BUILDING A BIODIESEL INDUSTRY: THE EU EXPERIENCE

Raffaello GAROFALO

EBB Secretary General

« Biodiesel: Powered by Canola » Conference

Calgary, July 17-18, 2006

EBB – European Biodiesel Board

What is EBB

- **The European Federation of biodiesel producers**
  - *Co-ordinates and represents the industry at EU and national level*
  - *Permanent office in Brussels*
- **Representing 80% of the EU biodiesel production**
- **39 members (29 full members and 10 associates)**
- **Private companies are directly members of the EBB**
  - *Many medium size industries active in rural areas (job creation)*
  - *Multinational companies of the Agricultural processing and vegetable oils sectors (ADM, Bunge, Cargill, Diester Industrie International)*
  - *Industry from the fuel and renewable energy sector (Sauter, EHN, Fox)*

EBB
European Biodiesel Board

EBB membership

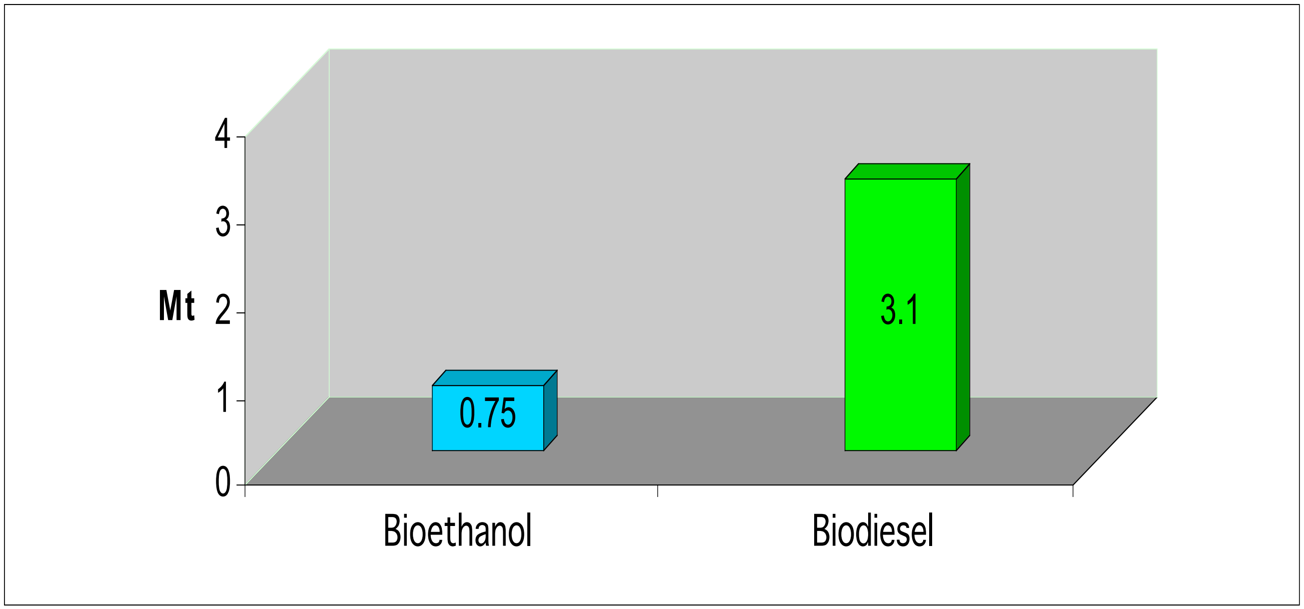
ADM
Cargill
Greenergy
DIESTER Industrie
Argent Energy
NESTE
OLEON
BIO DIESEL KÄRNTEN
Campa Biodiesel
BIONET
BIONET EUROPA S.L.
Novaol
Oil.b
Bionor transformación
SVENSKA ECOBRÄNSLE AB
INEOS
FOXPetroli
bioro
IBEROL
ENIV
HABIOL
Hadeland Bio-olje AS
ÖKO-POWER
acciona
PETROTEC BIODIESEL
Ital Bi Oil
DOW
Living. Improved daily.
VDB
OLEARIA OLIMPO
PROLEA
FEDIOL
AGROINVEST

BUILDING A BIODIESEL INDUSTRY:
THE EU EXPERIENCE
« Biodiesel: Powered by Canola » Conference
Calgary, July 17-18, 2006

