

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

GREENEA SPEAKER AT THE ARGUS, MEET US FRIDAY 11TH OCTOBER AT THE :

- PANEL DISCUSSION: HVO NEW PROJECTS AND CURRENT SCOPE
- PANEL DISCUSSION: GLOBAL SUPPLY/DEMAND BALANCES





UCOME: IS THE BULLISH RALLY OVER, OR IS IT JUST WINDING UP BEFORE ANOTHER HIKE?

The UCOME market finally shows signs of stability in September, levelling off at around 1030 / 1050 EUR per tonne for the full spec product with a CFPP of 0°C and fluctuating between 1010 / 1020 EUR for the producer product that is a little out of spec. **This remains the highest level since March 2017.** The DC factor remains at levels above 3, so the interest for UCOME is no longer the double counting value but the only product that allows to go further than the blend wall in competition with HVO.

In view of the potential increase in mandates showing a potential increase of the UCOME of one million tonnes, the blending wall at 7% and supported by the restriction of palm oil in some countries, **will double counting prices continue to soar in 2020 to just below HVO prices?**

Thus the UCOME premium over FAME continues on a bullish rally to reach **USD 390**

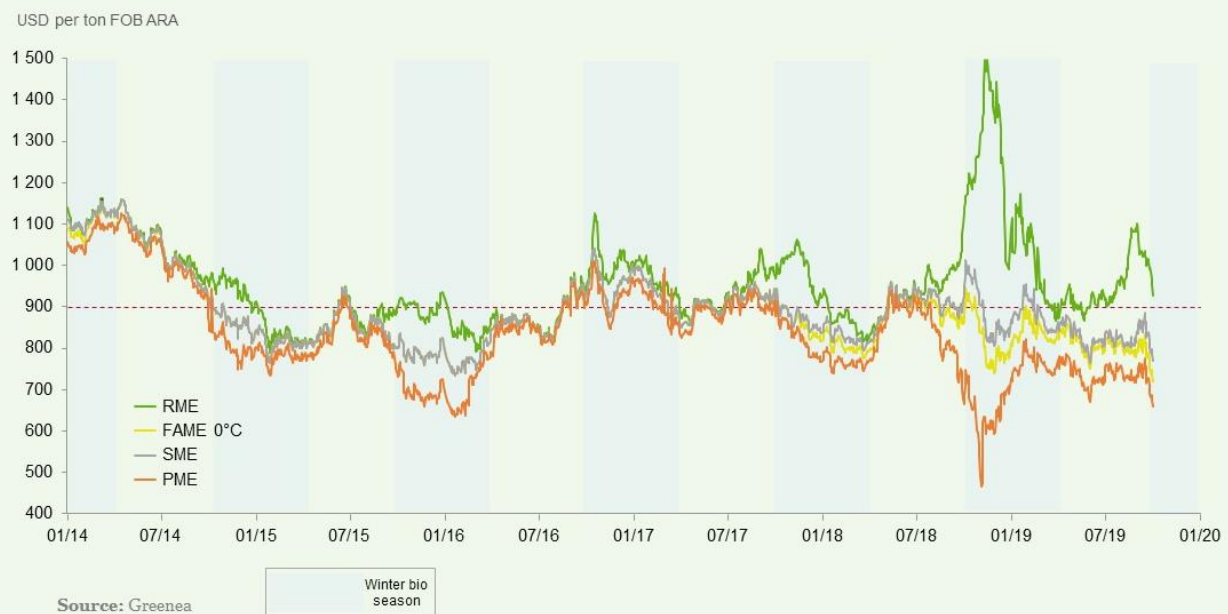
per tonne in October, a new historical record. The **outlook for Q4 are slight bearish to the level of 370 / 380 EUR.**

However, there was a little less SH liquidity in September in UCOME among producers, since some blenders now prefer to buy in the window argus to benefit from a standard, risk-free product.

What marks this year's end-of-year is the ridiculously low price of the FAME 0°C, driven in particular by the price of the PME.

As for the RME, it fluctuates on rates already recorded in previous years, truly qualifying Q4 2019 as a quarter that will remain in the annals. Indeed, even if the question has arisen several times with the decline in rapeseed harvests in Europe, the price of RME has not followed the Q4 2018 trend with an explosion in prices that began at the end of September. Today, it is unlikely that we will meet the 2018 scenario.

Exhibit 8 – “Winter is coming”, game of biodiesel spread



The value of the CFPP point remains relatively high >15 USD per point, the winters of 2015/2016/2017 were under this value, which still shows a stress but correlated more with the low value of the FAME 0°C.

