

EBB

European Biodiesel Board

Boulevard Saint Michel, 34 - 1040 Bruxelles
 Tel: +32 (0)2 763 24 77 - Fax: +32 (0)2 763 04 57
 E-mail: info@ebb-eu.org - Website: www.ebb-eu.org

October 18th, 2011

PRESS RELEASE

2010-2011: EU biodiesel industry production forecasts show first decrease in 2011 since data is gathered

EBB publishes annual biodiesel production and capacities statistics

1. EU biodiesel production registers moderate growth in 2010 with a decrease for the first two quarters of 2011

While the 2010 EU biodiesel production registered a 5,5% increase compared to the previous year, reaching the level of 9,57 million metric tons, the forecasts for 2011 show a reduction of European production compared to the same time last year. In addition, the 2010 increase remains low compared to growth rates registered in 2009 (17%) and 2008 (35%), the first semester of 2011 shows a reduction of domestic European production

In 2010 Spain confirmed its position of third European biodiesel producer, ahead of Italy, which saw a slight decline in production compared to 2010. Germany and France remain by far the leading biodiesel producing nations.

As of July 2011, the European biodiesel production capacity reached **22 million tonnes**. The number of existing biodiesel facilities stood at 254, slightly up from 2009 due to the start of a few new production units. This industrial basis is the result of investments in biodiesel production planned before 2007 in reliance of the ambitious objectives for biofuels consumption given by EU authorities.

While EU biodiesel capacity utilisation stands at 44%, for the first two quarters of 2011, and for the first time in registered history, the entire European production has slightly decreased year-on-year. EBB estimates show that the overall production in the European Union particularly decreased in Q2 2011. Increased imports from third countries such as Argentina, Indonesia as well as circumvention measures from North America are mostly likely to have contributed to lessen European domestic production.

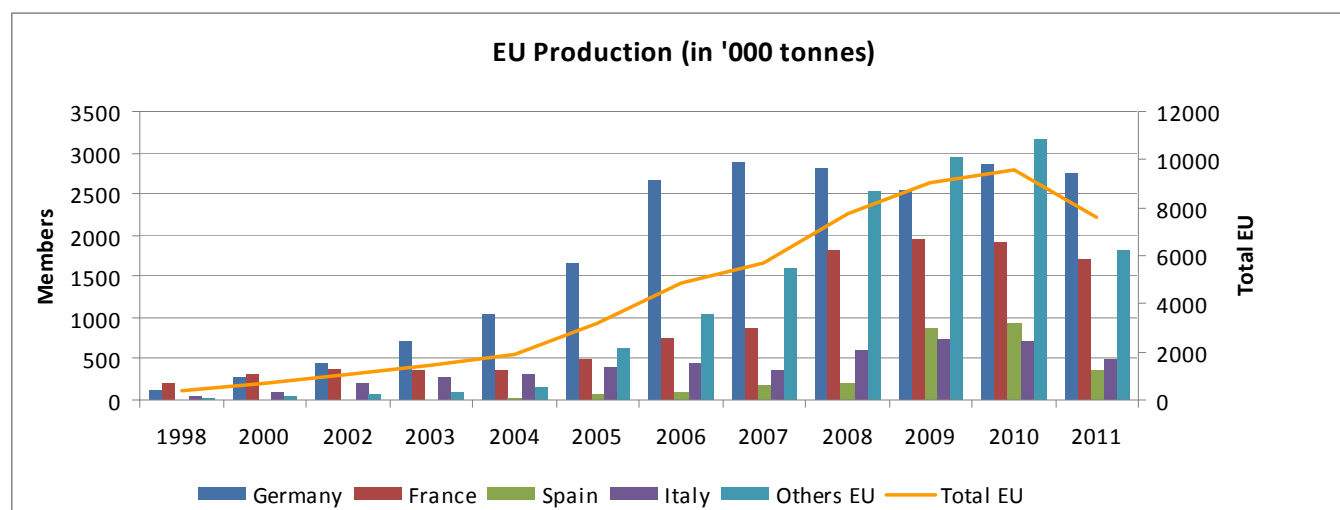


Figure I. Trend in EU biodiesel production 1998-2011 Source: EBB 2011

Note: 2011 figures are only estimations

The important contribution of biodiesel to the EU's 2020 transport target has been unambiguously recognized by Member States in their National Action Plans submitted under the Renewable Energy Directive 2009/28. According to Member States forecasts, biodiesel will fulfil no less than 66% of the 2020 target, translating into a 24 million metric tons demand as long as the European industry disposes of the right legislative tools which ascertain investment and economy of scale. Biodiesel producers currently face several international trade and regulatory challenges, which could not only strengthen the declining trend but would also have a concerning impact on the economy.

