BIODIESEL:
AN EUROPEAN PERSPECTIVE

Doug WARD
Member of the Executive Board

NBB conference

Orlando, Florida, February 6th, 2008

EBB – European Biodiesel Board

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European Biodiesel Board

Membership

Campa Biodiesel

Biofuels Corp.

NEOCHIM

Green Biofuels Ireland

Assocostieri

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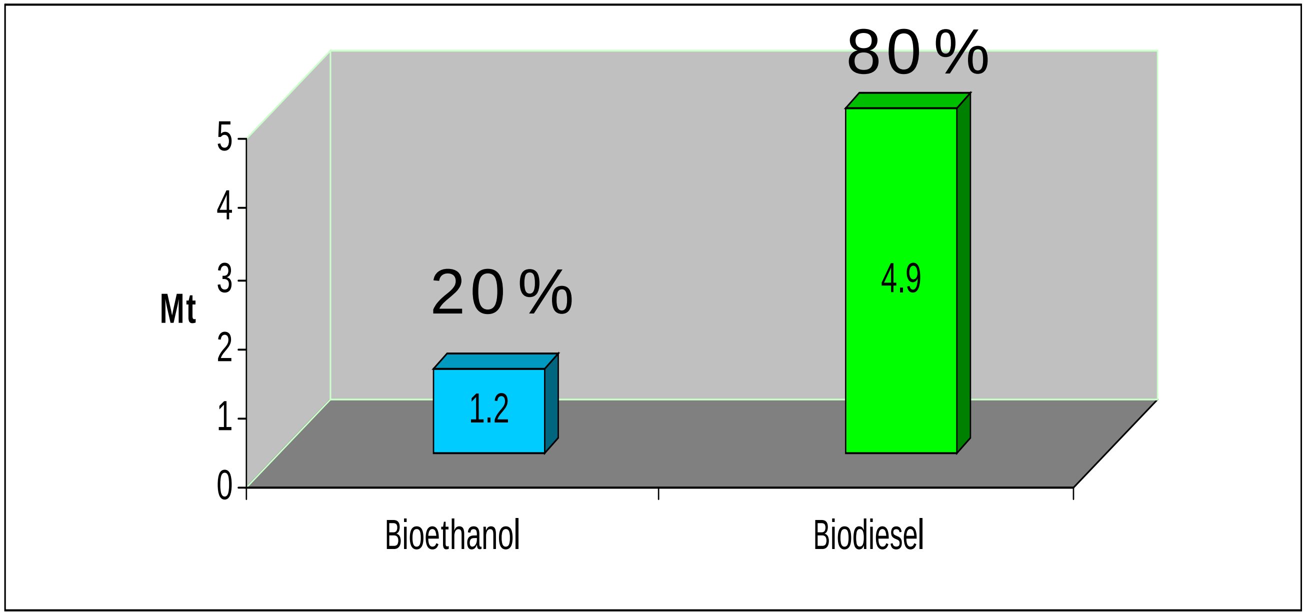
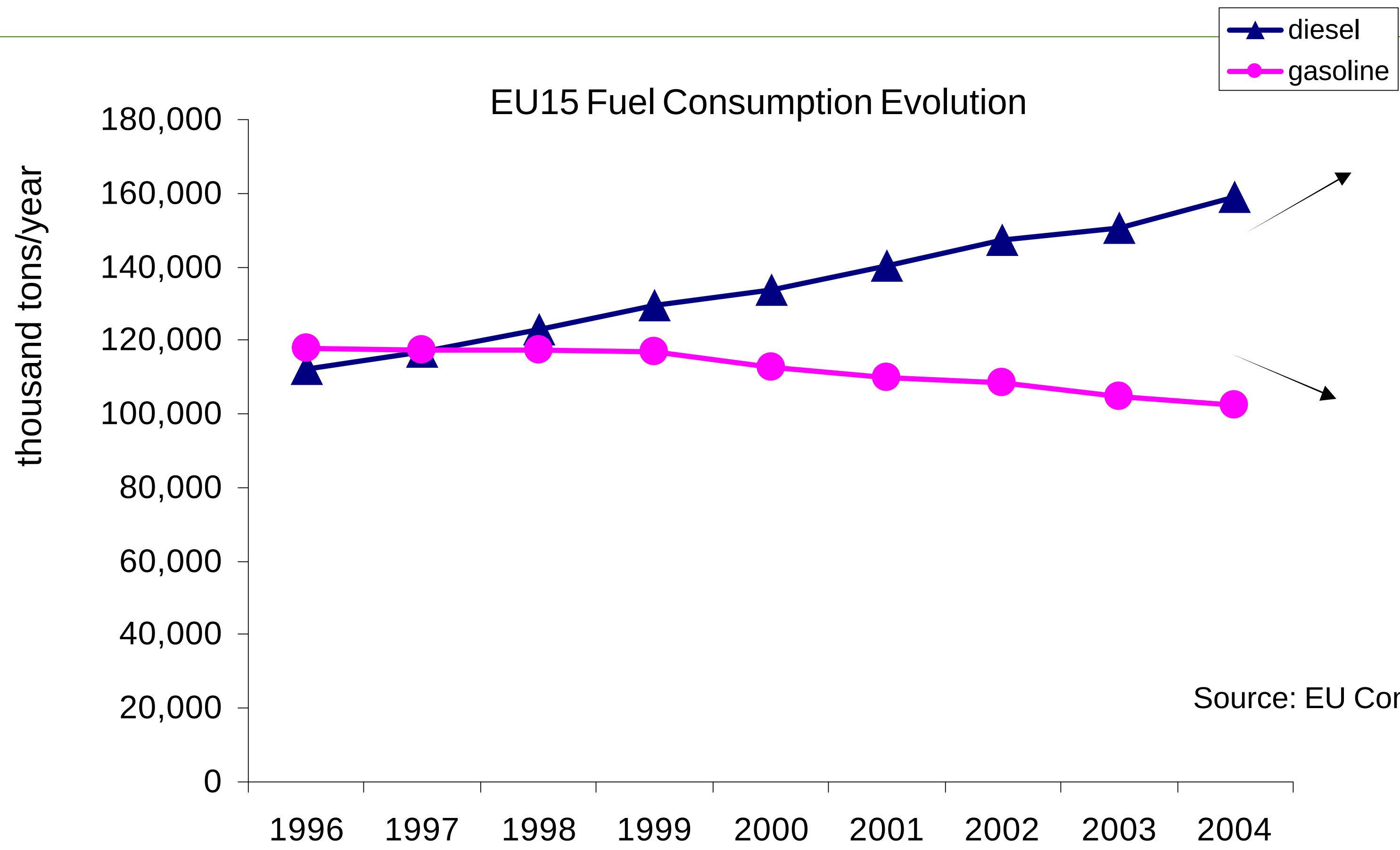
What is EBB

