

# EBB

## European Biodiesel Board

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## PRESS RELEASE

### 2009-2010: EU biodiesel industry restrained growth in challenging times

*EBB publishes annual biodiesel production and capacities statistics*

#### 1. The European biodiesel industry consolidates its position at EU and international level despite a lower increase in production growth rates in 2009

With a **9 million tons biodiesel output**, 2009 EU biodiesel production saw an increase of 16,6% on the basis of previous year production. Although this stands well below the increase in production of 35% registered in 2008 and in previous years (54% in 2006 and 65% in 2005), it witnesses the strong vitality of the EU biodiesel sector, which even confronted to important difficulties was able to maintain its market positions as it already happened in 2007 when the industry growth rate was equally of 16%.

In 2009 biodiesel production has been decreasing in number of EU Member States, including Germany, Greece and the UK, but important production expansions have been realised in other countries such as Austria, Belgium, Finland, Italy, Netherlands, Poland and last but not least in Spain, which last year has taken the place of Italy as third largest EU biodiesel producer, behind Germany and France.

Despite this lower production increase, the EU remains the leading biodiesel producing region worldwide, representing about 65% of worldwide output. As far as the European biofuels arena is concerned, biodiesel remains by far the main biofuel produced and marketed in Europe. In 2009, biodiesel represented about 75% of biofuels produced in Europe (bio-ethanol fuel production last year being approximately 3 million tonnes).

The European biodiesel production capacity currently reaches some 22 million tonnes. The number of existing biodiesel facilities as of July 2010 stands at 245 with a slight decrease compared to 2008 due to the reorganisation of the sector. This strong industrial basis is the result of considerable investments in biodiesel production planned already before 2007 in reliance of the ambitious objectives for biofuels consumption given by EU authorities. Despite this considerable commitment from the EU biodiesel industry, a large part of today installed capacity should be considered as idle. EU biodiesel facilities are ready to deliver significantly higher volumes in order for the EU to reach its 10% target in 2020. Such a limited capacity utilisation is all the more regrettable as EU biodiesel can provide a genuine solution not only to reduce greenhouse gas (GHG) emissions but also to alleviate the increasing EU diesel deficit.

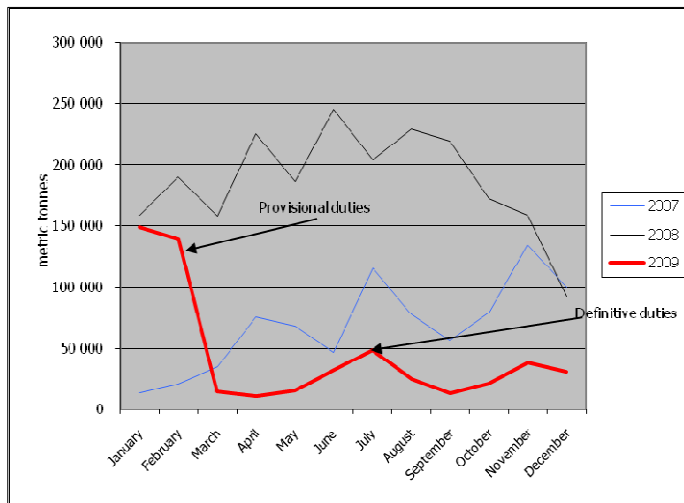
COUNTRY	2009 Production	2008 Production
Austria	310	213
Belgium	416	277
Bulgaria	25	11
Cyprus	9	9
Czech Republic	164	104
Denmark/Sweden	233	231
Estonia	24	0
Finland*	220	85
France	1 959	1.815
Germany	2 539	2.819
Greece	77	107
Hungary	133	105
Ireland*	17	24
Italy	737	595
Latvia	44	30
Lithuania	98	66
Luxemburg	0	0
Malta	1	1
Netherlands	323	101
Poland	332	275
Portugal	250	268
Romania	29	65
Slovakia	101	146
Slovenia	9	9
Spain	859	207
UK	137	192
<b>TOTAL</b>	<b>9.046</b>	<b>7.755</b>

