



European biodiesel: A new dawn

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2015: The big picture

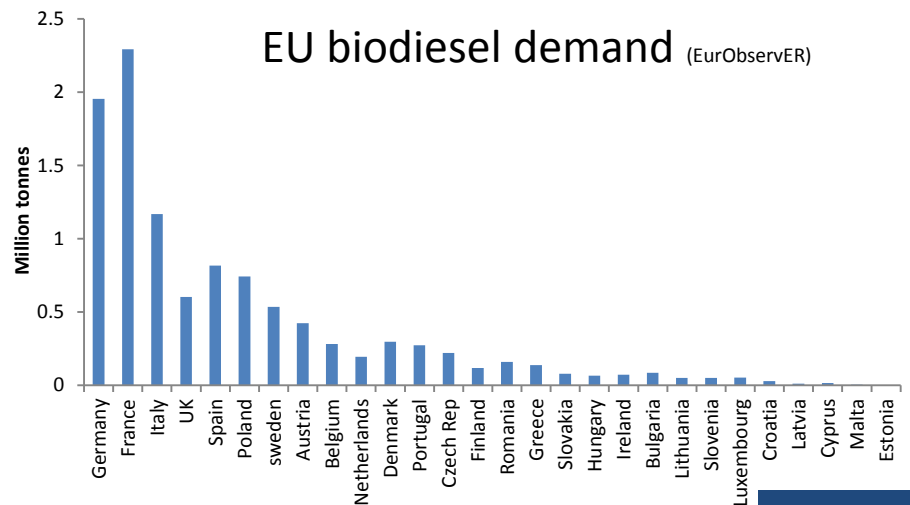
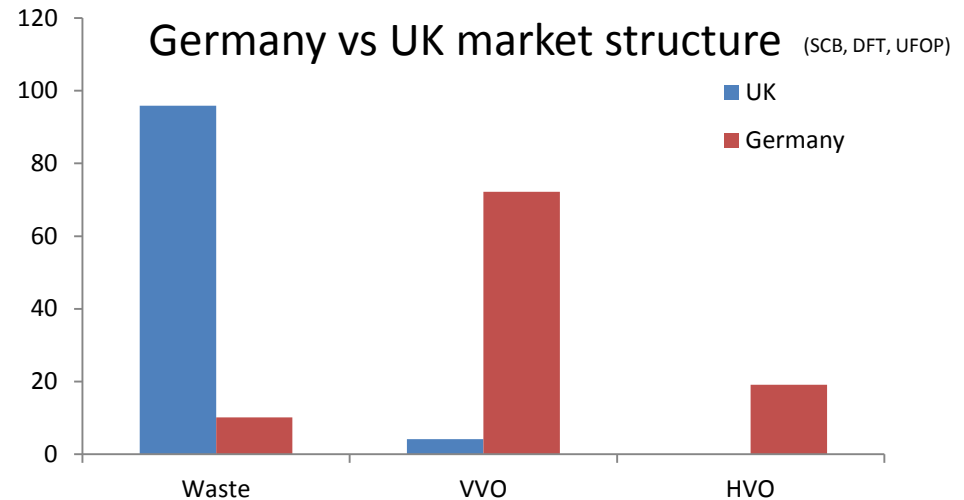
- Industry's mortal threat quashed: EU Parliament backs down on swingeing ILUC factors which would have slowly strangled biodiesel
- RED and FQD renegotiation caps crop-based biofuels at 7% market share: FQD carbon targets require demand growth through 2020
- German GHG mandate adds to market complexity. BUT producers can now monetise carbon savings
- Fortress EU remains: imports choked to a trickle by CVDs and anti-dumping on US, Indonesia, Argentina. BUT vegoil inputs largely remain derivatives of CBOT direction

Who consumes what and where?