- 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
- 61 members (full members and 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 (Verbio, EHN, Fox, Petrotec)

2006 production of biofuels in the EU-27

Sources: EBB, Ebio





Source: EU Commission/DG TREN

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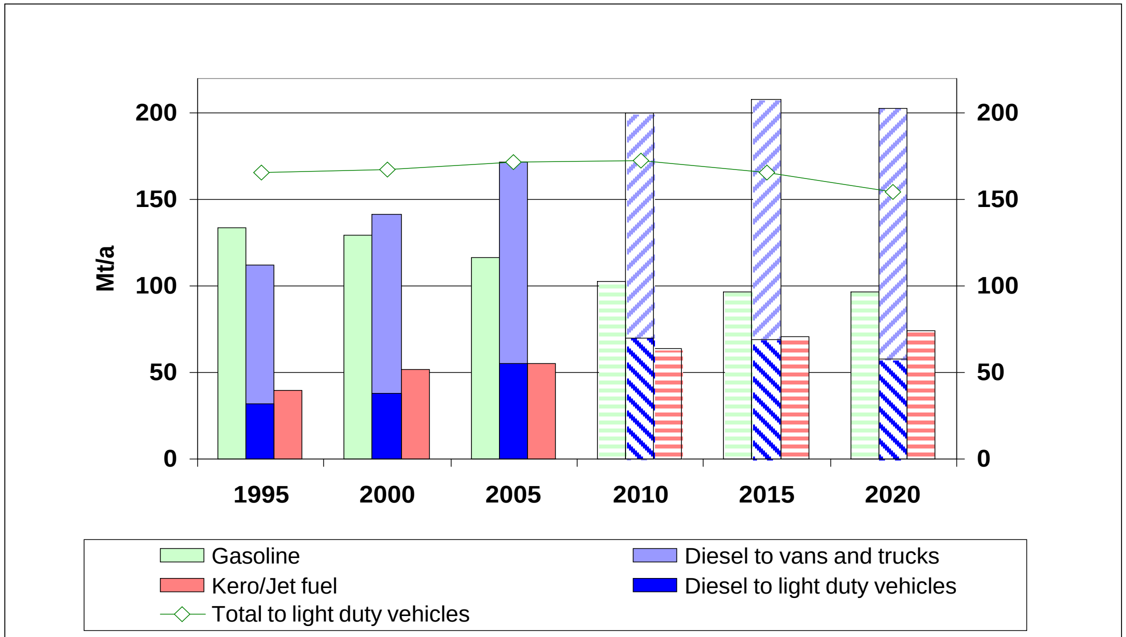
The strong progression of diesel and Kerosene demand in the EU (and the regression of gasoline demand)