**Figure I: EU 2008 and 2009 biodiesel production estimates**

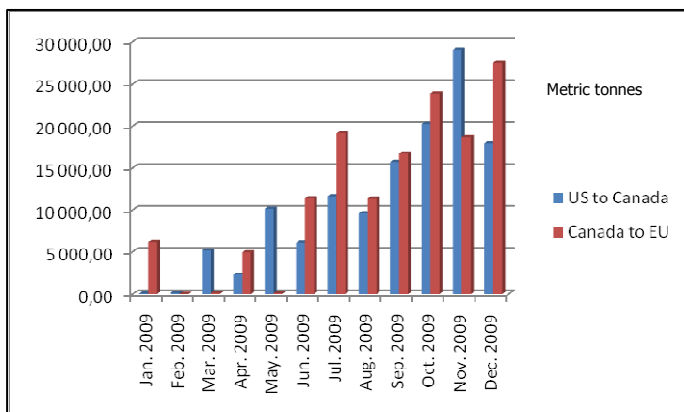
*\* Data include hydro-diesel production*

*Subject to a +/- 5% margin of error*

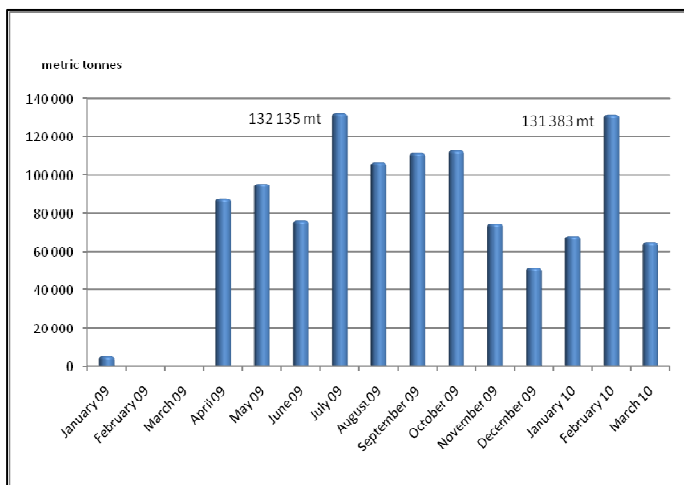
For the last ten years, the rising EU demand for diesel and kerosene has led to an increased dependency on imports of diesel from Russia and the Middle East countries, a trend that is expected to be sustained at least until 2030. This illustrates the strategic contribution of EU biodiesel to the EU's security of energy supply, which deserves full consideration in the future EU Energy Strategy for the 2011-2020 period.



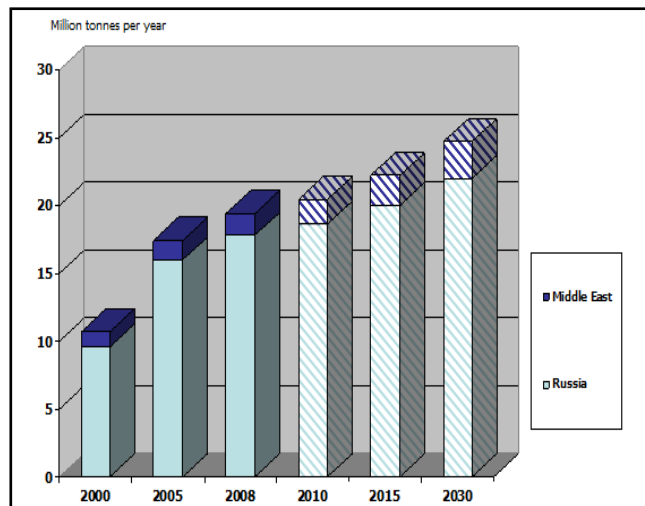
**Figure III : US B99 biodiesel exports to the EU before and after the anti-dumping and countervailing duties - Source : USDA**



**Figure IV : US biodiesel exports to Canada and Canadian biodiesel exports to EU in 2009 - Source : USDA/EUROSTAT**



**Figure V : Argentine biodiesel exports to EU - Source : Eurostat**



**Figure II: EU diesel imports from the Middle East and Russia**  
Source : Eurostat

## 2. Persisting unfair trade practices impede the EU potential for biodiesel production

The lower growth rate in EU biodiesel production and the reduced capacity utilisation rate are to be primarily explained by the persistence of unfair trade practices on the worldwide biodiesel market.

