Biodiesel in the EU – A tentative Outlook

IGC

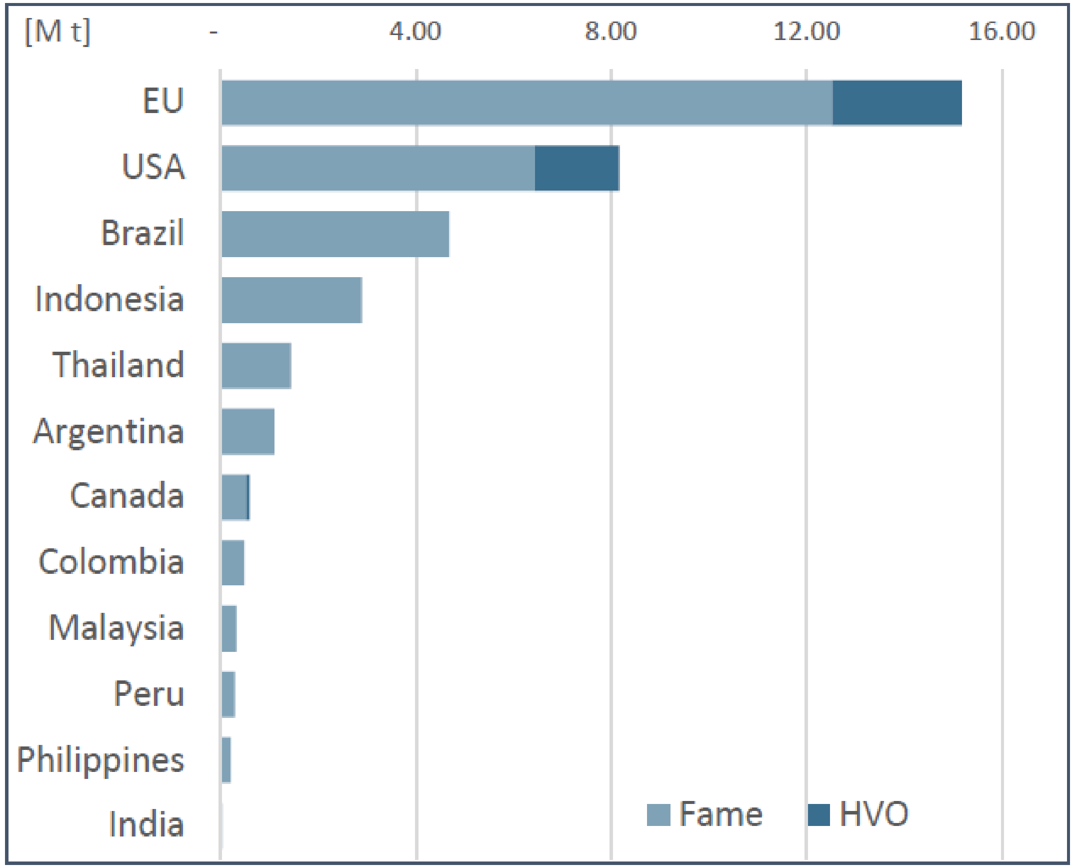
London

June 12, 2019

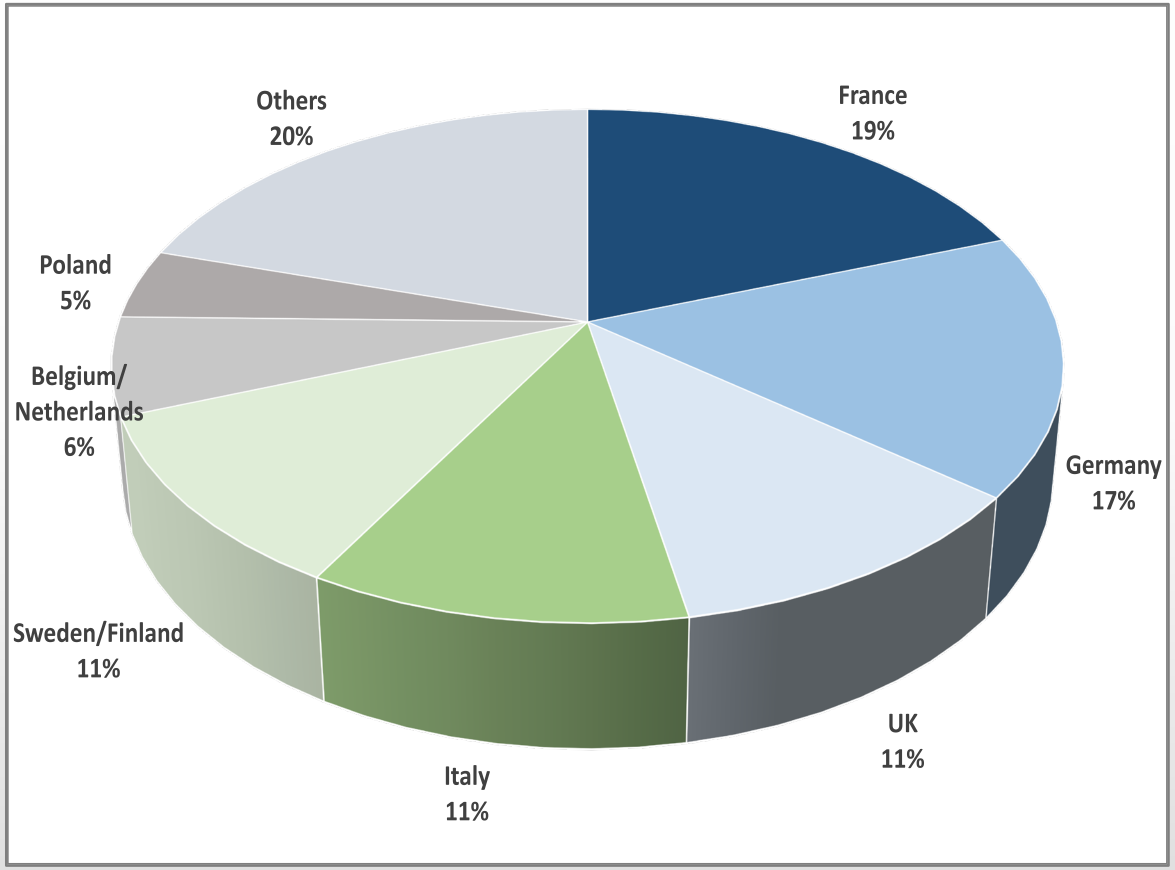
Oliver Balkhausen, ADM