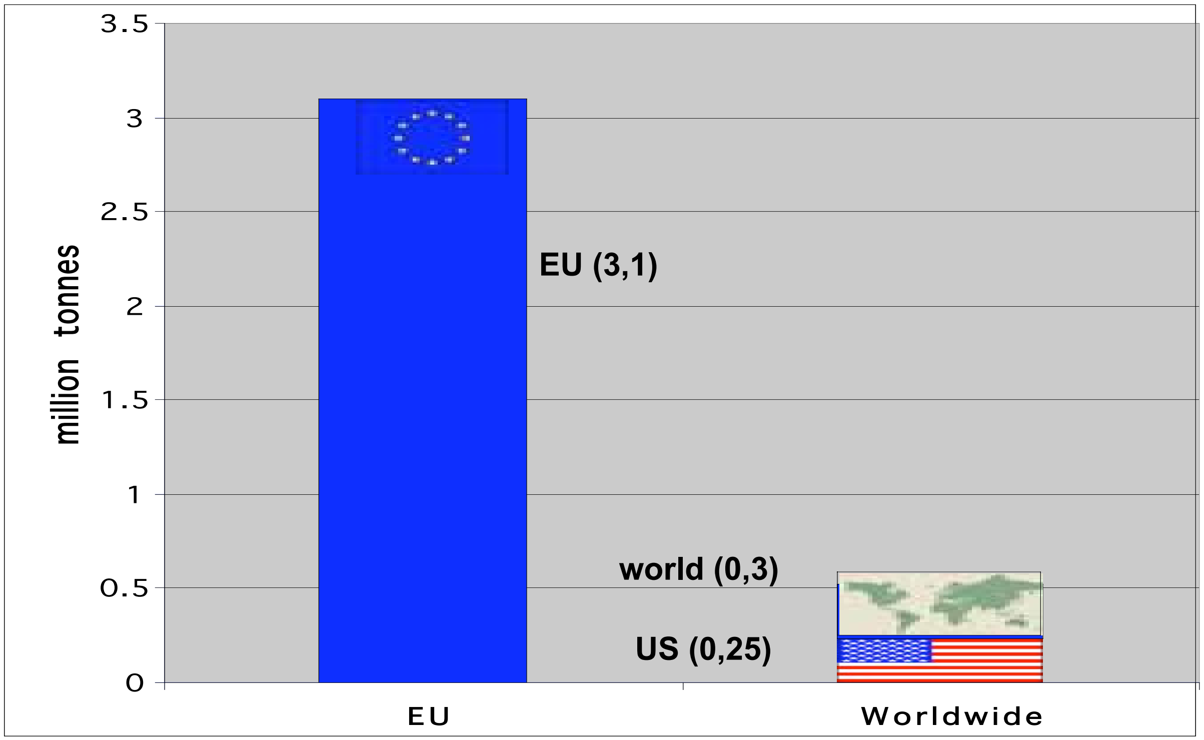
Raffaello Garofalo EBB Secretary General

