EBB

European Biodiesel Board

Avenue de Tervuren,363 – 1150 Bruxelles
Tel: +32 (0)2 763 24 77 – Fax: +32 (0)2 763 04 57
e.mail: ebb@ebb-eu.org web site: www.ebb-eu.org

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PRESS RELEASE

2006-07 production statistics confirm a strong growth in the EU, but legislative and fair trade improvements are urgently needed to confirm expansion

EBB publishes annual biodiesel production statistics

EBB official figures confirm that the overall biodiesel production in EU has increased from 3,2 million tonnes in 2005 to nearly **4,9 million tonnes in 2006** (*see table 1*). This represents a 54% yearly growth for EU biodiesel production, which follows a 65% record high growth in the previous year 2005. As a result the EU biodiesel production has more than doubled in the last two years raising from 1,9 million in 2004 to the 4,9 million production of 2006, marking a further acceleration in the continuous expansion of the European biodiesel sector. In 2002, 2003 and 2004 in fact biodiesel production rose by a relatively lower 30-35% rate (*see graphic*[1]).

Today in Europe there are already **185 fully operational biodiesel plants**. Other 58 plants are currently under construction. **In 2007, capacities**[2] **for biodiesel production reached 10,2 million tonnes** (*see table 2*), setting the foundation for a further strong expansion of the EU biodiesel industry which will be able to meet the 2010 EU targets already with at least two years of advance. Thanks to plants today under construction, production capacities are expected to reach much higher levels, growing by the same rate at least until the end of 2008.

In terms of industrial capacities the EU biodiesel industry is ready to reach the 2010 EU target and will certainly be ready, well in advance, to fulfil the 10% biofuels targets endorsed by EU heads of State last March, **however in the EU biodiesel is still strongly hindered by the lack of appropriate markets measures able to create a real market for biodiesel in Member States.** As a result the important increasing biodiesel industrial capacity **risks to remain very largely unemployed and production may start stagnating if not declining already as from this year 2007**, if urgent action is not taken. This would be a

COUNTRY	2006 Production	2005 Production
Germany	2.662	1.669
France	743	492
Italy	447	396
UK	192	51
Austria	123	85
Poland	116	100
Czech Rep.	107	133
Spain	99	73
Portugal	91	1
Slovakia	82	78
Denmark	80	71
Greece	42	3
Belgium	25	1
Netherlands	18	0
Sweden	13	1
Slovenia	11	8
Romania	10	0
Lithuania	10	7
Latvia	7	5
Bulgaria	4	0
Ireland	4	0
Malta	2	2
Cyprus	1	1
Estonia	1	7
Finland	0	0
Hungary	0	0
Luxemburg	0	0
TOTAL	4.890,00	3.184,00

Table 1: EU 2005 and 2006 biodiesel production estimates
Subject to a +/- 5% margin of error.

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1 *The graphic is attached in annex.*
2 *Capacity stands for the potential per plant production capacity calculated considering that the plant was able to run at full production rate for a whole year.*

paradox, taking into account that such industrial capacity has been developed in order to respond to the ambitious EU biodiesel targets, which EU authorities have even the intention to double in the longer term, as recently announced[3].
This paradox needs to be avoided: the EU cannot on the one hand ask the biodiesel industry to undertake a long walk to reach very high levels of production in the long run and on the other hand leave this same industry alone to cross a legislative and standards desert over the next two years.

Urgent legislative and standardisation[4] provisions need to be adopted in many Member States and by the CEN in order to create a real market for the biodiesel quantities that will be needed in order to fulfil the 2010 and the 2020 targets:

- Member States legislations and new EU law need to create the real conditions in order to sell biodiesel in the various countries: real conditions means not just only "theoretical" targets or mandates with no practical impact, as sofar occurred in Italy, Spain, Poland, an many other countries, but efficient legislations enabling the biodiesel capacities already present in these countries to produce and sell the high quality product that they are able to deliver,
- to this scope the biodiesel incorporation rate in EN 590 diesel (with no labelling) needs to be increased quickly from the present 5% to 10% and then again to a 15% biodiesel in diesel rate by 2015 if we are seriously aiming at a 10%[5] minimum target in all Member States in 2020
- in this sense EBB urges the CEN to accelerate its work in order to amend the European diesel standard EN590 to include a 10% biodiesel incorporation (the work is lagging behind because of the strong opposition of some vehicle manufacturers) and to start adapting technology and norms to incorporate 15% biodiesel by 2015; if conservatism and inertial logics will continue to prevail in the CEN <u>this could be achieved by way of legislation</u> introducing once for all these percentages of biodiesel (10% in 2010 and 15% in 2015) under <u>the EU definition of diesel fuel</u> (i.e. with <u>no separate labelling</u>[6]) detailed by the fuel quality Directive 98/70 currently under revision.