Overview

Global FAME and HVO Use by Country in 2018 (in mmt)



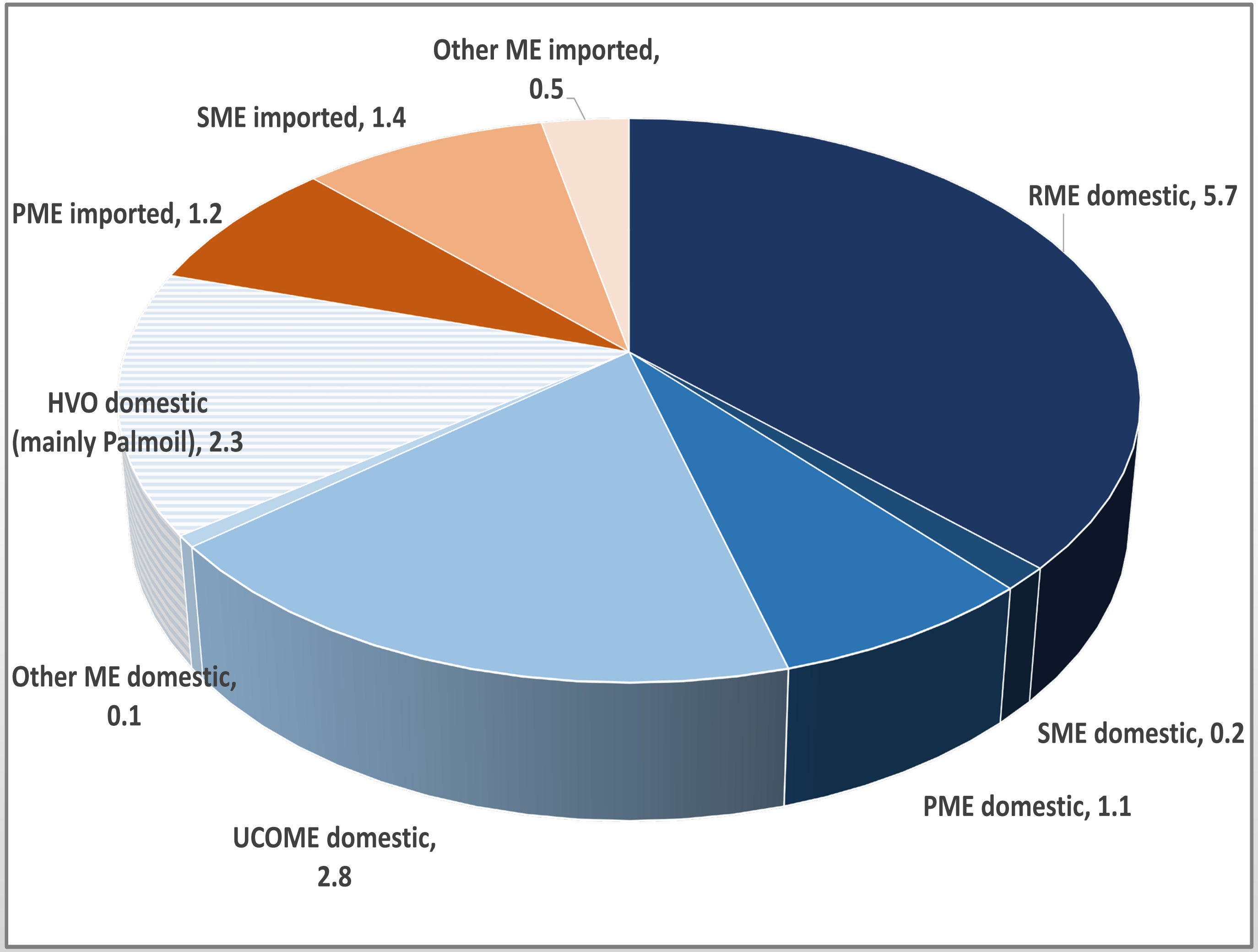
EU FAME and HVO Use by Country in 2018 (in %)