2. The 2020 objectives should not be knocked-off course by hasty political decisions

In the view of EBB, it is essential that efforts to implement the Renewable Energy Directive and its 2020 objectives are not diverted by the current debate over biofuels **Indirect Land Use Change (ILUC)**.

Given the lack of robustness of existing econometrical models, assessing the existence and magnitude of ILUC remains a daunting task.

Often advocated "ILUC factors" would penalise the biofuels industry upfront without bringing any sustainability benefits. In other words, it would not create any incentive to improve agricultural practices, as operators involved in the biodiesel supply chain do not have direct control over land use policies implemented in countries situated outside the EU. Crop-specific ILUC factors would appear particularly arbitrary.

In view of this, it cannot be a reasonable way forward for the EU to let its 2020 objectives of climate change mitigation and energy security being knocked-off course on the basis of the elusive ILUC concept and questionable modelling exercises.

At the same time, the current debate on ILUC completely overlooks the fact that the RED currently represents the most comprehensive and stringent set of sustainability criteria applying to biofuels production, already guaranteeing that only biofuels with a high sustainability profile are placed on the European market.

In order to ensure a level-playing field, fossil fuels GHG accounting needs to be urgently reviewed, with a view to take into account all emissions related to extraction, transport and refining. This is the only way to achieve a realistic perspective on the GHG balance of biofuels.

Ultimately, land-use change is an issue that has to be addressed at a global level, i.e. looking at the all range of sectors having an impact on land use worldwide and not only at biofuels.

COUNTRY	2010 Capacity	2011 Capacity
Austria	560	560
Belgium	670	710
Bulgaria	425	348
Cyprus	20	20
Czech Republic	427	427
Denmark	250	250
Estonia	135	135
Finland*	340	340
France	2 505	2 505
Germany	4 933	4 932
Greece	662	802
Hungary	158	158
Ireland*	76	76
Italy	2 375	2 265
Latvia	156	156
Lithuania	147	147
Luxemburg	0	0
Malta	5	5
Netherlands	1 328	1 452
Poland	710	864
Portugal	468	468
Romania	307	277
Slovakia	156	156
Slovenia	105	113
Spain	4 100	4 410
Sweden	277	277
UK	609	404
TOTAL	21.904,00	22.117,00

Figure 11: EU 2010 and 2011 biodiesel capacity

** Data include hydro-diesel production*

*Calculation based on 330 working days per year, per plant
Situation at 01/07/2010 and at 01/07/2011*

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.

3. More efforts are needed to ensure a smooth and consistent implementation of the new EU Directives

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. However, Member States progress in implementing the RED have been limited and scattered, showing the need for greater harmonization at EU level. Efforts must be accelerated to finalise the RED implementation during the last part of 2011 and in 2012. This should be done in a way that maximises the operability of the internal biofuels market. In that sense, **mutual recognition between national biofuels sustainability systems** should become the rule.

At the same time, now that the EU has validated seven voluntary sustainability schemes, these should become privileged tools for operators to prove compliance towards the RED. **EU accredited voluntary schemes must be recognised by all 27 Member States and no undue administrative burden should be created for their use at national level.**

Separately, the implementation of the **“double-counting” mechanism** for biofuels produced from waste and residues requires particular attention. Directive 2009/28 and its interpretative measures do not contain sufficient guidance as to how the implementation of this mechanism should be verified by Member States and how operators should prove or verify real compliance from actual high sustainability biofuels.

If not consistently implemented in Member States’ legislations, the double-counting mechanism will inevitably lead to important disruptions of the EU biofuels market, while completely undermining the objectives of the RED regarding the sustainability of biofuels. EBB is alarmed about the risk that imported biofuels grown in third countries in a non-RED compliant way can access the EU market at the detriment of sustainable biofuels produced in Europe, under the guise of the double-counting mechanism. This risk is not a virtual one, and has already started materialising in certain EU Member States.

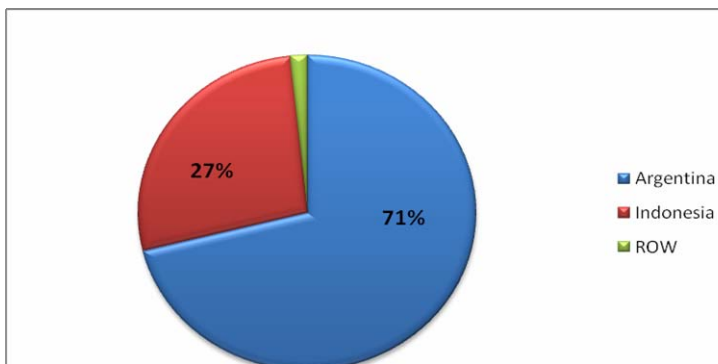
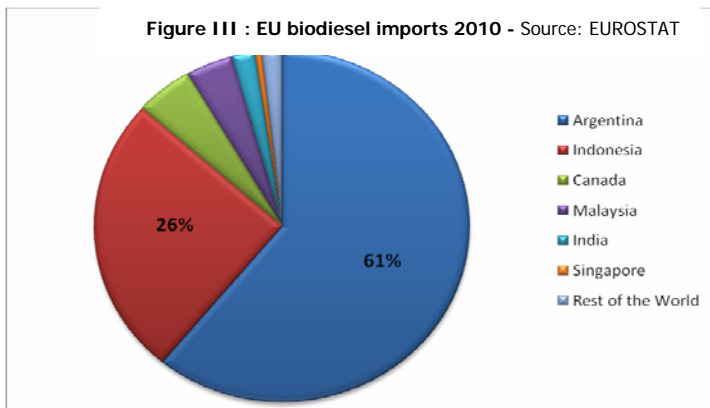
EBB believes the two set of actions should be urgently developed by EU and national authorities:

- Defining a **robust monitoring and traceability mechanism** that will allow verifying the validity of claims for double-counting biofuels based on an EU-wide traceability scheme;
- **Clarifying what types of biofuels will be double-counted**, in particular by clearly defining what materials should be considered as “residues”.

4. Trade distortions remain a major concern on the international biodiesel market

In 2011, EBB successfully addressed the challenge of circumvention of the anti-dumping and countervailing duties applicable to US biodiesel (B99). **Circumvention practices** started emerging soon after the imposition of the EU measures in March 2009, 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.

In May 2011, EBB welcomed the adoption of two Regulations preventing the circumvention of the anti-dumping and countervailing duties on US biodiesel in place since 2009. These anti-circumvention measures adopted by the Council retroactively extends to August 13th 2010 the definitive anti-dumping and countervailing duties to imports of biodiesel consigned from Canada and to all imports of US biodiesel blends below the 20% threshold (B19, B7...). This decision successfully concluded an investigation by European Commission services prompted by an EBB complaint in June 2010. EBB remains strongly determined to address with the Commission and the EU Anti-Fraud



Office (OLAF) any further circumvention or fraudulent practice that would undermine the remedial effect of the EU anti-dumping and countervailing duties. In this perspective, EBB has been providing detailed evidences to EU authorities of the increasing trans-shipment of US biodiesel via India.

Besides the circumvention of the EU duties in B99, the general trend in EU biodiesel imports is raising concerns. In 2010 the EU imported no less than **1,9 million tons of biodiesel** according to EUROSTAT data. These imports were characterised by **increasing volumes coming from Argentina and Indonesia**.

This development was confirmed during the first quarter of 2011, where Argentina and Indonesia represented respectively 71% and 27% of EU biodiesel imports. It is not by chance that both countries have taken over the US in terms of biodiesel exports to the EU. Indeed, both Argentina and Indonesia maintain differential export taxes (DETs) regimes that are artificially incentivising the exports of biodiesel instead of soybean and palm oil. It should be reminded that the Argentinean DETs scheme is strongly 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. This concept applies also to Indonesian DETs.

In this perspective, EBB welcomes the recent Commission proposal to remove Argentina and Malaysia from the list of countries benefitting from the EU Generalized System of Preferences (GSP). If adopted by the Council and the Parliament, this proposal will at least ensure that Argentine and Malaysian biodiesel will be subjected to the non-preferential import duty of 6,5%, instead of benefitting from a duty-free access to the EU market. At the same time, EBB considers the situation of Indonesia under the GSP should be carefully re-assessed.

The important contribution of biofuels to the EU's GHG reduction, energy security and economic growth objectives has never been so evident as today. The EU biodiesel industry stands ready. Yet, this contribution will only materialize in the future if a suitable policy framework and market environment is maintained at EU level. This requires a prompt and seamless implementation of the RED and a level-playing field with imported biofuels.

COUNTRY	2009 Production	2010 Production
Austria	310	289
Belgium	416	435
Bulgaria	25	30
Cyprus	9	6
Czech Republic	164	181
Denmark/Sweden	233	246
Estonia	24	3
Finland*	220	288
France	1 959	1 910
Germany	2 539	2 861
Greece	77	33
Hungary	133	149
Ireland*	17	28
Italy	737	706
Latvia	44	43
Lithuania	98	85
Luxemburg	0	0
Malta	1	0
Netherlands	323	368
Poland	332	370
Portugal	250	289
Romania	29	70
Slovakia	101	88
Slovenia	9	22
Spain	859	925
UK	137	145
TOTAL	9.046	9.570

Figure V: EU 2009 and 2010 biodiesel production estimates
** Data include hydro-diesel production*
Subject to a +/- 5% margin of error

*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 70 companies and associations and aims to promote the use of biodiesel in the European Union.*

For further information please contact the Secretary General of EBB, Mr. Raffaello Garofalo at secretariat@ebb-eu.org, tel +32 (0)2 763 24 77, or visit our website: www.ebb-eu.org