At European level biodiesel makes up precisely 80% of EU biofuels production (bioethanol production in 2006 was 1,2 million tonnes) and is very likely to carry on being the biofuel most demanded in order to fill future ambitious EU targets. EU fuel markets are experiencing increasing diesel deficits and gasoline surpluses – we imported 24 million tonnes of diesel from Russia already in 2005 and the same year we exported 19 million tonnes of gasoline to the US. In 2006 and 2007 this trend is being amplified by the general dieselisation of EU vehicles. Biodiesel and diesel substitutes demand as a "security of supply" demand will be the main driver for future EU fuel distribution and markets.

With its strong diesel demand, **at international level the European Union continues to excel as "biodiesel land"**: the EU is the worldwide leader in biodiesel production, both in terms of biodiesel capacities and production. In 2006 we produced 77% of biodiesel produced world-wide. In the US, the world's second largest biodiesel producer, production amounted to around 250 million gallons in 2006 (Approx. 836,000 tonnes).

The international context is however perturbed by the continuing negative effects of <u>"B99" US export subsidy</u> which is disrupting the EU biodiesel markets. Through the B99 unfair scheme US producers can access EU markets with a competitive advantage of roughly 200€/m³ when compared to EU producers and are able to sell US originated biodiesel at the same or even at a lower price than the cost of EU industry's raw materials. After having alerted EU authorities about urgent action to be taken at WTO level against such scheme[7], EBB is now preparing a countervailing duty complaint to be introduced against this international trade violation. Mostly due to the negative impact of B99 exports **EU biodiesel production is**

[3] *10% minimum in all member States by 2020*
[4] *it refers to EU standards developed by the CEN (EN14214 standard for biodiesel and EN590 for diesel)*
[5] *the 10% 2020 target is in expressed in energy content and represents at least 12-13% in volume*
[6] *it could already be possible to add 10%, 20% or even more biodiesel to diesel if labelled at a different pump, what is needed in order to really open the markets is on the contrary to insert biodiesel in the normal « formulation » and definition of conventional diesel, without requiring further labelling (the CEN work already goes in this sense).*
[7] *EBB letter to Commissioner Mandelson on March 19, 2007.*

expected to stagnate in the year 2007, in spite of the 50-60% growth of the last two years and in spite EU production capacities have reached more than 10 million tonnes in 2007.

Finally it is worth underlining that major EU Agricultural organisations (Copa-Cogeca, EOA, UFOP)[8] have recently officially indicated that the very largest part of future biodiesel demand, even in the perspective of 2020 targets, can be produced from EU originated raw materials thanks to the very important surfaces' and yield potential growth for oilseeds in the EU.

COUNTRY	2007 Capacity	2006 Capacity
Austria	326	134
Belgium	335	85
Bulgaria	65	0
Cyprus	6	2
Czech Rep.	203	203
Denmark	90	81
Estonia	35	20
Finland	0	0
France	780	775
Germany	4361	2.681
Greece	440	75
Hungary	21	12
Ireland	6	0
Italy	1366	857
Latvia	20	8
Lithuania	42	10
Luxemburg	0	0
Malta	8	3
Netherlands	115	0
Poland	250	150
Portugal	246	146
Romania	81	0
Slovakia	99	89
Slovenia	17	17
Spain	508	224
Sweden	212	52
UK	657	445
TOTAL	10.289	6.069

TABLE 2: EU 2006 and 2007 biodiesel capacity estimates
Calculation based on 330 working days per year, per plant
(situation at 01/07/2006 and at 01/07/2007)

Biodiesel is a product derived from agricultural sources such as vegetable oils (mostly rapeseed oils, sunflowerseeds oil, etc.), or other raw materials (used frying oils, animal fats) which can either be mixed with conventional fuels or used in a pure form. It performs efficiently as both a transport fuel and heating oil and represents a concrete solution to tackle climate change and promote sustainable development in the EU.

The European Biodiesel Board, also known as EBB, is a non-profit organisation established in January 1997. EBB represents the voice of the EU biodiesel industry. It gathers 55 companies and associations and aims to promote the use of biodiesel in the European Union. EBB member companies account for around 80% of EU biodiesel production.

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[8] *EBB/EOA Press Release "Biodiesel and Oilseeds", July 12, 2007*

For further information please contact the Secretary General of EBB, Mr. Raffaello Garofalo at secretariat@ebb-eu.org, tel +32 (0)2 763 24 77, or visit our website: www.ebb-eu.org