Since early 2007, the profitability of EU biodiesel producers had been severely affected by heavily subsidized and dumped biodiesel from the US (known as "B99"). US B99 has been sold in the EU with a considerable discount, even at a lower price than the raw material soybean oil. Following an EBB action, robust anti-dumping and countervailing measures have been imposed by the European Commission in March 2009. The EU biodiesel industry highly welcomed this move, which is contributing to re-establishing a level-playing field on the international biodiesel market. However, circumvention practices started emerging soon after the imposition of the EU measures, in particular the trans-shipment of US biodiesel via non-EU destinations (mainly Canada) and the production of artificial blends (typically B19) not covered by the EU duties. This trend is perfectly illustrated by the case of Romania, where biodiesel imports allegedly originating from Canada reached 50 000 tonnes between March 2008 and March 2009 compared to zero imports the previous year, causing the domestic biodiesel production to stagnate at very low levels. In the first quarter of 2010, the worrying circumvention trend was found to be confirmed. In March, an important biodiesel load declared as of Canadian origin was seized by the Venice customs authorities. The product was offered at a lower price than soybean and canola oils, signalling its likely US origin. EBB remains strongly determined to address any circumvention or fraudulent practice that would undermine the remedial effect of the EU anti-dumping and countervailing duties.

Parallel to the increasing circumvention of the B99 duties, Argentine booming exports to EU are greatly damaging EU biodiesel producers' ability to operate in a level playing field. Argentine exports to EU reached 850 000 tonnes in 2009 according to Eurostat and already 260 000 tonnes in the first quarter of 2010. This trend is not driven by a more successful business model but instead by an artificial mechanism of Differential Export Taxes. The Argentine DETs scheme is distorting trade as it maintains a large differential between an export tax on crude soybean oil of 32% and an export tax on biodiesel of only 20% (the effectively applied rate is in fact 14,16%), therefore incentivising the export of the finished product biodiesel.

Furthermore, Argentina, together with prominent biodiesel producers such Malaysia and Indonesia, is enjoying a disputable import duty free access to the EU market under the Generalized System of Preferences, a situation that should be radically reconsidered during the forthcoming review of the EU GSP scheme for the period 2012-2014.

### 3. The Renewable Energy Directive 10% target is within reach for the EU biodiesel industry

The Renewable Energy Directive 2009/28 (RED) adopted in December 2008 is creating a strong framework for the development of the biofuels industry in Europe, with the landmark decision to introduce a 10% binding target for renewable energy use in transport. With the productive capacity in place, the EU biodiesel industry stands ready to meet this target.

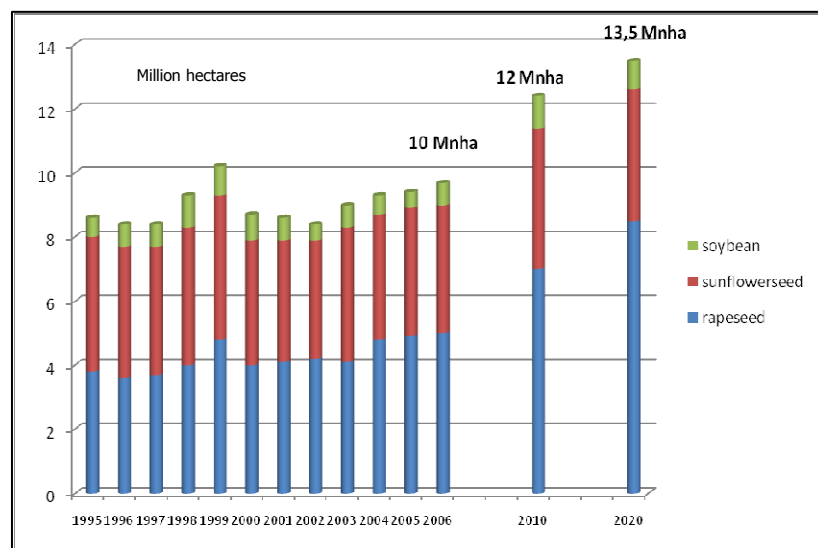


Figure VI: Evolution of EU oilseeds area - Source: European Oilseeds Alliance

Most importantly, reaching a 10% objective for biodiesel will not lead to an increase of production intensities, thanks to the surfaces availability for oilseeds crops production in the EU, as well as the existing yields potential. By diversifying crop rotations, the EU-27 oilseeds area will further rise to 13,5 million hectares by 2020, from 10 million hectares in 2006. By 2020, it is expected that feedstock for EU biodiesel production will be derived from only 4% of the total EU agricultural area.<sup>1</sup> Biodiesel can also be sourced from recycled oils and animal by-products. In addition, the EU biodiesel industry is looking at alternative raw materials such as algae. This means that EU biodiesel production can be done sustainably without overstressing land resources.