Source Wood Mackenzie

- Road fuel demand steadily shifting from gasoline to diesel
- Heavy duty diesel demand expected to grow while light duty peaks
- Kerosene/jet fuel demand expected to grow

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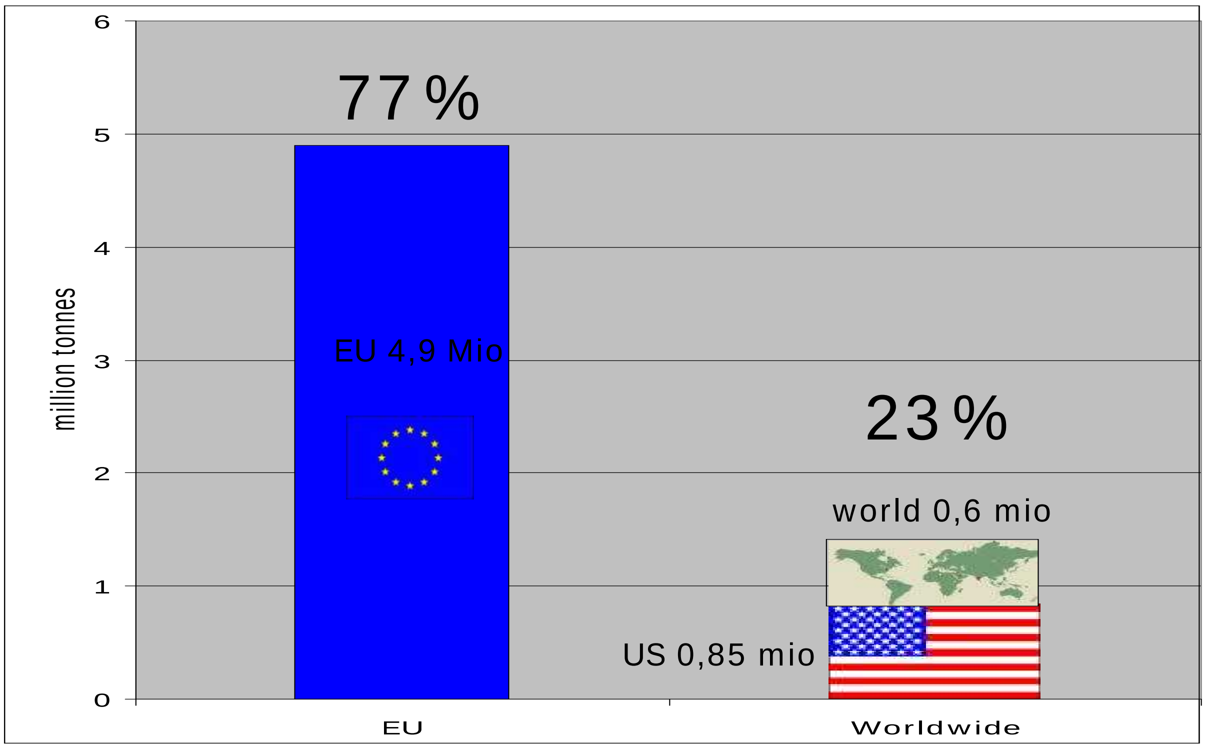
EU and world-wide production of biofuels in 2006

(EBB estimate – Mio tonnes – Global prod 100%)



