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EU BIODIESEL MARKETS:
STATUS QUO AND PERPECTIVES

Raffaello GAROFALO

EBB Secretary General

FEFAC General Assembly

Ghent, June 22nd, 2006

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EBB membership

ADM
Cargill
DIESTER Industrie
Argent Energy
NESTE
OLEON
Campa Biodiesel
BIONET
BIONET EUROPA S.L.
Novaol
FEDIOL
Bionor transformación
SVENSKA ECOBRÄNSLE AB
FOXPetroli
Ital Bi Oil
HABIOL
Hadeland Bio-olje AS
PETROTEC
BIODIESEL
Dow
Living. Improved daily.
VDB
OLEARIA OLIMPO
PROLEA

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What is EBB

- **The European Federation of biodiesel producers**
  - *Co-ordinates and represents the industry at EU and national level*
  - *Permanent office in Brussels*
- **Representing 80% of the EU biodiesel production**
- **36 members (26 full members and 10 associates)**
- **Private companies are directly members of the EBB**
  - *Many medium size industries active in rural areas (job creation)*
  - *Multinational companies of the Agricultural processing and vegetable oils sectors (ADM, Bunge, Cargill, Diester Industrie International)*
  - *Industry from the fuel and renewable energy sector (Sauter, EHN, Fox)*

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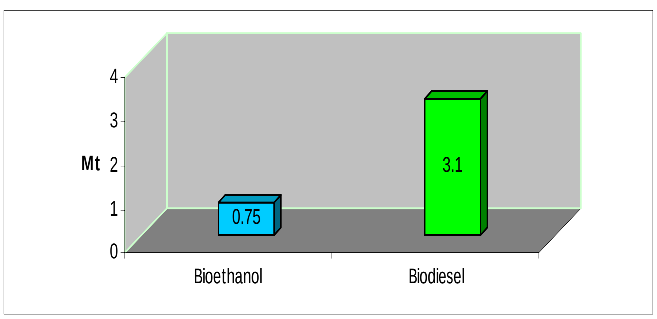
2005 production of biofuels in the EU-25

Sources: EBB, EBIO



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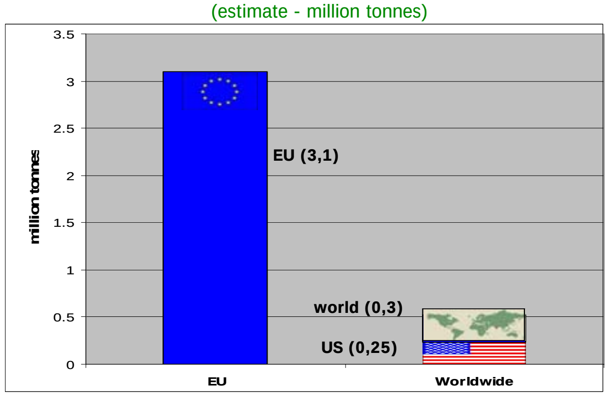
EU and Worldwide biodiesel production in 2005

(estimate - million tonnes)



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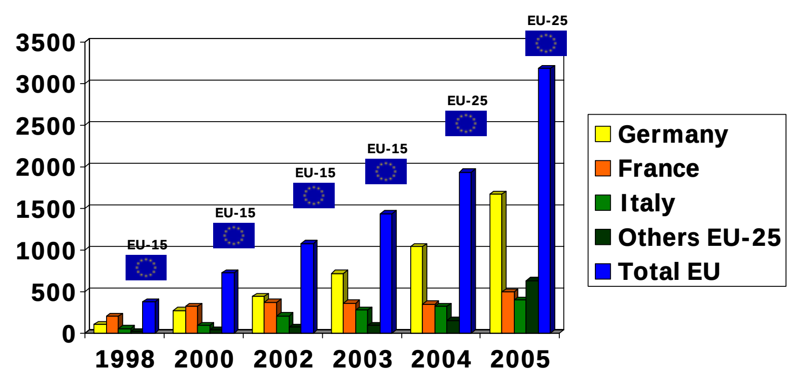
EU Biodiesel production in Member States and in the EU ('000 t)



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Main EU challenges

- **Revision of Directive 2003/30 and EU targets**
- **Availability of a sufficient supply of biodiesel raw materials**
- **Increase to 10% the incorporation of biodiesel in diesel**
- **Quality** (also related to raw materials use)
  - *Announcement: EBB Quality System*
- **Sustainability of biofuels raw materials**

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EU national biodiesel markets are very heterogeneous (no real EU internal market)

- **Countries with excise reductions or exemptions**
  - *Each with a different level of excise and different system of detaxation*
- **Countries with and without quota systems**
- **Member states applying or studying mandatory targets**
- **Policy Mix (detaxation together with obligatory targets)**
  - *Austrian law*
  - *French "TGAP"*

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Forthcoming revision of Directive 2003/30

Is tax exemption the only way?

