

# 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 latest traded prices.

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UCO



Animal fat  
cat 1 & 2



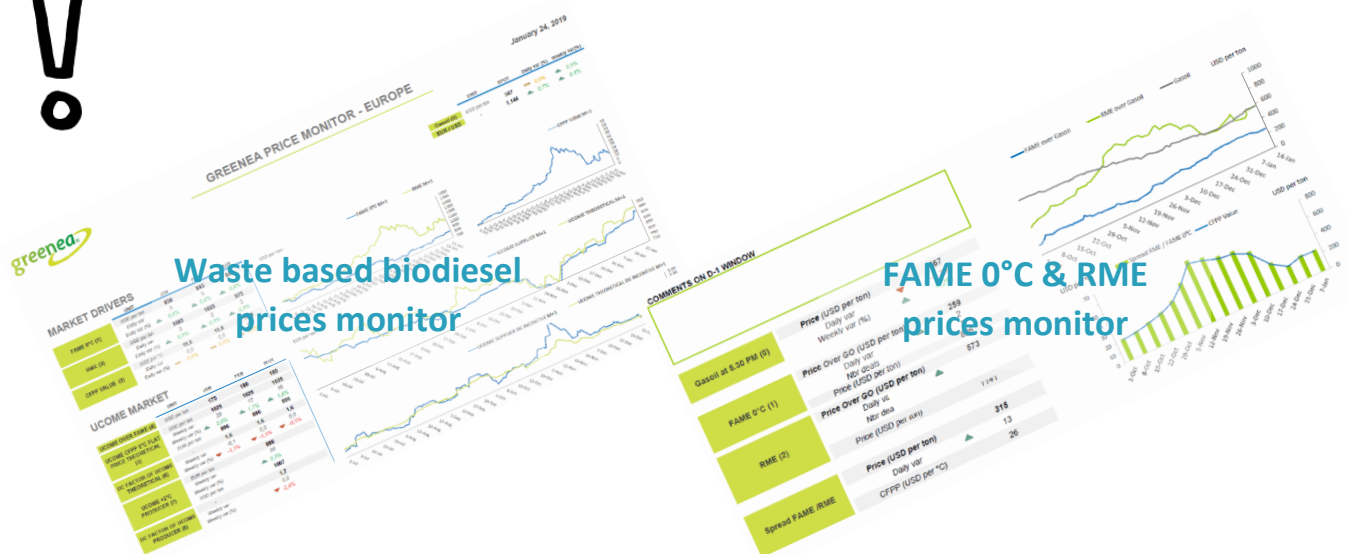
Glycerine



Physical  
biodiesel



## NEW TOOLS AVAILABLE UPON REQUEST





## BIODIESEL: JANUARY PREDICTS AN ACTIVE YEAR

There was intense activity after the Christmas holidays, not only on the double counting part

but especially on conventional biofuels (FAME & RME). Historically the first 6 weeks of the year are relatively quiet. The FAME 0°C market thus recovered during January to the price level of end of October 2018. The RME market, after having experienced historical or even excessive increases in November and December 2018, is now back to controlled levels. The RME market fell by 112 USD (back to September prices), making it possible to achieve a reasonable RME/FAME spread for this period of the year with a CFPP of USD 12 to 20 per degree during the trimester, which helps to support the value of the UCOME and the TME significantly.

In January we have a FAME 0°C price that has averaged USD 840 per ton (Dec. 782 USD) and RME around USD 1095 after the very high levels of USD 1207 in December 2018 and USD 1414 in November 2018. Concerning waste based biodiesel (UCOME & TME) market, after a very difficult month of December, the UCOME market regains 70 EUR per ton in January and the outlook for February and March 2019 is positive.

Indeed, the increase in mandates, the decrease in RME/FAME spread and the boost in FAME 0°C gives a new optimism to the entire UCOME & TME sector.

UCOME's market is more oriented over 900€ per ton FOB Rotterdam from the end of January, most of the February's production appears to be sold out not only in Northern Europe, but also in Spain. Producers now focus on March sales and stay firm on their prices. Full spec UCOME with all DC option & GHG

- **RME:** Prices back to normal after Nov-Dec 2018 peaks
- **Spain:** We can expect double counting to start in March
- **SME:** Agreement between Argentina and EU found

saving at 90% aligns around 170 to 180 USD per ton over FAME 0°C FOB ARA.

Concerning the TME, if producers would have been able to store production from the last quarter of 2018 and sell it in 2019, they would have been very happy today. But it is not possible to win all the time in this game, better to be pragmatic. Thus, since mid-December, the TME market has been recovering every day to align close to UCOME's values. The Italian market is driving demand for TME due to the limited production of certified UCOME for the Italian market and the end of the PFAD IT DC since last summer.

