during the period 1 April 2008 to 31 March 2009 and in support of its responsibilities also considered:

- the policies and procedures to be implemented by the Renewable Fuels Agency in respect of financial control and risk management;
- the planned activity and results of the external and internal audit and other bodies; and
- the adequacy of management responses to issues identified by audit and other review bodies.

The Chairman of the Risk and Audit Committee provides the Board with regular reports on the Committee's activities and any findings concerning internal control.

Internal Audit
Internal Audit services are provided under contract by the Department for Transport's ARA Division. The programme of work for 2008/09 focused primarily on risks identified in the risk register and as specified by Board members and was agreed by the Risk and Audit Committee following discussions with managers and myself.

No 'high' rated risks have been identified by Internal Audit.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. Assurance comes primarily from the work of the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework.

I have received statements of internal assurance from my two senior staff that there have been no significant control weaknesses that were not identified by Internal Audit

Internal audit have provided me with an assurance statement for 2008/09 that '*the operation of risk management, control and governance in the RFA has been generally effective during 2008/09, although some minor weaknesses and opportunities to improve working practices were identified during the year.*'

From this assurance, the assessments and annual opinion made by Internal Audit, the work of the Risk and Audit Committee and my own knowledge of the RFA, I have reached the conclusion that there are no significant internal control issues to report.

I also take account of the work of internal audit and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Board and plan to continue the good work undertaken during 2008/09 to continually improve the system in place and ensure that it remains appropriate to the developing business of the Agency.

Nick Goodall
Chief Executive and Accounting Officer
7 July 2009

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Renewable Fuels Agency for the period ended 31 March 2009 under the Energy Act 2004 and the Renewable Transport Fuel Obligations Order 2007. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, Accounting Officer and auditor

The Agency and Chief Executive, as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Energy Act 2004 and the Renewable Transport Fuel Obligations Order 2007 and directions made thereunder by the Secretary of State and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Energy Act 2004 and the Renewable Transport Fuel Obligations Order 2007 and the accounts direction issued by the Secretary of State. I report to you whether, in my opinion, the information, which comprises the Management Commentary, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Renewable Fuels Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Renewable Fuels Agency compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Renewable Fuels Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises Introducing the RFA, About the RTFO, Looking forward, Working with others, the Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Renewable Fuels Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Energy Act 2004 and the Renewable Transport Fuel Obligations Order 2007 and directions made thereunder by the Secretary of State, of the state of the Renewable Fuels Agency affairs as at 31 March 2009 and of the net expenditure, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Energy Act 2004 and the Renewable Transport Fuel Obligations Order 2007 and directions made thereunder by the Secretary of State; and
- information, which comprises the Management Commentary, included within the Annual Report is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria, London SW1W 9SS
9 July 2009

Income and Expenditure Account

For the year ended 31 March 2009

	Notes	2008/09 £000's	2008/09 £000's	26 October 2007 to 31 March 2008 £000's
Expenditure				
Staff costs	3	607		35
Other administration costs	4	914		65
Net Expenditure			1,521	100
Notional cost of capital	5		7	–
Net Expenditure on operating activities			1,528	100
Transfer from Government Grant Reserve	10		(200)	–
Add back notional cost of capital	5		(7)	–
Net Expenditure transferred to Income and Expenditure reserve			1,321	100

All amounts relate to continuing activities.

The Agency was established on 26 October 2007 so the comparative figures are for five months only.

The Renewable Fuels Agency does not have any gains or losses other than those disclosed above therefore a separate Statement of Recognised Gains and Losses has not been included in these accounts.

The accounting policies and notes on pages 45 to 48 form part of these accounts.

Balance Sheet

As at 31 March 2009

	Notes	As at 31 March 2009 £000's	£000's	As at 31 March 2008 (Restated) £000's
Fixed Assets				
Tangible assets	6		**–**	–
Intangible assets	6		**402**	–
Current assets				
Debtors (due within one year)	7	**111**		18
Cash at bank	9	**–**		–
Total assets		**111**		18
Current liabilities				
Creditors – amounts due within one year	8	**(111)**		(18)
			–	–
Total assets less current liabilities			**402**	–
Provisions for liabilities and charges	13		**–**	–
Total assets less total liabilities			**402**	–
Financed by:				
Government Grant Reserve	10		**402**	–

The accounting policies and notes on pages 45 to 48 form part of these accounts.

