

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.

CONTENTS



UCO



Animal fat
cat 1 & 2



Glycerine



Physical
biodiesel



GREENEA TEAM BUILDING 2019 :)



BIODIESEL: FROM THE MARKET SIDE

A STORMY SUMMER IN THE BIODIESEL MARKET

Europe is going to war against palm biodiesel. First, RED II measures define that the use of palm oil biodiesel blend in Europe will be gradually reduced as of 2023 and should reach zero in 2030 although exemptions remain. August 13, 2019, the European Commission imposed countervailing duties of 8% to **18% on imports of subsidies biodiesel from Indonesia.**

World increase of the biodiesel mandate, after the RED II boosting the European biofuels mandates, several countries during the summer time announced similar ambitious plan for biofuels. **Brazil** approved a measure that allows fuel distributors and retailers to blend up to **15% biodiesel with diesel sold at**

the pump in 2023. **Indonesia** wants the so-called **B30 standard** to be adopted in January next year. **The US** are also in discussion to increase the volume of biofuels refiners must blend into their fuel annually to **20.04 billion gallons in 2020, from 19.92 billion gallons in 2019** and also increase the mandate for advanced biofuels and **California approved B20.**

So the ballooning for biofuels continue on a global horizon after India and Malaysia which already announced the increases of their mandate before the summer. Beware of raw materials supply and the impact on prices.

SKYROCKETING PRICES ON THE UCOME MARKET

100€ increase on the UCOME market between the beginning of June and the end of August.

A hot summer, with +12% on prices. How far will the increase go? The UCOME market is becoming out of control, it is now uncorrelated with the DC SC Fame 0°C incentive, so all summer the DC factor was well above 2 (now 2,5), and the outlooks on Q4 continue in this direction (about to 2,8). UCOME from producers with CFPP +2C is now offered for Q4 above 1000€ FOB ARA. As a result, the average premium over FAME 0°C is close to 150 USD over the last 3 years (FAME 0°C over UCOME Producer prices) at 180 USD on average in January / September and 255 USD on Q3. For full spec with all double counting certificates (DDC, UK, FR, GHG min 90 %) the **UCOME**

premium over FAME 0°C is more around 360 USD for spot and 350 USD for Q4. In the past, we have already seen UCOME prices exceeding 900 EUR (Q2/Q3 2017 for example) or even reaching 1000 EUR per tonne (Q1 2017), but this was always in line with the evolution of the FAME 0°C and the EUR/USD. **This summer, the UCOME / FAME 0°C spread is unprecedented, since 2014 there has never been such a value.** The gap is so large that the maximum value of the UCOME (producer)/FAME spread between 2014 / 2018 was 230 USD, so **130 USD less than the value of today.** By mid-August, most of the UCOME producers were **sold out for September / October.**

Thus, the market remains very tight and the offer is very restricted. Buyers are increasingly turning to imports from China, the only country outside Europe where UCOME can be contracted in bulk in large quantities. **The war is fierce to contract the available volumes, the last prices were higher than 935 / 940 USD per ton FOB China.**

We have observed an increase of 120 USD in the RME market during August, driven by strong demand for ARA and an expected decline in European rapeseed crops.

The TME market was also turbulent, due to the limited supply in Dutch DC, low mono interesting for the UK market and the Italian scheme. The TME market is almost sold for the rest of the year. **The negotiated prices in August were thus higher than 910/920€ for Q4, more than 100€ at the average Q4 2018.** There is still some product available for the last months of the year but TME producers must first and foremost secure their purchase of animal fats.

BULL MARKET IN BRAZIL

Brazil trades biodiesel through auctions held by the Petroleum, Natural Gas and Biofuel Agency (ANP) every 2 months. The last edition, tenders contracted 1 005 737 tons at an **average price of 830 USD** per ton (1 USD = BRL 3.91) for **September and October**. A growth of 137 269 tons from the previous edition. Such growth is pushed by the blend mandate from B10 to B11 as a consequence of the country's new cleaner fuel policy and the top 10 producers have 40% of the market-share.