### 4. A swift implementation of the new EU Directives is required

With the adoption of the "climate and energy package" at the end of 2008, the EU has reaffirmed its commitment to the development of biofuels and has created the necessary legal framework for their deployment.

The robust set of requirements provided in the Renewable Energy Directive means that the EU will lead by example in terms of biofuels sustainability. At the same time, the Fuel Quality Directive 2009/30 (FQD) provides for a greenhouse gas monitoring and reduction objective for fuel suppliers, which should incentivise the use of cleaner fuels. These positive developments however risk being nullified if the new Directives are not swiftly and seamlessly implemented, along the following principles:

- **Full harmonisation of the biofuels market** will only be secured if Member States promptly transpose the RED and the FQD in their national legislations. Nothing would be more detrimental to the biofuels industry than diverging sets of national requirements. This would contradict EU internal market rules, which is the legal basis of the EU biofuels sustainability scheme.
- **Pragmatic implementation of biofuels sustainability rules** should be a leading principle: an efficient system is primarily a workable system and overburdening the industry with additional requirements will actually not deliver greater sustainability benefits. In the coming months the European Commission should move towards the prompt recognition of voluntary sustainability scheme as an alternative tool for operators to prove their compliance towards EU biofuels sustainability requirements.

<sup>1</sup> European Commission, DG AGRI, *Note to the file: the impact of a minimum 10% obligation for biofuels use in the EU-27 in 2020 on agricultural markets*, 2007, p8.

COUNTRY	2010 Capacity	2009 Capacity
Austria	560	707
Belgium	670	705
Bulgaria	425	435
Cyprus	20	20
Czech Republic	427	325
Denmark	250	140
Estonia	135	135
Finland*	340	340
France	2 505	2.505
Germany	4 933	5.200
Greece	662	715
Hungary	158	186
Ireland*	76	80
Italy	2 375	1.910
Latvia	156	136
Lithuania	147	147
Luxemburg	0	0
Malta	5	8
Netherlands	1 328	1.036
Poland	710	580
Portugal	468	468
Romania	307	307
Slovakia	156	247
Slovenia	105	100
Spain	4 100	3.656
Sweden	277	212
UK	609	609
<b>TOTAL</b>	<b>21.904,00</b>	<b>20.909,00</b>

**Figure VII: EU 2009 and 2010 biodiesel capacity**

\* Data include hydro-diesel production

Calculation based on 330 working days per year, per plant  
Situation at 01/07/2009 and at 01/07/2010

NB: the terms "capacity" stands for the potential production a biodiesel plant could deliver if it was able to run at full production rate for a whole year.

Given the specific economic and political situation prevailing on the European market, a number of installed biodiesel plants are not running during the year 2010.

Consequently, out of the 22 million tonnes of installed capacities, a large part should be considered as idle capacity, i.e. not effectively producing biodiesel this year.

• **Appropriate and transparent measurement of GHG emissions from all transport fuels** shall be defined at EU level, in line with the principle that competing fuel sources need to be assessed on a fair basis. Until now a lot of emphasis has been led on the GHG performances of biofuels but it is only when fossil fuels will be subjected to the same scrutiny that the EU will have a chance to reach its climate change objectives. The current implementation of the Fuel Quality Directive should lead the EU to define a realistic fossil fuels GHG methodology, reflecting the one already provided for biofuels and taking full account of unconventional oil extractions (oil sands).

EBB has been consistently advocating that the same methodology should be applied to measure the direct GHG emissions of fossil fuels and biofuels, and the same holds true for indirect effects (externalities). In this perspective, it is essential that indirect land use change from biofuels (ILUC) is not accounted in the absolute. Instead, it should be compared to IDOUC (Indirect and Direct Oil Use Consequences) i.e. among others the massive externalities and indirect environmental impacts related to fossil fuels extraction, transport and refining.

The BP platform accident in Louisiana is only the emerging part of an iceberg of around 4 million tons of crude oil which according to many sources are leaked every year in seas and oceans, of which 600.000 tonnes per year oil spills in the Mediterranean sea! It is only when applying the same methodology that the true impact of biofuels and fossil fuels will be properly assessed and compared. This seems all the more logical as biofuels are aimed to lower the environmental impact of fossil fuels and are also marketed in the form of blends with fossil fuels, via the exact same distribution network.