2005 production of biofuels in the EU-25

Sources: EBB, EBIO



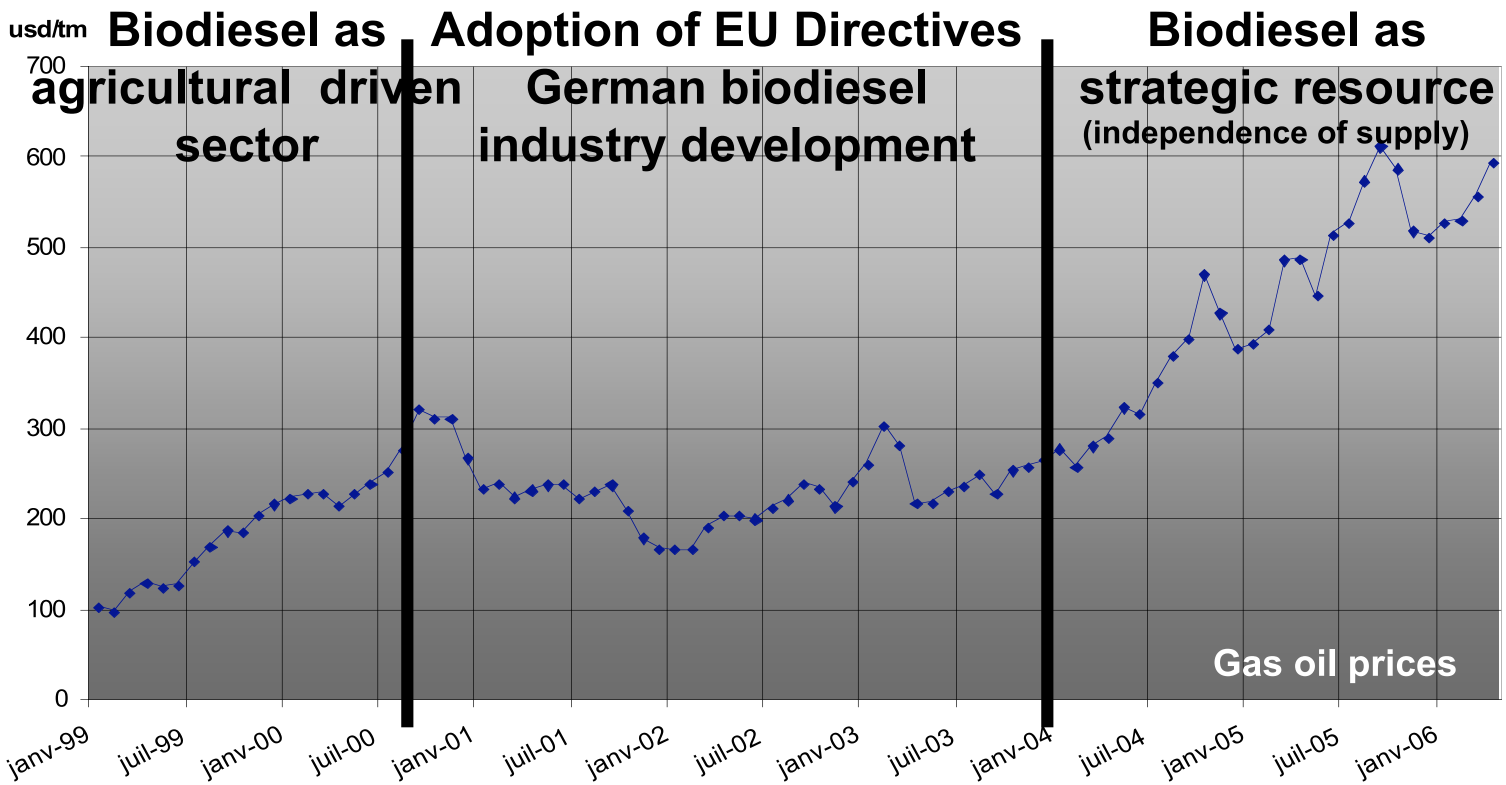
EU and Worldwide biodiesel production in 2005 (estimate - million tonnes)



BUILDING A BIODIESEL INDUSTRY:
THE EU EXPERIENCE
« Biodiesel: Powered by Canola » Conference
Calgary, July 17-18, 2006

