

Market Watch

Every month, **GREENEA** provides our clients and partners with reliable and up-to-date information about feedstock and biodiesel markets. All the information in our monthly Market Watch is based on the last traded prices.

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Physical
veg-oil



UCO



Animal fat
cat 1 & 2

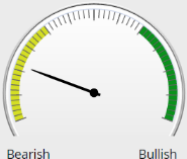


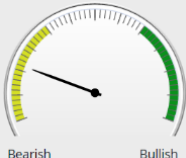


Glycerine



Physical
biodiesel

DOUBLE COUNTING INDICATORS

DOUBLE COUNTING	PRICE TREND	DOUBLE COUNTING	PRICE TREND
UCO - EU		UCOME EU	
TALLOW CAT 1 & 2		TME EU	



VEG-OIL: PALM OIL DEBATE CONTINUES

As a response to the ongoing EU debate on banning palm oil in biofuels from 2021, **Indonesia** called **palm oil**

producing countries from Asia, South and Central America and Africa to join forces against the planned ban. On Monday, 20 February, they have sent letters to the key EU authorities claiming that their proposal is against the rules of free trade. However, the EU is still far from making the decision final as, after the discussion between the parliament, EU Commission and EU Council, all the Member States will have to ratify the ban. Thus, **nothing is yet decided and the negotiations can take 2-3 years more.** It has to be remembered, though, that the ban would concern only palm oil for use in biofuels while import for all other uses would continue as before. However, EU has to remember that in case of palm oil ban, European producers will have to substitute it with other feedstock types which will also be a challenge.

Apart from the discussion in the EU on the import ban, **good weather forecast and growing stockpiles in the producing countries are going to weight on the palm oil prices in 2018.** However, contrary to what was expected, the veg-oil import tax introduced by India in November 2017 did not have much influence over the palm oil volumes imported by the country. As India is the world's biggest veg-oil buyer, this gave some support to the palm oil industry in Indonesia and Malaysia.

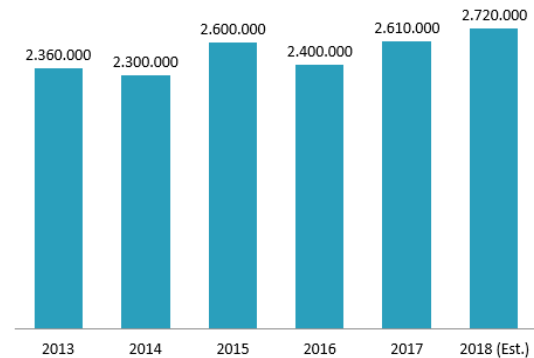
The prices of soybean oil were still going up due to dry weather across Argentina. However,

- **Indonesia, Malaysia and other palm oil producing countries** are jointly opposing the EU's proposed ban on palm oil
- **India's veg-oil import tax** has no significant influence on the import volumes

record-high acreage in the US should limit the price growth in the next weeks.

Palm oil use as feedstock for biodiesel and HVO in the EU (in MT)

Source: USDA



Oil World increased the 2017/18 world output of rapeseed to 65,8 million tons (+0.05 from one month ago). At the same time, the consumption is predicted to be around 64,7 million tons. This would mean that the global stocks of rapeseed will grow by 1,1 million tons and reach 7,7 million tons. As a result, the **prices of rapeseed and rapeseed oil might be under pressure.**



UCO: NO SIGNS OF MARKET REBOUND

The European UCO market is in crisis as **we are back to prices from January / February 2015 which were around 590 /**

600 euros per ton DDP UCOME plants in Europe. The spring 2015 brought an increase of 50 euros per ton and then the prices remained stable throughout the year. However, the difference between then and now is that now the EU opened its market to Argentina and Indonesia. Even though today the demand for UCOME and TME is much higher, the import of SME and PME will definitely weight on the prices. An increased importation of UCOME from China (around 300,000 MT estimated for 2018) will further add pressure to the European market.

Thus, it will be a difficult return from Chinese New Year holidays for the producers and traders in Asia as they hear updates on the EU prices which fell by more than 60 USD per ton.

- **Europe:** prices back to levels from January 2015
- **Imports:** decline of EUR / USD added pressure to the import market that, so far, resisted quite well

Moreover, the **decline of EUR / USD to 1.225** during the last days added more pressure to the market. If this lasts, it will penalize strongly the import market.

We see **the prices for UCO IV 75 at 615-630 USD per ton CIF and IV 50 at 595-610 USD per ton CIF.** The UCO and biodiesel markets have seen strong downwards trend in the last months. Although we do not see much chances for a trend reverse in the coming weeks, it is important to carefully observe the evolution of FAME market and imports. With the arrival of PME from Indonesia we may see further market decline, especially if the product has high savings value (with PME methane capture). Yet, **if the UK confirms the new mandates, we might see a revival on the DC market.**



ANIMAL FAT: MARKET STILL BEARISH

The **market of animal fat cat 1 / 2 stays bearish but there seems to be better visibility for the coming weeks**. The IT DC sector should remain strongly oriented on PFAD until June. The DC market is easier for UCOME producers given the premiums and interest still for winter specs. The TME export to the US is facing some difficulties to start.