The Balance Sheet as at 31 March 2008 has been restated to reflect that no cash was transferred from the Department for Transport (DfT) into the Renewable Fuels Agency bank account. The asset is shown as a debtor balance with DfT.

Nick Goodall
Chief Executive and Accounting Officer
7 July 2009

Cash Flow Statement

For the year ended 31 March 2009

	Notes	2008/09 £000's	26 October 2007 to 31 March 2008 £000's
Net cash outflow from operating activities	(i)	**(1,321)**	(100)
Capital expenditure			
Purchase of Fixed Assets	6	**(2)**	–
Financing			
Grant in Aid received from the Department for Transport	2	**1,323**	100
Increase in cash in the period	(ii)	**–**	–

Notes to Cash flow:

i) Reconciliation of operating deficit to operating cash flow

Net expenditure for the year	**(1,528)**	(100)
Depreciation & amortisation charges	**200**	–
Notional cost of capital charge	**7**	–
(Increase) / decrease in debtors	**(93)**	(18)
Increase / (decrease) in creditors	**93**	18
Net cash outflow from operating activities	**(1,321)**	(100)

ii) Reconciliation of net cash flow to movements in net funds

Funds at 31 March 2008	**–**	–
Increase in cash in period	**–**	–
Funds at 31 March 2009	**–**	–

The accounting policies and notes on pages 45 to 48 form part of these accounts.

Notes to the Accounts

The Renewable Fuels Agency (RFA) was formed as a non-departmental public body on 26th October 2007 under the Renewable Transport Fuel Obligations Order 2007. The RFA is required to comply with the Accounts direction from the Secretary of State for Transport which states that the RFA's financial statements shall give a true and fair view of the state of affairs at the year end and the income and expenditure and cash flows for the financial year then ended.

Subject to the Accounts direction, the RFA shall prepare accounts in accordance with the Companies Acts, HM Treasury's Financial Reporting Manual and financial reporting standards issued or adopted by the Accounting Standards Board to the extent that it is meaningful and appropriate to the public sector. The accounts reflect any other guidance issued by HM Treasury and any specific disclosures required by the Secretary of State.

These financial statements have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets and follow the requirements of the 2008/09 Government Financial Reporting Manual.

The particular accounting policies adopted by the RFA are described below. They have been consistently applied in dealing with items considered material to the financial statements.

1. Statement of accounting policies

a) Intangible fixed assets
Purchased computer software licenses are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred. Software licenses are amortised over the shorter of the term of the licence or the life of the software package, which is usually five years.

b) Tangible fixed assets
Tangible assets include office furniture and equipment, and IT equipment. These assets are valued at their original cost. All expenditure on tangible fixed assets is capitalised, subject to a minimum level of £1,000 on an accruals basis. Assets will be reviewed on an annual basis for impairments.

c) Depreciation/amortisation
Depreciation/amortisation is provided on all fixed assets, at rates calculated to write off the cost or valuation of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

- Furniture and fittings – 5 years
- Computer equipment – 3 years
- Computer software – 3 to 5 years
- Renewable Fuels Agency Operating System (ROS) – 3 years
- Other equipment – 4 years
- Leasehold Improvements – remaining length of lease

The RFA does not have at 31 March 2009 assets in every category listed above.

d) Disposals
Depreciation is charged on assets according to the RFA policy and charged up to the accounting period in which an asset is disposed. Any surplus or deficit is taken to the Income and Expenditure account.

e) Government grants
The main source of funding for the Renewable Fuels Agency is Grant-in-Aid from the Department for Transport, within an approved cash limit. The RFA accounts for its expenditure on an accruals basis, thus incurring liabilities during a year which may not need to be satisfied by cash payments until future financial years.

f) Pension costs
Present employees are members, since 1st July, 2008, of the Principal Civil Service Pension Scheme (PCSPS) which is described in Note 3. Staff seconded to the RFA from the DfT are also members of the PCSPS in respect of their pensions. The defined benefit scheme is unfunded and is non-contributory, except in respect of dependants' benefits. The RFA recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accrual basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the RFA recognises the contributions payable for the year. The RFA pays the pension contributions for both RFA and seconded staff. There are currently no past employees receiving pensions.