Regarding the TME, 90% of sales are made for this year and already several other sales have been made in January and Q1 to move now to 950€ per tonne CIF ARA, the highest price since April 2017... Despite the relatively low supply, and a market oriented around 4 key producers, demand remains very strong.

The breaking news in October will be the announcement on the sale of the Kampen biodiesel plant. This is a much anticipated announcement that will change the market on ARA. Two modes can be expected: either vertical consolidation (an oil company that will buy this plant to control its supply of UCOME) or horizontal consolidation (a UCOME producer that seeks to strengthen its position to dominate the ARA market). The answer is expected in a few days.... Thus, in 2020, we can expect the restart of Kampen followed by the opening of Greenergy NL, which should help to meet the increased demand for UCOME.



NEW ISCC RULES ARE COMING

After rising from 700 EUR on August to 730/740 EUR on September, **the market seems to stabilise in October or even Q4.** Several UCOME producers are already covered on October and November and are working on their supply for December and January.

The import market is also **calming down, with a slight price increase to 690 / 710 USD per ton CIF** (IV 75, FFA 5, Sulfur 45, MI 2), a gain of about 10 USD compared to last month, which was slowed down by the decrease in the EUR / USD (1.11 in August ; 1.10 in September).

Unlike in previous years, the discount for UCO IV 50 remains moderate and is offset by an FFA <5%. There is still a lot of UCO import availability in October, even for prompt shipments.

The most important news on the UCO market is the announcement of **new ISCC rules that will take effect on January 1st.** The key issue is whether auditors will actually play their role in strictly monitoring new rules. The issue can really be the verification of the points of origin (Poos) on collectors making considerable monthly volumes. This is particularly the case in China. Today, no European collector can compete with the volumes offered by Chinese collectors. **The volumes collected are 4 to 5 times higher in China than in Europe.** Thus, the number of PoO audits may be disproportionate. For example, in August, China exported 88,000 tonnes of UCOs, the question is how many PoOs were needed to generate these volumes.....

The implementation of such a measure will be interesting to follow, will we see auditors fully occupied on the verification of PoO, will the costs of certification increase significantly? To be continued....

In any case, a great deal of training still needs to be done, especially outside Europe, since there are still stakeholders who still do not really understand the current rules. Some traders still think that if they are certified, then the product is certified and vice versa. **The challenge will therefore be even greater from January 2020.**



ANIMAL FAT: NO BIG CHANGE AND NO GOOD NEWS EITHER

The CAT 1 fat market recorded a slight increase in the last quarter. This is a very restrained increase despite the soaring price of TME. The animal fat market certainly remains a buyer's market. It is clearly an oligopson market, where there are a small number of buyers versus a large number of sellers. Buyers are then able to put more pressure on sellers and thus distort competition. This situation can hardly change, since investments in a new TME plant are unlikely, there is only one new plant to be operational in 2020. This market could change radically if HVO producers start buying this type of fat, which would require significant pre-treatment to reduce industrial risks, not to mention sanitary/veterinary constraints. Thus, today this type of fat does not seem to be the strategic orientation of HVO producers who prefer to focus on categories 3 or tallow uncategorized outside Europe.

There is no big change on CAT 3 fats.... Delays are still accumulating. The situation is still worrying and is getting worse.... **It is estimated the disease has already wiped out 25 per cent of the world's pig population.** The first case of ASF was recorded in **Timor and in the demilitarised zone (DMZ) that separates the two Koreas.** Timor-Leste is the 10th nation in Asia to have the disease. The other countries are **China, Vietnam, Laos, Myanmar, North Korea, South Korea, Mongolia, the Philippines and Cambodia,** which along with Timor have a combined total of 522 million pigs out of an estimated global population of 770 million pigs. **The African swine fever (ASF) is now on Australia's doorstep keeping Australian authorities on alert.**



ONCOMING EVENTS: OCTOBER AND NOVEMBER

ARGUS Biofuels
8 – 11 October
London, UK

MEET US THERE!

PALMEX Indonesia 2019
8 – 10 October
Medan, Indonesia

Advances in Biofuels and Bioenergy
21 – 22 October
Toronto, Canada

Global Biofuels Summit
22 – 23 October
Singapore, Singapore

**Biofuels International Conference & Expo and
International Biomass Congress**
22 – 23 October
Brussels, Belgium

European Biomass to Power 2019
6 – 7 November
Helsinki, Finland

Future of Biogas Europe 2019
13 – 14 November
Amsterdam, The Netherlands

Asian Biomass to Power
27 – 28 November
Kuala Lumpur, Malaysia



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