Raffaello Garofalo EBB Secretary General

Introductory remarks: 3 historical phases

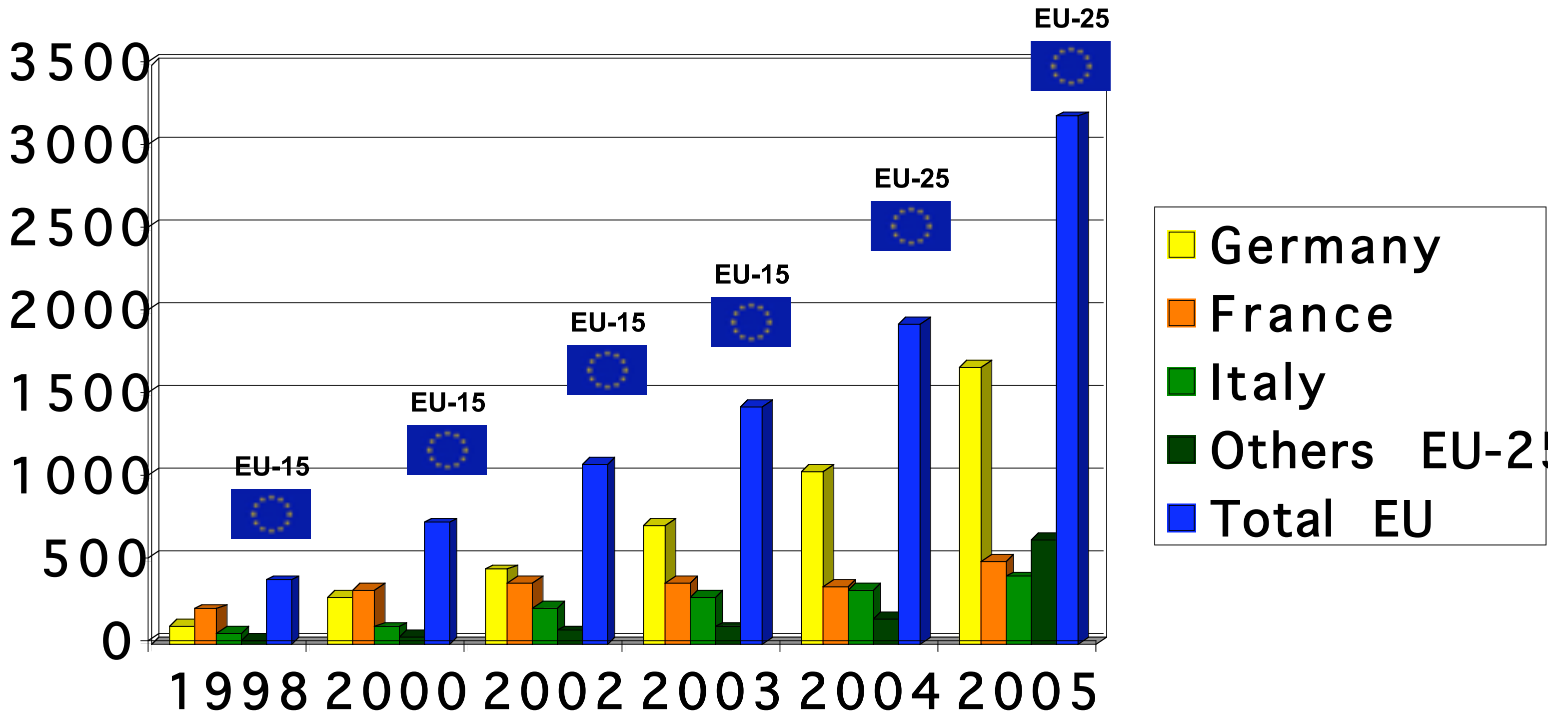


BUILDING A BIODIESEL INDUSTRY:
THE EU EXPERIENCE
« Biodiesel: Powered by Canola » Conference
Calgary, July 17-18, 2006