EU Market around 11mn tonnes in 2015, but estimates complicated by German GHG experiment

Consumption profile is hugely diverse. German 2.3mn t/yr market consumes 90% crop based biofuels and 10% waste based around geographically diverse network of inland refineries

UK double counting has encouraged the polar opposite structure, Spain likely to follow

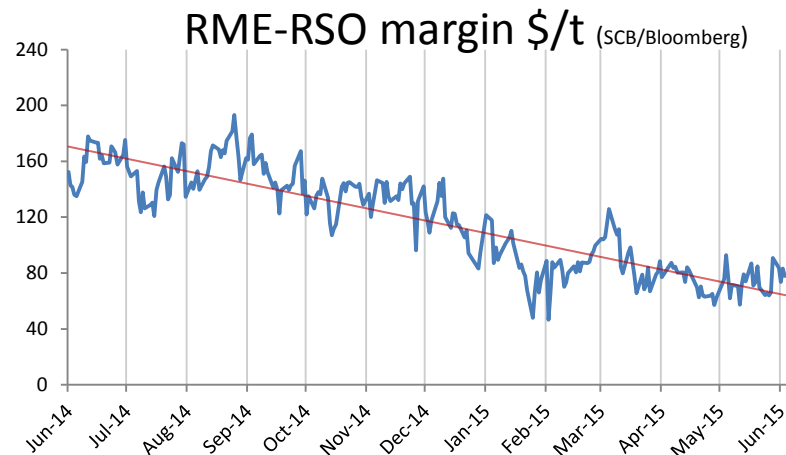
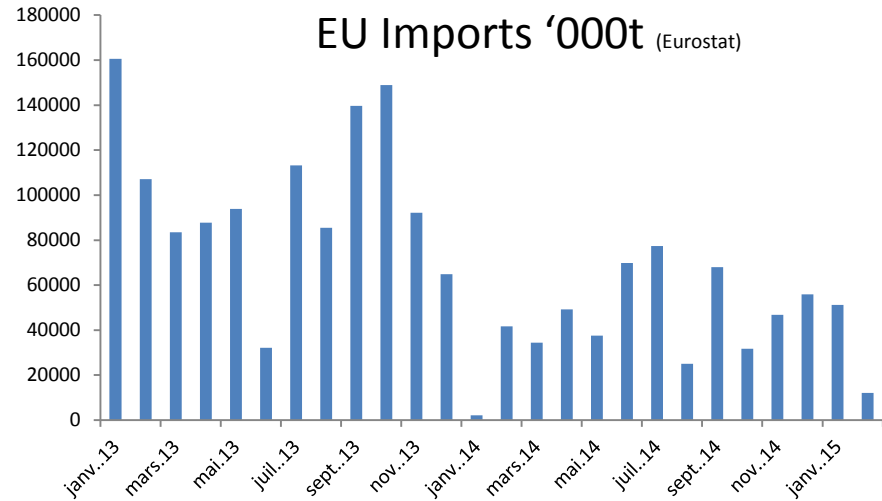


Double count cuts vegoil demand

Bulk imports shriveled since 2013. BUT growth of double count incentives has cut VVO demand by twice the volume consumed. Array of feedstocks widening to include more palm waste alongside Tallow, UCO

Annual double count consumption at circa 1.5-2mn t implies VVO demand reduction of 3-4mn t

Slack demand has left EU producers suffering from overcapacity, poor margins. Integrated producers are idling plants