Staff members appointed in 2007/08 and up to 30 June, 2008 will have any contractual pensions obligations fulfilled by RFA. An accrual of £3,900 has been made for this purpose and RFA are exploring how to compensate staff for the unpaid pension contributions.

g) Operating leases
Rental and maintenance payments due under operating leases are charged to the Income and Expenditure Account on the basis of actual rentals payable which fairly reflects usage.

h) Notional Cost of Capital
A notional charge, reflecting the cost of capital utilised by the Renewable Fuels Agency, is included in the Income and Expenditure account. The charge is calculated at the Government's standard rate of 3.5 per cent per annum, on the average carrying value of all assets, less all liabilities.

i) Taxation
The RFA is not liable for corporation tax or other taxes and is not registered for VAT making no taxable supplies.

j) Intra-Government balances
Intra-Government debtors and creditors have been analysed in accordance with the Government Financial Reporting Manual.

Notes to the Accounts

Continued

2. Grant in aid

	2008/09 £000's	26 October 2007 to 31 March 2008 £000's
Amount received and released: Department for Transport (DfT)	1,323	100
Grant in aid released to the income and expenditure account	**1,323**	**100**

3. Analysis of staff costs and numbers

	RFA £000's	DfT Secondees £000's	Agency £000's	2008/09 £000's	26 October 2007 to 31 March 2008 £000's
Total staff costs were:					
Salaries and wages	238	144		382	17
Social security costs	20	10		30	1
Pension costs	42	28		70	3
	300	182		482	21
Agency staff			125	125	14
	300	182	125	607	35

Remuneration details for non-executive board members and executive management board members are set out in the Remuneration Report on pages 34 to 35.

The Agency staff figures of £125,000 includes fees paid for the services of the interim CEO up to 18 July, 2008.

	2008/09 Number	2007/08 Number
Average number of full time equivalent staff		
RFA	6	–
DfT Secondees	5	–
Agency	1	1
	12	1

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the RFA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008/09, employers' contributions of £39,266 were payable to the PCSPS (2007/08: £3,070) at one of four rates in the range 17.1 to 25.5 per cent (2007/08: 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. The employer's contributions to the PCSPS in respect of seconded staff was £28,082 (2007/08: £Nil). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2008/09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £2,900 (2007/08: £Nil) were paid to one of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0 to 12.5 per cent (2007/08: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £150 (2007/08: £Nil) 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

4. Other Administration costs

	2008/09 £000's	26 October 2007 to 31 March 2008 £000's
Board Remuneration	73	30
Travel and subsistence	25	2
Recruitment	18	–
Training and development	12	–
Stakeholder engagement	57	1
Rent, rates and utilities	31	5
Printing, postage and office costs	11	6
Information technology support and maintenance	462	17
Depreciation	200	–
External auditors remuneration	13	4
Internal auditors remuneration	12	–
	914	65

5. Notional cost of capital

	2008/09 £000's	2007/08 £000's
At 3.5% per annum	7	–

In accordance with the FREM a cost of capital charge is made to the Income & Expenditure account to reflect the opportunity cost of government investment. This notional interest is then added back to determine the retained surplus/deficit. In 2007/08 no charge was made as the potential charge on assets was trivial.

6. Fixed assets

No fixed assets appeared on the balance sheet as at 31 March 2008. On the 2nd April 2008 DfT formally handed over ROS which appears as a transferred asset in the statements for 2008-09. The ROS is a purpose built accounts and recording system allowing fuel businesses to open an account and input their data returns to comply with their fuel obligations. The system carries out automated tasks and supplies reports and audit trails for RFA use. It stands alone from other software used by RFA. RFA purchased accounting software in December, 2008. All other assets used by the RFA (office and IT equipment) are on leases.