Negotiations for the renewal of contracts for the second quarter seem to be very complicated. **The prices of cat 3 FFA 5% still remain at around 570 euros per ton DDP** following a sharp correction in early February.



GLYCERIN: CHINESE NY SLOWS DOWN THE MARKET

Glycerin market has been rather quiet in February. The slow-down of the trading activity is partly due to the Chinese New Year holidays. However, the activity picked up at the end of February. **We have seen prices around 440-480 USD/MT (depending on the feedstock type) C&F China for crude glycerin.**

In Europe, the availability of crude glycerin, GMO free and kosher is expected to decrease. It is due to the opening of the EU market to Argentinian SME and Indonesian PME that will put pressure on the local RME producers. They will have to compete for their market share with imported PME and SME which will influence supply of RME-derived glycerin.

Brazilian biodiesel mandate increase will be effective starting from the 1st of March 2018 and will increase the level of biodiesel incorporation from 8 to 10%. The local production of biodiesel will go up which will result in higher glycerin supply. In 2017, Brazil produced around 380 Kt of glycerin.

The **US crude glycerin market is expecting the prices to go down** starting at the end of March, as they do every year. It is connected with the increase in biodiesel production and the seasonal slow-down in demand coming from anti-freeze producers.



BIODIESEL: MARKET WORRIED BY IMPORT VOLUMES

In February, the price of biodiesel continues its downward trend driven by the bearish oilseed market, high level of biodiesel inventories and weak demand from end-users.

FAME 0°C went down by around 25 USD/MT from 830 USD/MT to 805 USD/MT while RME prices dropped by 30 USD/MT from 890 USD/MT to 860 USD/MT.

With such low prices of FAME 0°C, the arbitrage for imports from Argentina is low but market players are now more afraid of the impact of PME from Indonesia. Will it be as drastic as the hit of SME imports in Q4-2017?

RME producers are worried about their competitiveness on the market and about the demand for RME in Q2-Q3. With summer specs they will be penalized compared to other biodiesel types especially with the price of rapeseed oil still relatively high.

The DC market is following the fall of the FAME 0°C price. **UCOME and TME dropped by €20 reaching €775 and €720 per MT respectively.** Most of the market seems to be long in DC material and the massive imports of 20-25 KT per month of UCOME from Asia (mainly China) are not helping the EU producers. With the premium of DC at around 165 USD/MT and the FAME premium over GO close to 210 USD/MT, the incentive to blend DC materials is still not really attractive with the ratio at around 1.7-1.8.

The DC market lacks liquidity as the demand is low and DC material faces competition from FAME 0°C with 75% GHG saving. As a result,

- **UCOME and TME:** prices lost around 20 euros per MT during February
- **FAME and RME:** the market is anticipating pressure from the PME imports from Indonesia

there is still more than 30 Kt of UCOME for March to sell in Europe and the situation is getting tense. UCOME's import from Asia is becoming more challenging as Asian producers have still to realize the downward trend of the European market.

UCOME FOB ARA CFPP +2°C RED GHG >92% (in Euros)
Source: Greenea



DC biodiesel producers hope that the increase of mandate in the UK and Holland should push the market up in March and April. However, it will take the market some time to use up the current inventories.

TME producers are, at the same time, waiting for the cancellation of PFAD and acids oils as DC feedstock in Italy which should take place in June 2018. Nevertheless, PFADME producers are currently selling at very attractive prices in Q1-Q2 and the market situation will depend largely on how much Italian market will still have to blend for the SH of the year. Another hope for the TME producers is the possibility to

export to the US. Arbitrage is currently low but with the confirmation of the anti-dumping

duties from Argentina to the US, TME (or RME) from Europe could be the right candidate to bridge this gap.

UK RTFO PROPOSALS UNDER FINAL VOTING

In the UK, the proposal to increase the biofuels blending obligation in transport is awaiting final vote in the House of Lords on the 6 of March. It has already passed through the House of Commons earlier this week.

If it is approved, the blending in the UK will increase from 4.75% today to 9.75 in 2020 and 12.4% in 2032.

There is also a sub-target for advanced biofuels of 0.1% in 2019 and 2.8% in 2032. As well as a cap on crop-based biofuels of 3% in 2021 and 2% in 2032.



ONCOMING EVENTS: MARCH

ISCC Training

17 March
Shanghai, China

World BioMarkets

20-22 March
Amsterdam, The Netherlands

3rd Clean Energy Finance Europe 2018

21-22 March
Frankfurt, Germany



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