SHARP BRAKING ON SME IMPORTS

510,000 tons were loaded from Argentina to Europe until August this year, 353,000 tons less than at the same time last year. The market is almost controlled by a **single trader, who traded more than 70% of these volumes** (+10% y-to-y market share).

In a context of increasing taxes on PME, countries such as France, which bans palm oil on FAME POS, European producers who are turning more to RME and UCOME production where margins are currently very acceptable.... Will there be enough FAME 0°C next year? Can we expect a price increase in upcoming months? What impact will this have on the price of FAME 0°C?

These are the questions to ask for the 2020 tenders coming from the distributors who will be in full swing in the upcoming weeks. Some French distributors have already started to contract for 2020, given concerns about the FAME 0°C price due to the ban on palm oil.

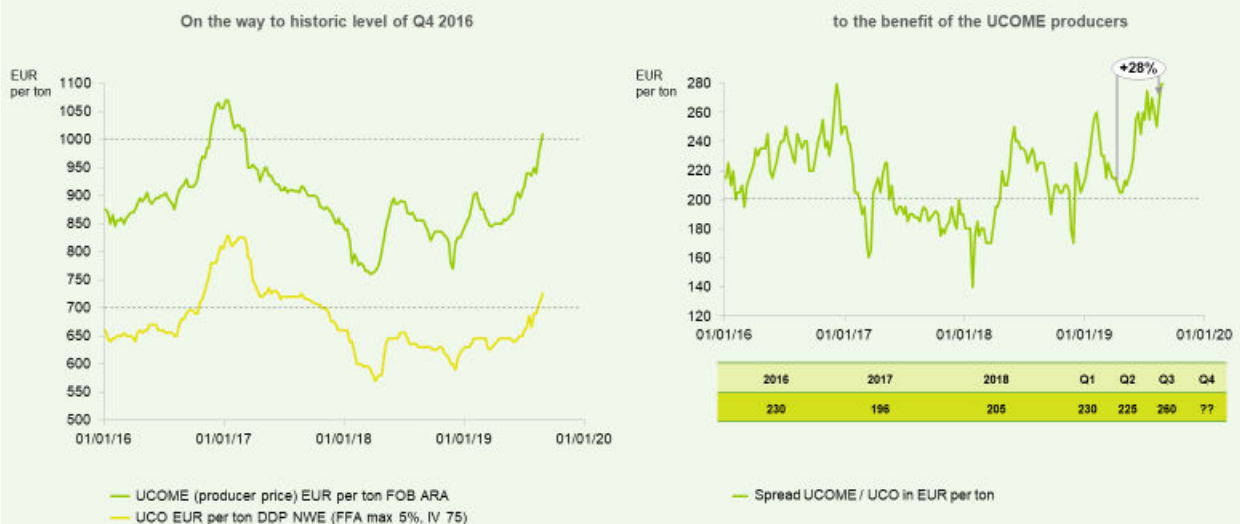


UCO: AN OUTSTANDING SUMMER ON THE UCO MARKET

After a fairly flat price for the first quarter, the UCO market starts its upwards correction at the end of Q2: +4% and accelerates during the summer, 660€ per DDP vs **now 725€ per DDP +10%**. Imports are on the same trend, despite the drop of EUR / USD from August, **the market easily gained 40 to 50 USD during the summer**. Given the UCOME / UCO spread, it is quite possible that the price of UCO will continue to rise in September and October, as in addition to the constant increase of UCOME over the summer and the forecasts for September / October, production margins have improved significantly since July. This should allow the price of UCO to catch up in the coming weeks, given the strong demand. Even if the market is constantly growing in August, this trend should continue in September, with prices above 695 USD per ton CIF for Flexi imports (FFA max 5%, IV 75). It is expected to be well over 700 USD, especially for FFA max 5%, which has already been the case for the UCO negotiated in ISO TANK for September.