Raffaello Garofalo EBB Secretary General

EBB
European Biodiesel Board

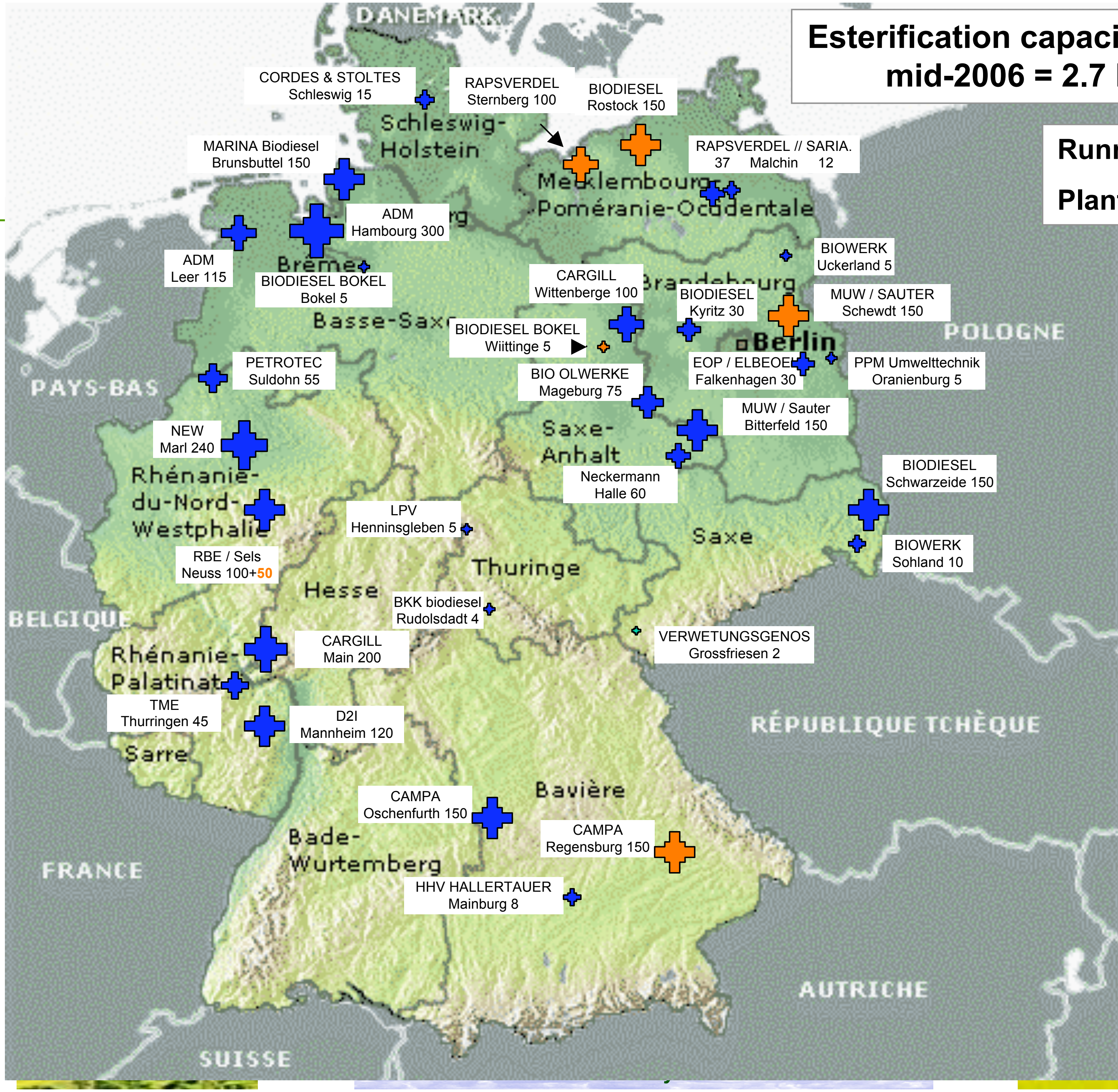
EU Biodiesel production in Member States and in the EU ('000 t)



BUILDING A BIODIESEL INDUSTRY:
THE EU EXPERIENCE
« Biodiesel: Powered by Canola » Conference
Calgary, July 17-18, 2006

Raffaello Garofalo EBB Secretary General

Esterification capacity in Germany mid-2006 = 2.7 M tonnes



Main EU challenges

- Revision of Directive 2003/30 and EU targets
- Availability of a sufficient supply of biodiesel raw materials
- Increase to 10% the incorporation of biodiesel in diesel

Implementation of Directive 2003/30

4 groups of countries:

- **Countries with effective biofuels policies in place**
  - *Austria*
  - *France*
  - *Germany*
- **Countries with biofuels legislations, but with limited practical effects (lack of enough political will)**
  - *UK, Spain, Portugal, Italy, Czech Republic, Greece, Poland, etc.*
- **Countries still lagging behind**
  - *Netherlands, Slovenia, etc.*
- **Absence of political will**
  - *Denmark, Finland, Ireland*

EU national biodiesel markets are very heterogeneous (no real EU internal market)

- **Countries applying excise reductions or exemptions**
  - *Each with a different level of excise and different system of detaxation*
- **Systems with and without quota systems**
- **Member states applying or studying mandatory targets**
- **Policy Mix (detaxation together with obligatory targets)**
  - *Austrian law*
  - *French "TGAP"*

Forthcoming revision of Directive 2003/30

Is tax exemption the only way?