	Operating System (Intangible) £000's	Other Software (Intangible) £000's	Total £000's
Cost or Valuation			
As at 31 March 2008	–	–	–
Additions	600	2	602
As at 31 March 2009	600	2	602
Depreciation			
As at 31 March 2008	–	–	–
Charge for the year	200	–	200
As at 31 March 2009	200	–	200
Net Book Value			
As at 31 March 2009	400	2	402
As at 31 March 2008	–	–	–

7. Debtors

	As at 31 March 2009 £000's	As at 31 March 2008 £000's
a. Amounts falling within 1 year:		
Trade Debtors		
Other Debtors	105	18
Prepayments	6	–
	111	18
b. Intra Government Debtor Balances:		
Balances With Other Central Government Bodies	103	18
Balances With Local Authorities		
Balances With Public Corporations & Trading Funds		
Balances With Bodies External to Government	8	
	111	18

8. Creditors

	As at 31 March 2009 £000's	As at 31 March 2008 £000's
a. Amounts falling within 1 year:		
Trade creditors	–	–
Sundry creditors	–	–
Accruals	111	18
	111	18
b. Intra Government Creditor Balances:		
Balances With Other Central Government Bodies	9	4
Balances With Local Authorities	–	–
Balances With Public Corporations & Trading Funds	–	–
Balances With Bodies External to Government	102	14
	111	18

Notes to the Accounts
Continued

9. Cash at bank and in hand

	As at 31 March 2009 £000's	As at 31 March 2008 £000's
As at 31 March 2008	–	–
Net cash inflow/(outflow)	–	–
As at 31 March 2009	–	–

10. Reserves

Income & Expenditure Reserve

	2008/09 £000's	2007/08 £000's
As at 31 March 2008	–	–
Grant-in-aid received from the Department for Transport	1,321	100
Net expenditure for the year	(1,321)	(100)
As at 31 March 2009	–	–

Government Grant Reserve

	2008/09 £000's	2007/08 £000's
As at 31 March 2008	–	–
Capital Additions	602	–
Transfer to the Income and Expenditure Account	(200)	–
As at 31 March 2009	402	–

11. Capital commitments
A safe was on order as at 31 March, 2009 at a cost of £1,101. It was delivered on 22 April, 2009.

12. Related party transactions
The Renewable Fuels Agency is an executive non-departmental public body sponsored by the Department for Transport who are therefore a related party. In 2008/09 the RFA has engaged with obligated and non-obligated road transport fuel suppliers, however they are not considered to be related parties.

None of the board members or key management staff has undertaken any material transactions with the RFA, other than their remuneration, or its related parties during the year and none has a financial interest in the obligated and non-obligated road transport fuel suppliers such as to influence their work with the RFA.

13. Contingent liabilities, contingent assets and provisions
There were no reportable contingent liabilities, contingent assets or provisions at 31 March 2009.

14. Third Party Assets
The RFA did not hold any third party assets at 31 March 2009 (nil at 31 March 2008).

15. Post balance sheet events
There have been no significant events between the balance sheet date and the date of these Financial Statements. These Financial Statements are laid before the Houses of Parliament by the Secretary of State for Transport. Financial Reporting Standards (FRS) 21 requires the RFA to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by RFA's management to the Secretary of State for Transport. The authorised date for issue is 9 July 2009.

16. Financial instruments
The Renewable Fuels Agency has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It has no material deposits, and all material assets and liabilities are denominated in sterling so it is not exposed to interest rate risk or currency risk. However, as permitted under FRS 13, this disclosure excludes short term debtors and creditors which would become payable from the balance sheet date and there is no material difference between the book value and fair value of assets and liabilities at 31 March 2009. The RFA does not have any contracts containing derivatives.

17. Financial targets
There were no financial targets set by the DfT during the year.

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Ashdown House
Sedlescombe Road North
St Leonards-on-Sea
East Sussex TN37 7GA

T 020 7944 8555
E contact@rfa.gsi.gov.uk
www.renewablefuelsagency.org

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