TME productions are more or less sold out for Q2. We hope to find a few drops of TME in March, the limited supply and abundant demand will make this product a small treasure. We value the TME around 880 EUR per ton for March at the moment.

Even if diesel consumption is expected to be rather stable, or even slightly lower at European level, the increase in mandates in several countries will support the incorporation of biodiesel. Today, indicators are positive for 2019 for UCOME and TME, with biodiesel consumption forecast to increase **by 500 / 540 kt (compared to 2018), to 14.94 Mt.**

We are still waiting for the double counting to start in Spain. For the moment, we have not seen any purchases for waste based biodiesel into Spanish diesel but UCOME producers are confident that it will start in March. Last week of January the CNMC published a draft for the circular that will provide guidance to operators for the certification scheme for double counted waste-based biofuels. So producers are hoping to get the final version in the coming month in order to start for March or April. As a reminder, biodiesel consumption is estimated at **1.26 Mt in Spain in 2018**. It is **the fourth European market** behind France (around 2.8Mtons), Germany (2.3Mtons) and Italy (1.5Mtons). The United Kingdom is in fifth position with 1Mtons.

The incorporation of UCOME in Spain can also be driven by the PME price since the CFPP standards are +10°C on Q2/Q3 in the country. The PME should be more competitive against UCOME despite the incentive of double counting.

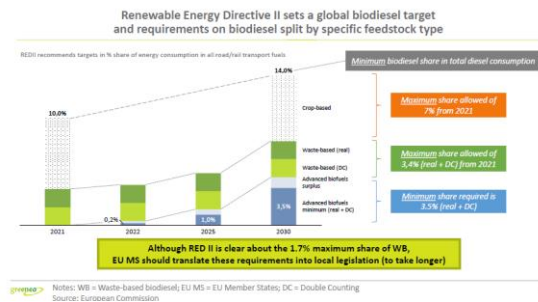
Regarding SME imports from Argentina, the European Commission finally reached an agreement with the Argentine government at the end of January. This agreement will therefore allow biodiesel exports to resume. **Producers that accept a fixed minimum price will not have to pay anti-dumping duties on their biodiesel exports to Europe.** Prices and volume limitations have not been made public.

The EU has also launched an investigation procedure regarding imports from Indonesia. For the time being, we assume that anti-subsidy taxes on Indonesian biodiesel could be introduced at the end of 2019/beginning of 2020. Therefore, there will be no impact on SME imports, in a context of overproduction of palm oil and its low price.

UCOME imports to EU are expected to accelerate. For China, we should approach or even exceed 500,000 tons. This should generate the share of imports of waste based biodiesel (excluding HVO) in Europe of nearly one million tons.

To complete this information, you will find on our website our **2019 OUTLOOK**, visit : <http://www.greenea.com/en/publications/>

The new EU's RED II directive has been adopted on December 2018 setting EU biodiesel policy



Our team also provides you with a weekly tool for monitoring UCOME and TME prices as well as a daily tool on the FAME and RME price. Please contact us if you are interested.

31/01/2019	UNIT	PRICE	Weekly var	Monthly var	Monthly var (%)	LOWEST*	HIGHEST*	30 DAYS AVG
GASOIL	USD per ton	582	▲ 15	▲ 65	▲ 11,2%	492	736	562
EUR / USD		1,144	▼ 0,000	▲ 0,004	▲ 0,3%	1,125	1,177	1,143
FAME 0°C M+1	USD per ton	877	▲ 27	▲ 67	▲ 7,6%	740	918	843
RME M+1	USD per ton	1010	▼ -75	▼ -100	▼ -9,9%	891	1495	1077
CFPP Value M+1	USD per °C	11,08	▼ -8,50	▼ -13,92	▼ -125,6%	1,00	61,67	19
UCOME Th. M+1	USD per ton	1047	▲ 22	▲ 57	▲ 5,4%	930	1074	1020
UCOME Producer M+1	EUR per ton	910	▲ 30	▲ 65	▲ 7,1%	760	915	870
TME Producer M+1	EUR per ton	880	▲ 20	▲ 45	▲ 5,1%	775	900	852
UCO DDP NWE M+1	EUR per ton	645	▲ 10	▲ 15	▲ 2,3%	580	645	633
UCO CIF ARA Flexi M+1 (bid)	USD per ton	630	▲ 15	▲ 20	▲ 3,2%	560	645	617



## UCO: MARKET STIMULATED END OF JANUARY

The UCO market was less active in January compared to the UCOME market. Indeed, several

producers, mainly in northern Europe, were covered in UCOs for January and February, and even for early March.

The abundant and available imports have allowed producers to contract significant quantities at the end of December and beginning of this year. Liquidity in the second half of the month was not necessarily good, as UCOME producers were well covered, the European market remained at around 625 EUR per ton DDP NWE and moved up to around 20 EUR per ton during the last 10 days of the month.