Suggested solution → POLICY MIX, i.e.:

- **tax exemptions or reductions, together with**
- **obligatory or other national Bonus/Malus promotion systems**
  Advantages:
  - Lower costs for national budgets – transfer part of supplementary cost to consumers
  - Limited and even unnoticeable supplementary costs for consumers
  - Commission DG TAXUD calculated: *"the expected increase of the price at pump is expected to be around 1 or 2 cents per litre for a 5% blend"* (this even without detaxation)
  - In line with *"polluter pays"* principle

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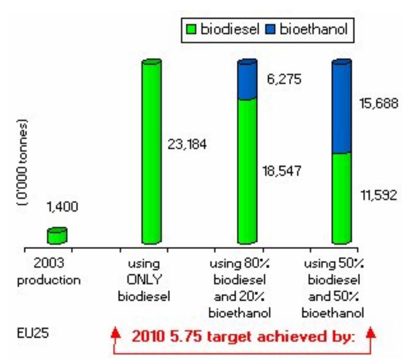
What would the Directive's targets represent in practice?

5,75% Scenario for the EU-25



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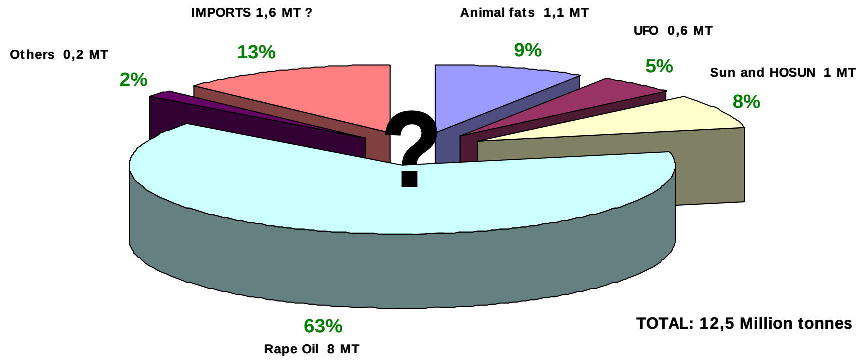
5,75 % biodiesel target
a possible raw materials scenario



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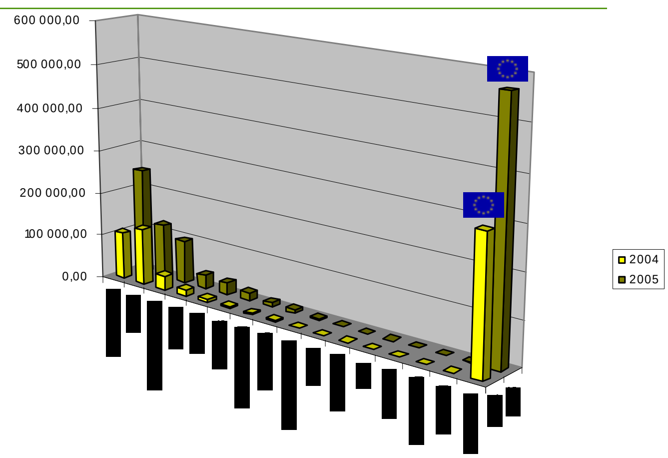
Areas under Energy crops in EU-25:

Only 1/3 of the <u>1,5 million ha</u> potential is exploited



Source: Commission DG AGRI

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Biodiesel development and its impact on availability and safety of co-products: MEALS

- **Obvious consequence: increased availability of EU vegetable proteins**
  - *Positive: contributes to reduce EU vegetable protein deficit*
  - *Question: what market absorption potential for rapeseed meals?*
  - *Organoleptic properties of rapeseed meals: digestibility etc.*
- **Quality and safety of meals:**
  - *Linked to raw materials used for biodiesel production*
  - *Advantage: mainly EU produced raw materials (better safety check of pesticides etc.)*
  - *No "old" varieties of rapeseed to be employed for biodiesel production : quality of biodiesel is crucial need, so quality raw materials are needed*
  - *Eventual development of new varieties*
  - *Increased use of HOSUN in southern countries*
- **Biodiesel development is a global reality = worldwide increased availability of vegetable proteins (but not everywhere rape meals)**

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Biodiesel development and its impact on availability and safety of co-products: GLYCERINE

- **The "queen of by-products": production increases**
- **How far can animal feed become a valuable alternative outlet for glycerine?**
- **Much lower quantities than meals**

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Future alternative biodiesel raw materials and impact on availability and safety of co-products

- **Technology progress in FAME production:**
  - *FAEE*
  - *Recycled fats*
  - *Biodiesel from other raw materials (Jatropha, Algae, etc.)*
  - *New varieties of Sun and rape Oils*
  - *What about GM seeds and meals?*

- **Two steps forward: 2nd generation biofuels?**

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CONCLUSION
Biodiesel and Feed manufacturers industries: what can we do together?

- **Common interests deserve common approach**
- **Increased availability of European produces meals, particularly rape meals is an opportunity especially if a dialogue exists**
- **A practical case where co-operation is needed also with EU crushing industry and farmers: sustainability of oilseeds production**
- **Need for multilateral approach: the oilseeds market is a global one and biodiesel is developing world-wide**

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