Source: F.O. Licht, GTIS, ADM, National Statistics Offices

Overview

FAME and HVO Use by Feedstock in 2018 (in mmt)

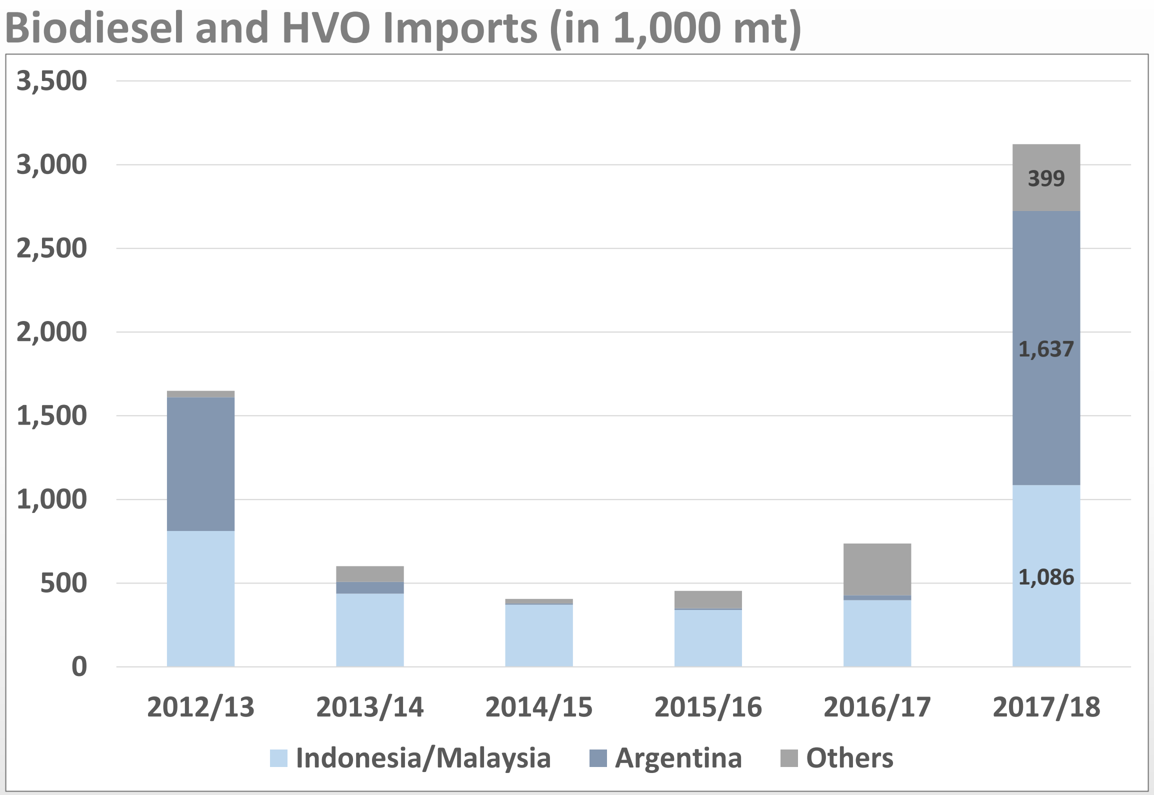


- RME: Northern Europe (because of cold winter temperatures)
- SME and PME (FAME): Southern Europe (both imports and EU production)
- HVO: spread all over the EU though with a focus on Scandinavia.
- RME use has been decreasing over the years, whereas, palmoil-based fuels and UCOME have increased.