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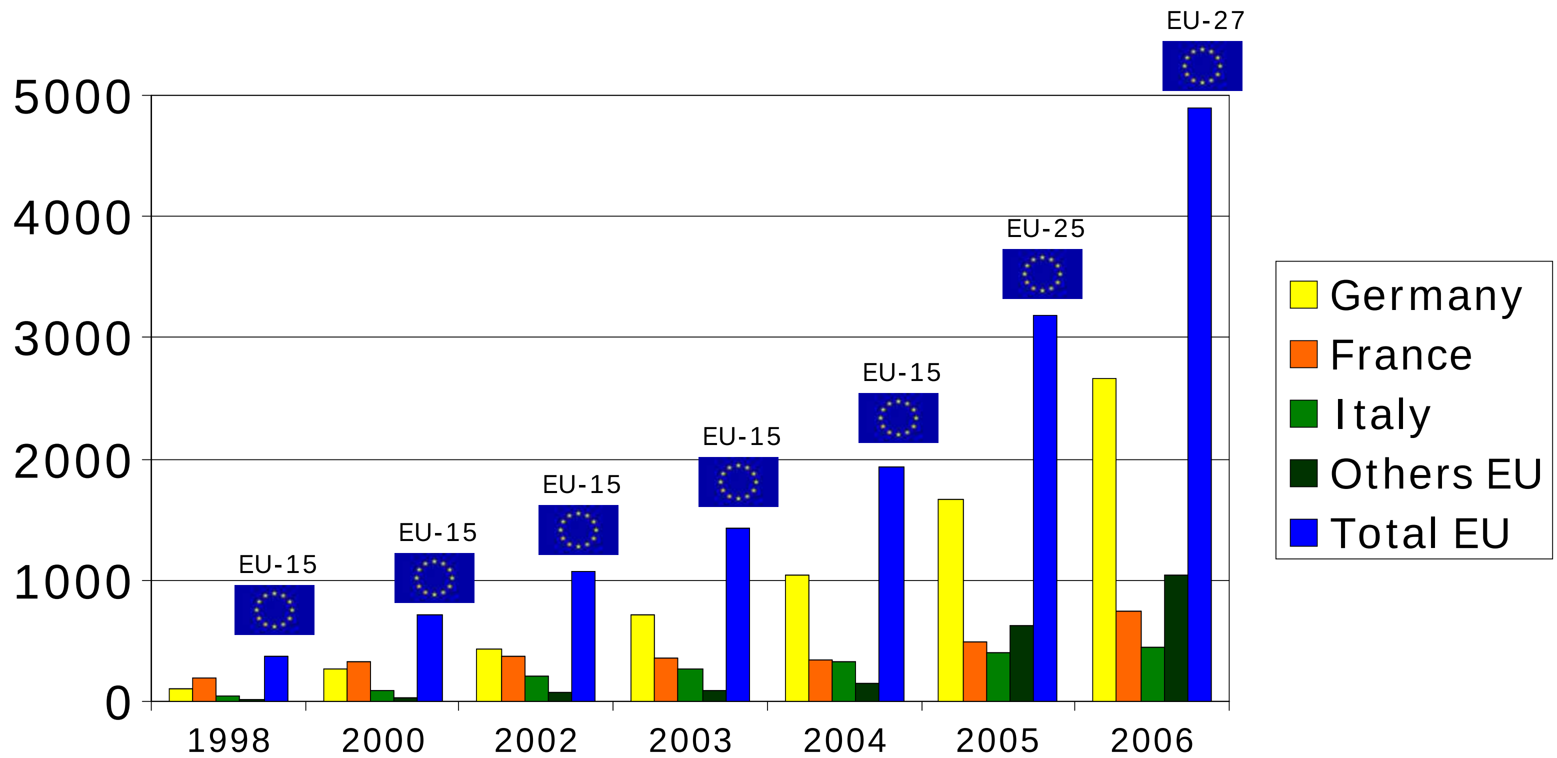
EU and Member States' Biodiesel Production ('000 t)



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Towards an EU Energy Policy

(including latest Commission proposals of January 23rd , 2008)

➢ Revision of Directive 98/70 on Fuel Quality (Jan 2007 proposal)

- Reduction of1% of CO^2 emissions from fuels every year for 10 years as from 2010
- In practice necessary to increase by 1,5%-1,7% biodiesel consumption every year until 2020 on 2010 basis