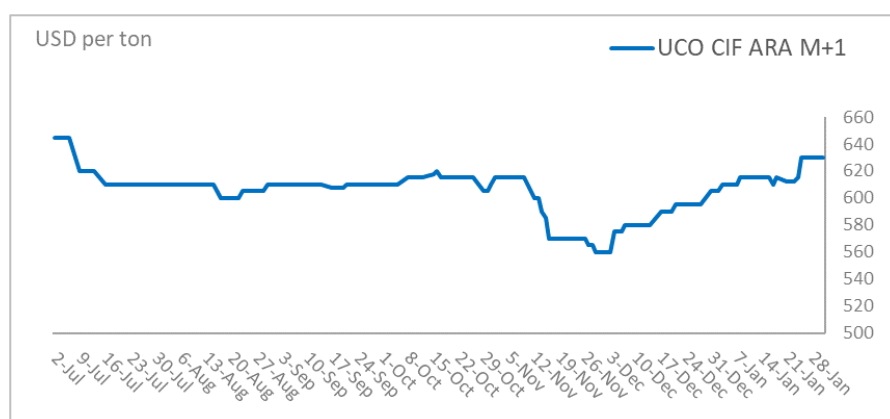
The import market averaged around 605 / 610 USD CIF in Rotterdam and around 620 USD CIF in Spain during the first half of January and gained 10 to 15 USD recently (UCO FFA max 5%, MIU

2%, IV min 75, Sulfur max 40ppm). At the end of the month, there was a significant price increase, due to the more limited supply with the Chinese New Year and the increase in the UCOME price over February/March.

After the Chinese New Year on February 5<sup>th</sup> 2019, the market is expected to pick up with more liquidity from the suppliers and the decrease of freight costs. EUR/USD will have to be monitored as in January it went from 1.155

- **Imports:** January active with strong UCO imports and prices equal to end of July 2018
- **Europe:** 2-week break on UCO negotiations due to Chinese New Year (Feb 5<sup>th</sup>)

to 1.135, a significant variation with its sensitivity in the import market.



**We also wish you a prosperous, healthy and safe New Year!**





## ANIMAL FAT: PATIENCE BEFORE Q2 NEGOTIATIONS

Flat calm on the Cat 1 animal fat market, with contracts being made on a quarterly basis, so there are no deals in January. On the other hand, it should rise well in the 2nd quarter, an interesting semester on the one hand with the TME on the rise and on the other hand with the animal quality still good before the increase in FFA during the summer period. At the end of February / beginning of March, negotiations should resume on purchases for Q2 but what will be the price increase? Animal fat CAT 1 producers are relatively stuck, as TME producers are concentrated (only one per country maximum) and have no possibility of storage. The market thus remains in a context of a buyer positioning, since there is a lack of competition. Even if a new producer of TME should appear in Ireland, Italy lost a producer of TME last year. We must remain careful, because a competitor could enter the market for cat 1 animal fats (our friends in the HVO sector.....). There still is scepticism about the

use of cat 1 fat in the HVO process, but we must be cautious because advanced pre-treatment could certainly open this market one day.

In Western countries, more and more consumers want to switch from meat to a vegan diet. Although overall meat consumption continues to increase at the global scale, buoyed by increased affluence in developing economies such as China and Brazil, there is a decline in consumption in European countries such as France, Germany, UK, Spain and Sweden. This change in consumer behaviour could therefore change the amount of animal fat available in the long term at least, redistribute the geographical position of the leading producing countries.



## ONCOMING EVENTS: JANUARY AND FEBRUARY

### **4th Biomass Trade and Power Europe**

12 – 13 February  
Copenhagen, Denmark

### **International Biomass Conference & Expo**

18 – 20 March  
Savannah, USA

### **Gasification 2019**

13 – 14 March  
Brussels, Belgium

### **European Fuels Markets & Refining Strategy**

27 – 28 March  
Frankfurt, Germany



**FOR MORE MARKET NEWS AND PRICES PLEASE VISIT:**

[www.greenea.com](http://www.greenea.com)



**FOR MORE INFORMATION, PLEASE CONTACT:**

**Fabien Hillairet**

+33 5 79 97 97 51

fabien.hillairet@greenea.com

**Olivier Madiot**

+41 (0) 79 955 41 00

olivier.madiot@greenea.com

**Gwénaëlle Le Roch**

+33 5 79 97 97 53

operations@greenea.com

**Jorge Sanchez**

+33 5 79 97 97 52

jorge.sanchez@greenea.com

**Leonhard Beuth**

+41 (0) 22 518 62 01

leonhard.Beuth@greenea.com

### **GREENEA**

5 chemin des Perrières  
17330 Coivert  
France

Tel +33 5 79 97 97 50

### **GREENEA Geneva SA**

6 Place de l'Université  
1205 Geneva  
Switzerland

Tel +41 22 518 62 01

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