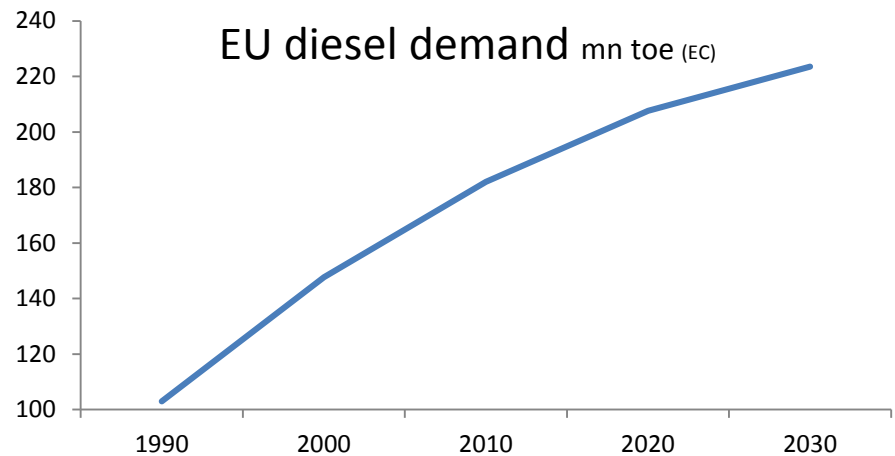
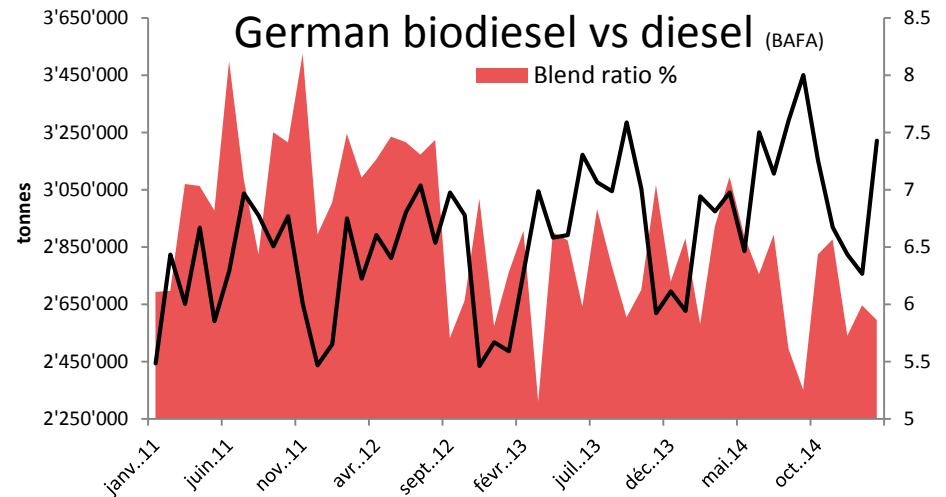


Germany blazes the GHG trail

Germany started counting carbon, not tonnes, from 1 Jan 2015, requiring 3.5% saving. The change has dragged standard headline GHG savings towards 60% compared to RED 35% standard

Higher GHG savings = lower blend volume. Barnstorming German diesel demand masks drop in overall blend ratio

FQD requires 6% transport fuel carbon saving reduction by 2020: implies hefty demand growth from environmental best in class biofuels, particularly economic recovery lifts diesel demand