➢ New proposal for EU Directive on Renewable Energies

- Mandatory target of 20% for all renewables for 2020
- <u>Minimum</u> legal binding target of 10% <u>in every Member State</u> for biofuels
- Strict sustainability and certification criteria will apply to biofuels
- Biofuels need to save at least 35% of CO^2 emissions to be eligible for support

Biofuels have a central place in the EU debate for a Common Energy Policy

What next? Negotiation and impact of the new proposals

- Commission proposals to be amended by EU Parliament and National ministers in the next 12-18 months

- 10% target: in practice 25-28 million tonnes on the market in 2020
  - Towards the end of national detaxation schemes?

- Revision of the Directive on Fuel Quality: may strengthen the impact

- Positive proposals but will <u>need efficient implementation</u>
  - Need to establish clear rules for an EU sustainability scheme for biofuels
  - Necessary to increase (quickly) the % of biodiesel blend in diesel from 5% to 10% (without separate labelling or double grade diesel)

Four main challenges:

1. Fair international trade

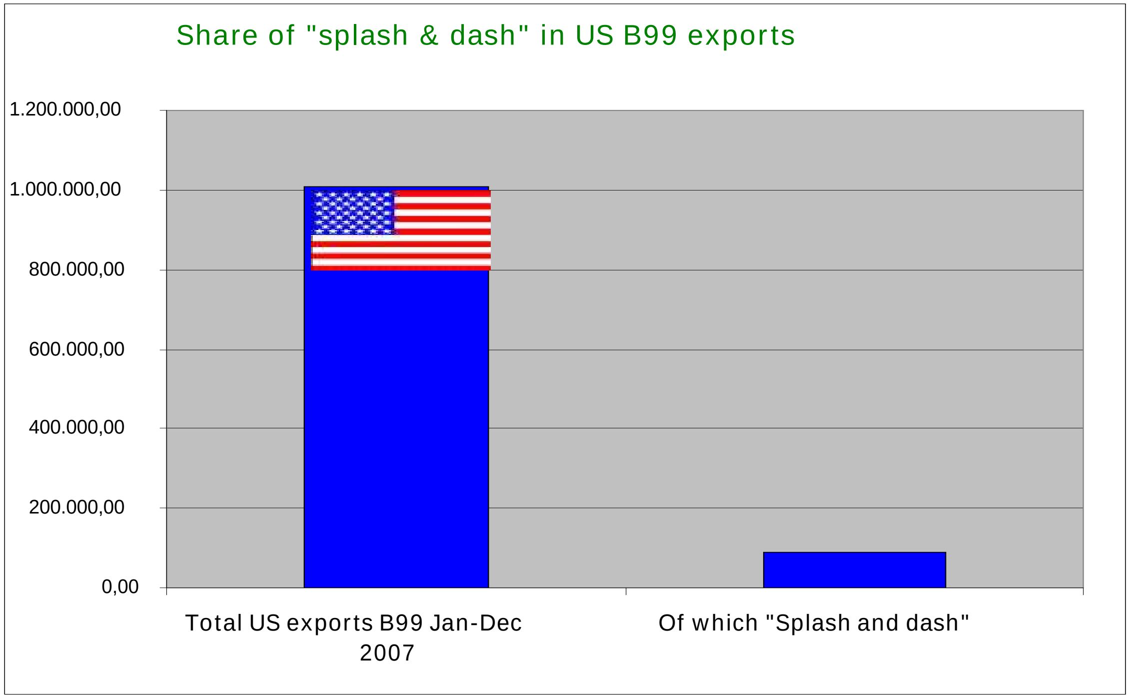
2. Biodiesel and biofuels sustainability (GHG impact and certification)

3. Increasing the percentage of FAME in conventional diesel to 10% in 2010 and to 15% in 2015 to implement EU targets
   (issue more related to EU diesel standards revision and relationship with OEMs)

4. Improve the environmental image of biofuels and biodiesel

US unfair subsidised exports represent a serious problem

The so-called "Splash and Dash" triangular trade is insignificant, the real problem is US biodiesel produced from US agricultural raw materials:



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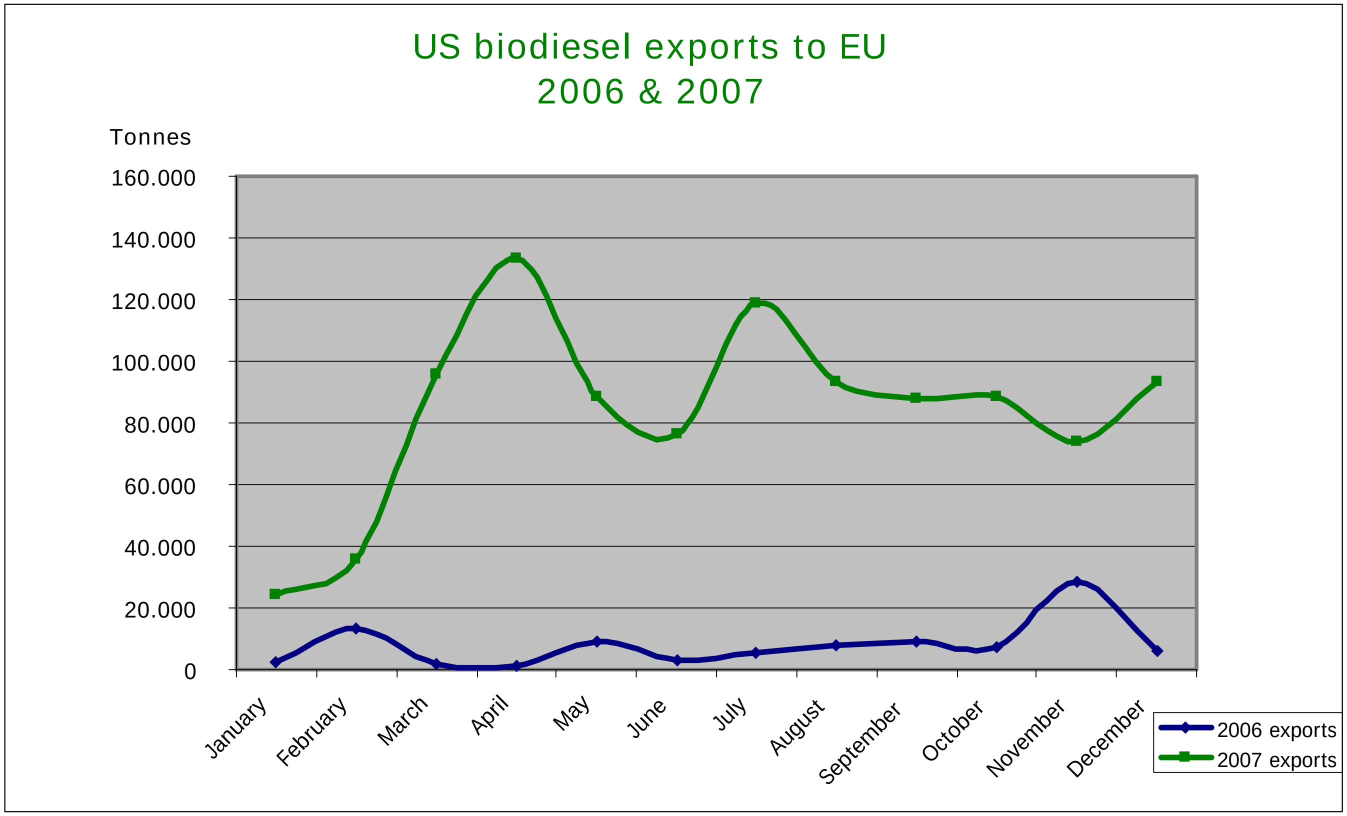
The B99 progression (and the corresponding erosion of EU markets)