Source: F.O. Licht, GTIS, ADM, National Statistics Offices

New Political Framework – Import regulations

- New EU import regulations for Argentine biodiesel:
  - Tariff-free quota of 1.2 mln t annually (Anti-subsidy duty of 30% for out-off quota volumes)
  - Max. 444,000 t per quarter
  - Minimum Price level
  - Expected Impact:
    - Total annual volumes will not differ substantially from 2018.
    - However, significant volumes could enter the EU within a short period of time when the minimum price level is below the market price.
- No specific measures on Indonesian biodiesel in place at the moment, but EU investigations continue.



Source: GTIS

New Political Framework – RED II

RED II (2021-2030)

32% Renewable Share in Total Energy
All Sectors

14%
Traffic
RED I: 10%

Rules

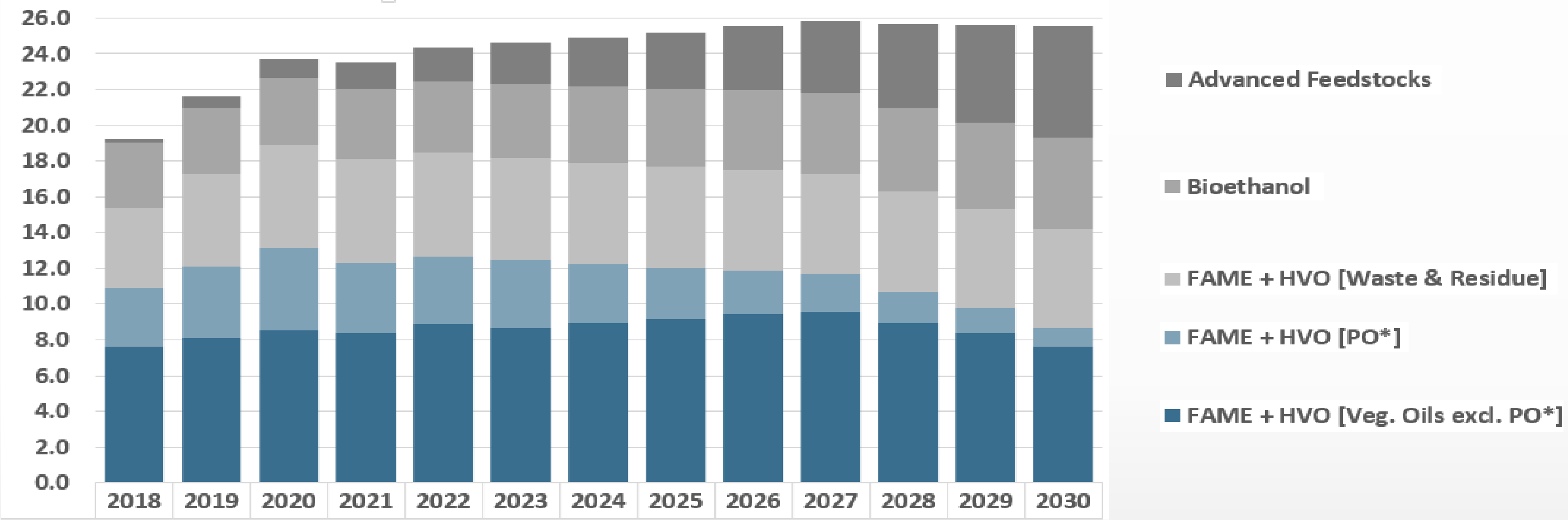
- CAP for crop based biofuels at 2020 level + 1 percentage point (max 7%)
- Phase out „high ILUC Risk“ feedstock (palmoil) from 2023-2030 (exemptions!!)
- Multiple Counting: UCOME (x2), Renew. Electricity on road (x4) and in rail (x1.5), Advanced Biofuels (x2) – algae, tall oil, straw, wooden waste etc.

Flexibility
Member states enjoy a high degree of flexibility when implementing the RED II

Source: EU Commission

A tentative Outlook

2030 Outlook: Biofuel Use in mmt



At least 4 big Question Marks

- **Member States Biofuel Policy**
- **Ethanol and Renewable Electricity:** Ethanol is reaching the blend wall of 5% and 10%, respectively. Higher blend walls increase the share of ethanol in overall biofuel usage, the development of electric passenger cars reduce it (with implications for the overall biofuel sector).
- **Advanced Biofuels:** Advanced biofuel share could be lower than projected, leading to a higher share of other feedstocks.
- **Palm oil** use could be higher than projected (depends on certification of palm oil from higher yields or degraded land). If Palm oil use goes down, it could be replaced by soybean oil in southern Europe.

Source: F.O. Licht, EU Commission, ADM