Suggested solution → POLICY MIX, i.e.:

- **tax exemptions or reductions, together with**
- **obligatory or other national Bonus/Malus promotion systems**
  Advantages:
  - **Lower costs for national budgets – transfer part of supplementary cost to consumers**
  - **Limited and even unnoticeable supplementary costs for consumers**
  - **Commission DG TAXUD calculated: *"the expected increase of the price at pump is expected to be around <u>1 or 2 cents per litre for a 5% blend</u>"* (this even without detaxation)**
  - **In line with *"polluter pays"* principle**

PERCENTAGE OF INCORPORATION OF BIODIESEL (FAME) IN CONVENTIONAL DIESEL NEEDS TO BE INCREASED to 10%

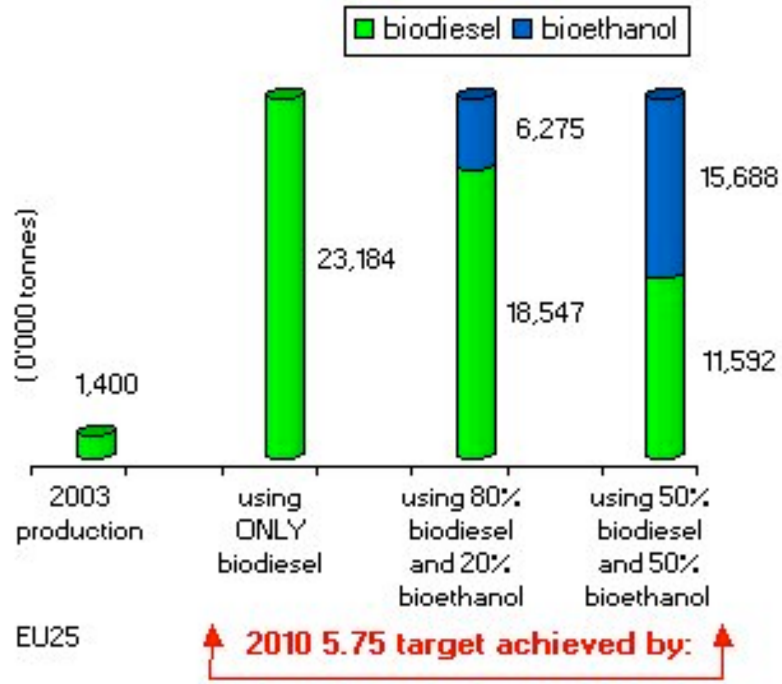
- **Urgent priority: needed to fulfil the 5,75% target**
- **5,75% in energy content = 6,5% biodiesel target in volume**
- **CEN revision of EN 590 diesel standard has just started**
- **For revision of Directive 2003/30: labelling obligation should only start with FAME blends higher than 10%**

EBB

European Biodiesel Board

What would the Directive's targets represent in practice?

5,75% Scenario for the EU-25



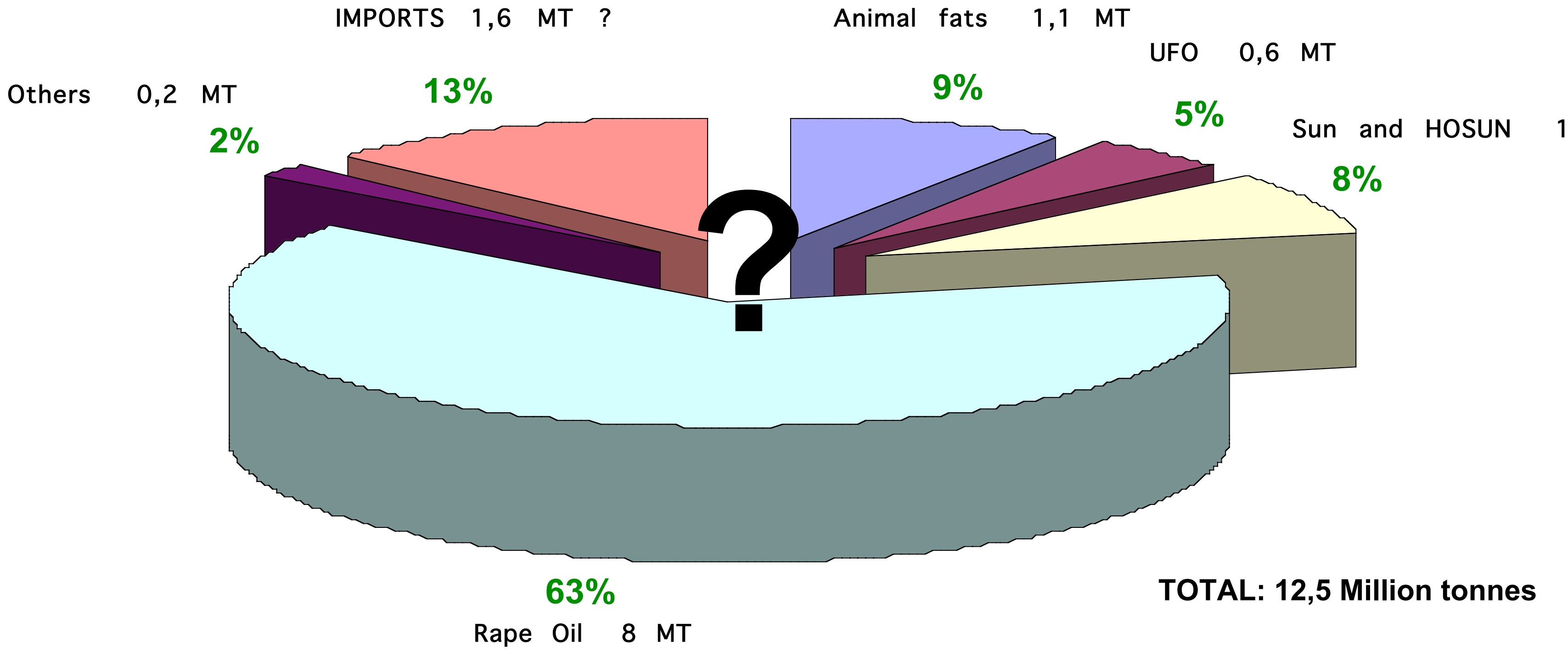
BUILDING A BIODIESEL INDUSTRY:
THE EU EXPERIENCE
« Biodiesel: Powered by Canola » Conference
Calgary, July 17-18, 2006