The UCO IV 50 / 60 from South East Asia is still trading at very good prices, despite the upcoming winter season in Europe and the increase in the CFPP point (gap in RME - FAME divided by 13). If the RME continues to rise and the FAME remains at current levels, this type of UCO should still be impacted in the upcoming weeks. It will be important to monitor the RME / FAME spread in the next few days. However, the foreseeable high demand for UCO on Q4 should also allow UCO IV 50 to perform well, a product that is blended with Chinese and South American UCO to improve the iodine index, which is a key parameter on the variation in biodiesel CFPP. **With strong demand and rising prices, problems are now back on the UCO market: collectors and traders are looking for more quantity, UCO quality is declining (FFA and sulphur are higher) and some contracts are not delivered by the suppliers, which is more of a concern.**

Exhibit – UCOME price rises for 6 months in a row : will this trend keep going in Q4 2019 and 2020





ANIMAL FAT: THE GROWING BACKLOG

Animal fat producers have been accumulating the delay since the beginning of the summer for two reasons. First, the fats exposed to high temperatures in July/August increased in acidity, which reduced the volumes available in contracted FFA. Secondly, because of the export of carcasses to China. The CAT 1 fat market is particularly impacted by temperatures. Due to the heat wave in Europe, the CAT 1 fat market has risen sharply in FFA across Europe. Buyers begin to slow down the reception of the high acidity product (FFA > 35%) as the stocks start to be important. The entire CAT 1 market is eagerly awaiting a drop in temperatures in Europe.

Regarding CAT 3, it is more subject to increased exports of carcasses. Between **January and May, exports to Asia increased by 15% in France and 25% in Spain.** This is very interesting for European producers. In addition, Asian customers are particularly fond of fatty pieces of pork and offal, which are not very popular in Europe and are found in fat production. The pork crisis in China is therefore having a significant impact on pork fat production. Furthermore, to make up for pork deficits, the Chinese will also import other types of animal carcasses (poultry, beef, etc.). This upheaval is global. In **June 2019, pork shipments in Brazil increased by 81%**

compared to the same period in 2018. Since the beginning of the year, the Brazilian large export market has been booming, with 346,000 tonnes, 24.5% more than in the first half of 2018. **The situation is similar in Argentina, with exports rising by 53% in the first four months of 2019.** In April, a pork export protocol between China and Argentina was signed. For the moment, there is no shortage of CAT 3 animal fat supply in Europe, only the delay pushes Q3 contracts to October but let's be careful in the coming months. Officially, in China, the situation is under control. In fact, it is a little more complex: more than 1.1 million animals have been slaughtered as a preventive measure and the epidemic is spreading like wildfire. It is hoped that China will be able to control this epidemic and get its livestock back on track very quickly. In a context where demand for animal fat is expected to grow rapidly in 2020/2021, with new HVO projects emerging around the world and the pressure on crops-based biofuels + palm based biodiesel becoming more and more intense, a global crisis in the animal fat market is not really welcome. Another emerging concern for animal fat producers is the implementation of Brexit in Q4 and the new measures that will be taken for UK rendering plants and slaughterhouses to export to the EU.



ONCOMING EVENTS: SEPTEMBER AND OCTOBER

The Bioenergy International Conference

11 – 13 September
Portalegre, Portugal

3rd Biomass Trade and BioEnergy Africa

25 – 26 September
Abidjan, Ivory Coast

Advances in Biofuels and Bioenergy

21 – 22 October
Toronto, Canada

Expo Biomasa 2019

24 – 26 September
Valladolid, Spain

PALMEX Indonesia 2019

8 – 10 October
Medan, Indonesia

Global Biofuels Summit

22 – 23 October
Singapore, Singapore



FOR MORE MARKET NEWS AND PRICES PLEASE VISIT:

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

Disclaimer:

The information presented in this document is provided for informational and demonstrational purposes only. The data is purely indicative and gives no warranty of prices at which transactions may be affected at any time. To the maximum extent permitted by law, no responsibility or liability for the accuracy, quality, correctness or comprehensiveness of the data will be accepted by GREENEA whether arising from the negligence or otherwise. GREENEA shall in no circumstances be liable for economic loss or any indirect or consequential loss or damages arising from the use of this data.