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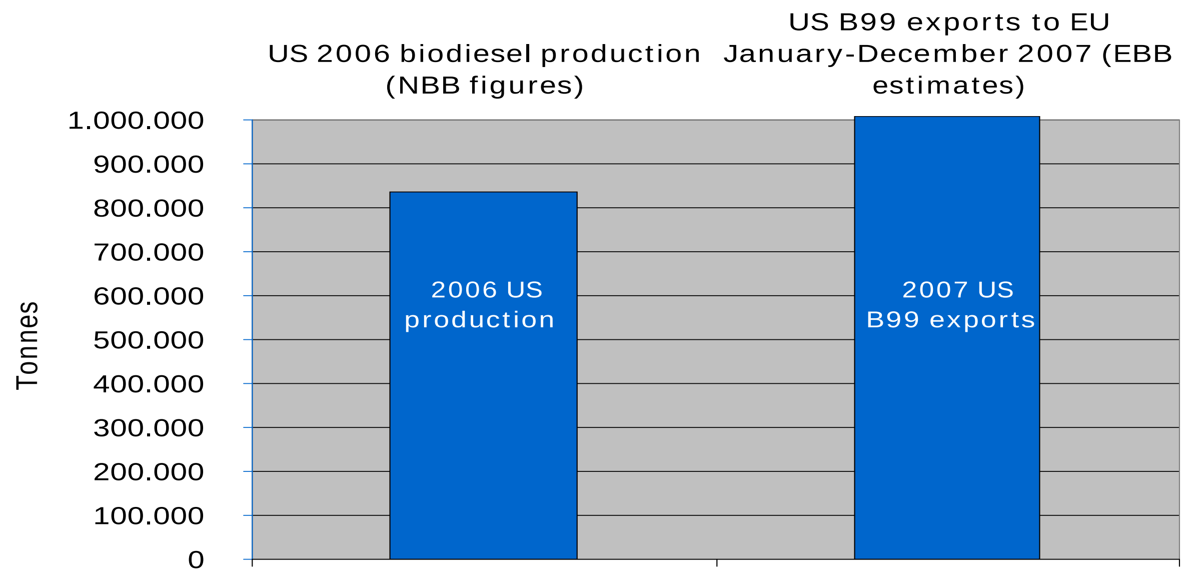
US biodiesel manufacturers mostly produce for the EU market

<u>The US internal subsidy is not self-sufficient</u> and becomes interesting only if it is backed and supported by the other countries' subsidies. The US government leaves to other countries and to their citizens the burden of putting the extra-funding necessary to sell the US biodiesel somewhere

US biodiesel production and B99 exports



Setting the bases of international biodiesel trade

- Solid bases = fair trade bases
- The European biodiesel industry is threatened by US B99,9 unfair export subsidies to Europe
- B99,9 exports threaten the worldwide development of biodiesel (as well as farmers' income) – price setting distorting practice
- Not only the EU industry but the concept itself of biodiesel worldwide (except for the US) is endangered
- **EBB will soon lodge an official complaint for anti-subsidy and anti-dumping on B99 to the EC Commission**

Bases of the future market development of biofuels and biodiesel

Biofuels certification and sustainability

- THE EUROPEAN BIODIESEL INDUSTRY IS STANDING FIRST TO APPLY A SUSTAINABILITY CERTIFICATION TO THE RAW MATERIAL THAT IT EMPLOYS
- Simple clear and universal rules and principles (need to be world-wide applicable)
- Avoid fragmentation and burdensome bureaucracy: contrary to aim of decreasing prices
- Avoid “food” related labelling consideration: biofuels are distributed via refineries and marketed at fuel pumps not in supermarket shelves
- Avoid disinformation campaigns: biodiesel used only 3% of all palm oil imported in EU last year

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Bases of future market development of biodiesel and biofuels

$C0^2$ impact and LCAs

- Too many studies exist, often contradictory
- Necessary to elaborate a common European reference (for $C0^2$ and sustainability)
  JRC-Concawe-Eucar study: starting point need to become more transparent
- What about "<u>second generation biofuels</u>"?
  Diesel or gasoline substitutes: two very different perspectives
  Need for a clear definition based on objective criteria
- Biodiesel has to be compared with other fuels effectively available on the market
- Important potential for additional biodiesel production from current and especially from <u>future alternative raw materials (UFO, Animal fats etc.)</u>

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Improve the environmental image of biodiesel and biofuels

- Need for common communication efforts from biodiesel industries of both side of the Atlantic (B99 should not prevent co-operation on other crucial matters)

  Let’s take the sustainability criteria as a positive challenge

- Reaction needed against UN organisations’ negative reports on biofuels

- Put into the right perspective the “food vs. fuel” debate

- Stress the advantages linked to biofuels in terms of environment independence of supply, development, climate change, rural development, independence and security of supply

- <u>STRONG communication campaign</u> to be organised in the next months in Europe and at international level

For more information please contact:

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