Raffaello Garofalo EBB Secretary General

FUTURE AVAILABILITY OF AGRICULTURAL RAW MATERIALS

- **Good biodiesel quality requires 70% of rape oil**
- **Present EU rape production is 14 MT→ possible 18 MT in 2009-10**
- **TO ATTAIN targets: rape prices need to be motivating for farmers**
- **EBB proposals for the revision of the energy crop scheme:**
  - **increase the surfaces concerned (beyond the present 1,5 mill. ha)**
  - **increase the support from 45 to 90€/ha (really encouraging a change in traditional crops rotations)**
  - **extend the regime to new EU Member States**
- **IMPORTS: the EU biodiesel industry supports a <u>free trade</u> approach provided that the European potential is maximised**
- **What contribution from Canadian canola?**
  - **GMO issue: how to make Canola seeds exports towrad the EU possible**
  - **Canadian crushing capacities: future increase?**

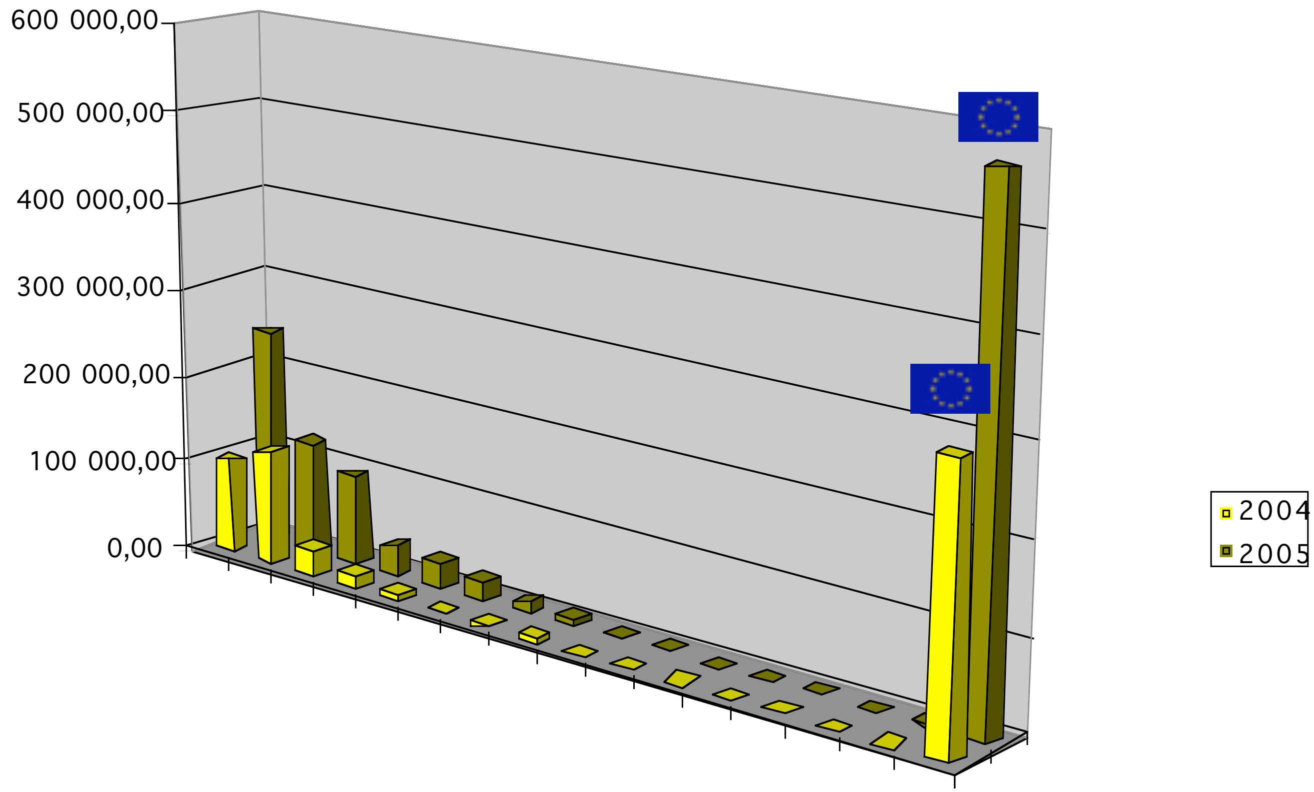
5,75% biodiesel target
a possible raw materials scenario



TOTAL: 12,5 Million tonnes

Areas under Energy crops in EU-25:

Only 1/3 of the <u>1,5 million ha</u> potential is exploited



Source: Commission DG AGRI

International biodiesel challenges

- **Quality** **(also related to raw materials use)**
  - *Pre-condition to any biodiesel success*
  - *Announcement: EBB Quality System*
- **Biodiesel and biofuels sustainability**
- **Eventual CO^2 certification of biofuels**
- **International biodiesel trade**
  - *No unfair trade practices: "B99", Argentinean DETs, need for a level playing field with same sustainability and trade certificates*
- **Biofuels: 1^{st} generation vs. 2^{nd} generation?**
- **Glycerine**

EU Biodiesel Industry and Canola Council of Canada: what can we do together?

- **Common interests: develop biodiesel markets as a major outlet for canola (rapeseed) oil**