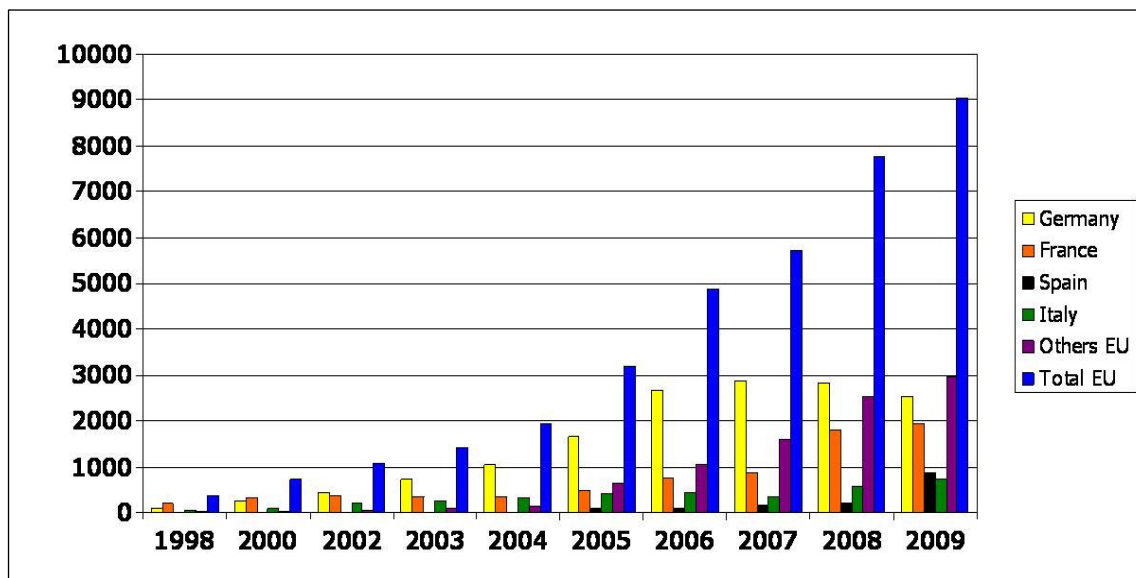
More generally, the use of the "JEC" well-to-wheel analysis as the exclusive basis for the RED calculations raises major concerns. At present, the JEC Consortium only includes experts from the car and mineral oil industries, which creates an important conflict of interest. A fundamental review of the JEC Consortium composition is needed, allowing the participation of experts from the biodiesel and biofuels sectors, on an equal footing with oil and car experts.

• In parallel to the RED and FQD implementation process, **well-designed taxation policies for biofuels** should help the EU deliver its climate change objectives. Member States should be allowed to continue granting tax incentives to biofuels until at least 2020. This needs to be secured in the framework a future review of the EU Energy Taxation Directive 2003/96. The EC Communication on "*Analysis of options to move beyond 20% greenhouse gas emission*" of May 26<sup>th</sup> 2010 recognises the need to maintain a biofuels support of €55 per MWh by 2020.

## 5. Further progress towards standardisation of higher biodiesel blends need to be achieved without delay

The EU will not reap the full benefits of its biodiesel industry if standardisation of higher biodiesel blends is not completed as a matter priority. Regrettably, biodiesel blending in regular diesel is still today limited at 7%, therefore strongly constraining the supply perspectives for EU biodiesel producers. This blending constraint is all the more problematic as certain EU Members States have already adopted binding targets for biodiesel use requiring a higher blending ratio.

Despite an EU Commission mandate to CEN in November 2006 to work on the standardisation of 10% biodiesel blends, progress in the field has been slow. Lately, all stakeholders active in CEN agreed to complete the work on a 10% biodiesel blend norm. This work should be finalised without delay otherwise the EU's ability to reach the 10% target of the Renewable Energy Directive would be impeded.



**Figure VIII. Trend in EU biodiesel production 1998-2009**  
Source: EBB 2010

Biofuels and specifically biodiesel will play a major role in the 2011-2020 period in terms of climate change mitigation, security of energy supply, economic growth as well as research and innovation. This, however, will only happen if appropriate support policies are being maintained at EU and national level, with sufficient harmonisation and coherence, while at the same time re-establishing a level playing field in the international trade arena. The EU biodiesel industry stands ready to supply sustainable product to Europe but this can only be achieved if favourable legislative, regulatory and market conditions are being secured.

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*The European Biodiesel Board, also known as EBB, is a non-profit organisation established in January 1997.  
EBB is the voice of the EU biodiesel industry.  
It gathers 69 companies and associations and aims to promote the use of biodiesel in the European Union.*

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