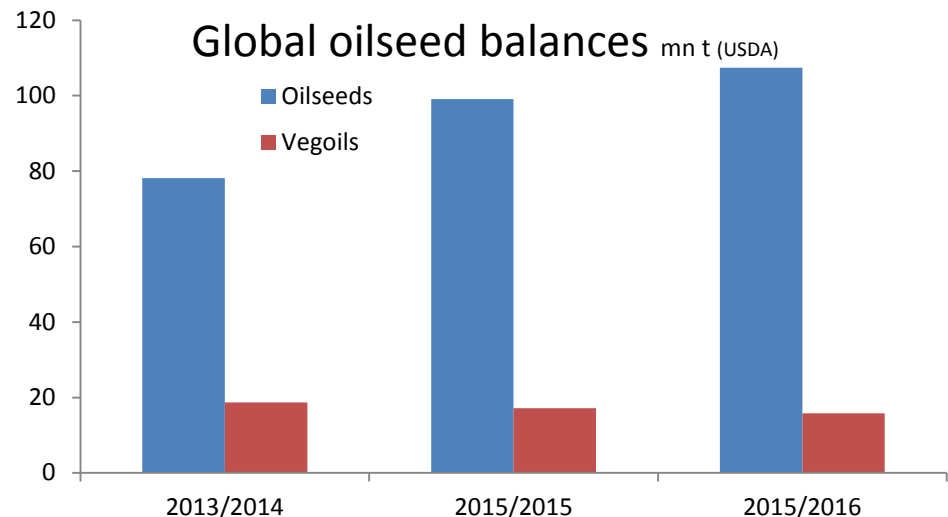
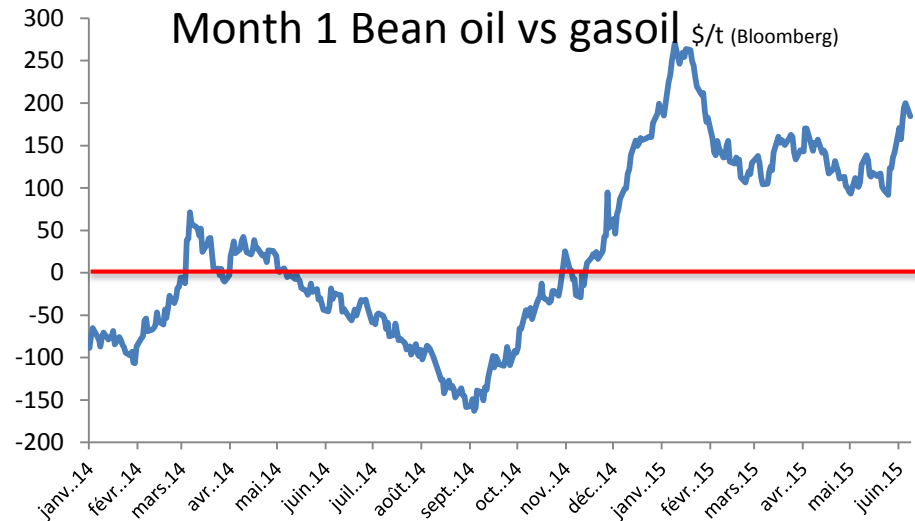


Biodiesel vs diesel

2014's booming harvests briefly sent biodiesel into discount vs gasoil, triggering surge in "discretionary" blending worldwide

Despite overhang in world oilseed output, Saudi refusal to cut production in wake of shale boom sent gasoil into a faster tailspin shutting discretionary economic window

Oilseed oversupply remains: overseas mandates increasingly crucial to consuming marginal vegoil tonne and supporting vegoil price



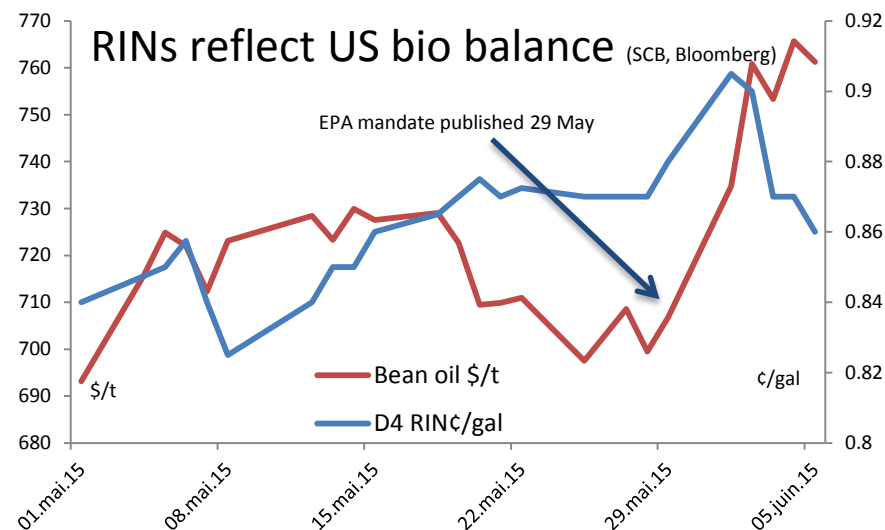
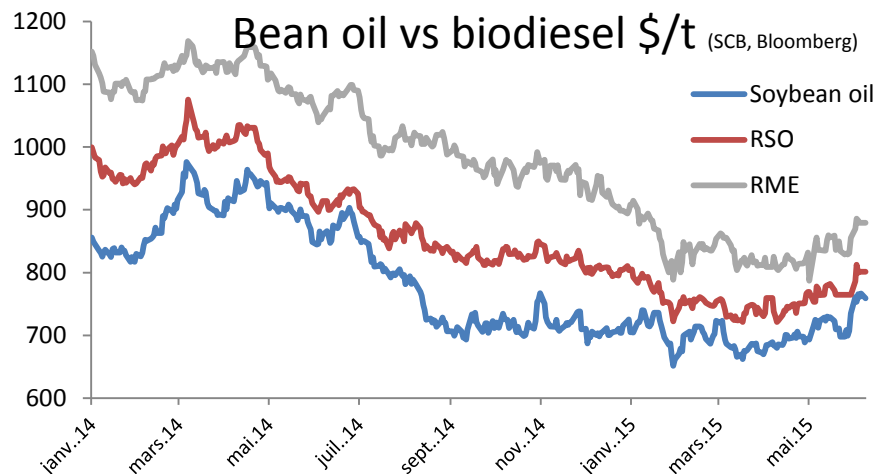
Reading the markets