- **IMPORTANT POINT: priority should be given to the establishment of a national market for biodiesel in Canada**
  - ***Exports towards the EU should not be the only target for developing a Canadian biodiesel industry***
  - ***High quality biodiesel with strict CFPP requirement is needed for climate climate***
  - ***Canola: a perfect raw material***
- **Possible increase in Canadian seed crushing capacity and canola oil exports to “fuel” European biodiesel growth?**
  - ***What future for“Triangular trade”: Canadian seeds crushed in Dubai, etc. ?***
- **GMOs issue: EU regulatory developments are not expected in the short-medium term**

CONCLUSION

- The biodiesel industry is today a well established sector in Europe (EU legislation played a major role but needs to find an efficient and practical implementation in al Member States)

- The forthcoming main challenges in Europe are:
  - <u>to increase the availability of EU raw materials</u> for biodiesel production,
  - to create with harmonisation of national systems <u>a real EU Internal Market for biodiesel</u> and
  - to substitute <u>the B5 concept with a new B10 concept</u>

- This needs to be done within an international perspective taking into account the possibilities coming from third countries (including <u>Canadian Canola</u>) in terms of raw materials availability

For more information please contact:

Raffaello ***GAROFALO****, Secretary General*

EBB - European Biodiesel Board

Bld Saint-Michel, 47 1040 Bruxelles

Tel +32 2 737 76 13, email: info@ebb-eu.org

Or visit the EBB web-site : www.ebb-eu.org

BUILDING A BIODIESEL INDUSTRY:
THE EU EXPERIENCE
« Biodiesel: Powered by Canola » Conference
Calgary, July 17-18, 2006

Raffaello Garofalo EBB Secretary General