CBOT remains the world's directional bean oil benchmark. EU still lacks convincing feedstock hedge as liquidity remains thin in Euronext RSO futures. BOGO spreads still widely used.

US advanced biofuel mandate implies up to 27% rise in US biodiesel consumption 2014-2016. Closely watching RINs provided accurate bellwether of post-EPA vegetable oil spike

Indonesia working on 15% biodiesel mandate to soak up palm oil domestically

SCB brokes bio physical and forwards & spots pending arbs worldwide



US watch: 2015 RVO



EPA proposes ambitious increases over 2014 volumes

		Change on 2014	% Standards	RINS
Cellulosic Biofuel	106 mill gal	+73 mill gal	0.059%	106 million
Biomass Based Diesel	1.70 bill gal	+0.07 bill gal	1.41%	2.55 billion
Advanced Biofuel	2.90 bill gal	+0.22 bill gal	1.61%	2.9 billion
Advanced Gap	1.094 bill gal	+0.077 bill gal	-	244 million
Total Renewable Fuel	16.3bill gal	+0.37 bill gal	9.04%	16.3 billion
Ethanol	13.4 bill gal	+0.15 bill gal	7.43%	13.4 billion

All volumes are ethanol-equivalent, except for biomass based diesel which is actual

The percentage standards correspond to the four separate volume requirements. The standards represent the ratio of renewable fuel volume to non-renewable gasoline and diesel volume.



US watch: 2016 RVO



2016 sees further increases, particularly for cellulosic biofuels which took a write down of 1.42 billion gallons in 2014

		Change on 2015	% Standards	RINS
Cellulosic Biofuel	206 mill gal	+100 mill gal	0.114%	206 million
Biomass Based Diesel	1.80 bill gal	+0.10 bill gal	1.49%	2.7 billion
Advanced Biofuel	3.40 bill gal	+0.50 bill gal	1.88%	3.4 billion
Advanced Gap	1.394 bill gal	+0.30 bill gal	-	494 million
Total Renewable Fuel	17.4 bill gal	+0.90 bill gal	9.63%	17.4 billion
Ethanol	14.0 bill gal	+0.60 bill gal	7.75%	14 billion

All volumes are ethanol-equivalent, except for biomass based diesel which is actual



The future

- With EU Parliament decision to ditch harsh ILUC on biodiesel, stage is set for EU industry to monetise environmental best practice in pursuit of 6% GHG saving subject to 7% first gen crop cap
- EU market can grow sustainably: needs to adopt best practice on feedstock, chain of custody and technology to address post-mandatory world from 2020
- Despite the lack of arbitrage, price direction will be determined globally. Risk management requires an informed, accurate world view on policy, S&Ds and price

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