

## UK issues 827 million RTFCs in first eight months of 2017/2018 period

The UK government has issued 827 million Road Transport Fuel Certificates (RTFCs) so far in the year 10 compliance period, according to data released Thursday by the Department for Transport (DfT).

Supply of renewable fuel in year 10, which runs from 15 April 2017 through to 14 April 2018, totalled 777 million litres for the period running from April 15 to December 15, which was equivalent to 3% of the total road and non-road machinery fuel, the department said.

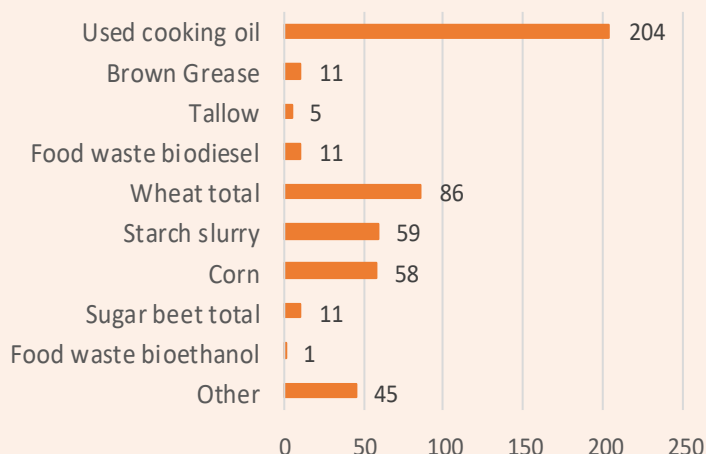
Of the 777 million litres, 491 million litres were demonstrated to meet sustainability requirements. Of this 46% was sourced from bioethanol, 51% from biodiesel, 3% from biomethanol. This compares with figures for the April-June period of 43% sourced from bioethanol, 52% from biodiesel and 5% from biomethanol.

UK feedstock accounted for 30% of the biofuels consumed in the six-month period. Used cooking oil remained the most widely-used source for biofuel from the UK, accounting for 26% of total sustainable fuel.

Of the 491 million litres, used cooking oil from the US was the single biggest feedstock, accounting for 14% of total sustainable fuels, and 27% of biodiesel.

### UK Biofuels supply 2017/18 updated 1 Feb 18

volume, millions/litres



### Latest RTFC issuance data

updated 1 Feb 18

	RTFCs issued	Total biofuel	Sustainable biofuels	Bioethanol	Biodiesel	Biomethanol	Other incl biomethane
Year 10	827m*	777m* litres	491m litres*	225m litres	249m litres	16m litres	2m litres
Year 9	2,445m	1,541m litres	1,476m litres	737m litres	682m litres	52m litres	4.6m litres

Source: RTFO Unit Department of Transport. Data accurate as of 1 Feb 2018

\*This figure will likely increase once RTFCs are requested

## Energy Census Price Assessments

4pm London, 2 Feb 2018

Methodology

	pence/certificate	+/-
RTFC Year 10	15.0	-0.2
RTFC Year 11	15.5	-0.2

	Outright \$/mt	Spread to ULSD \$/mt	Spread to ULSD pence/litre
UCOME	998.5	390	24.43
FAME 0	823.5	215	13.47
RME	883.5	275	17.22
ULSD	608.5		

FX USD/GBP 0.7077

RTFC-RHI spread (waste based biomethane) *		
	pence/kWh	pence/litre
RTFC Year 10	1.10	4.11

\* 3 pence/kWh RHI

### Market Overview

Year 10 and 11 certificates remained under pressure as February arrived, although a slightly softer tone to mineral oil prices left space for biodiesel premiums to firm marginally, relieving some of the pressure from the theoretical certificate cap.

However, a lack of evident buying interest remained to gnaw at fundamental values as UK temperatures returned to close to freezing levels during the week, and blending remained route one for many market players.

Energy Census assessed Year 10 and Year 11 certificates marginally weaker at 15 p/certificate for Year 10 and 15.5 p for Year 11, amid offers heard just above those levels.

With low sulphur diesel reaching the lowest level seen in a month on Friday, to be assessed at \$608.50/mt, traded prices for RME were heard at a \$275/mt premium to the underlying low sulphur gasoil contract, with FAME 0 at around \$215/mt over, offering scope for certificate prices to rise – at least on a theoretical basis.

The most widely reported source for bioethanol (by feedstock and country of origin) was wheat from UK, which accounted for 15% of total fuel, and 32% of bioethanol, the DfT said.

Total greenhouse gas saving was 78% excluding land use change, and 73% with the calculation applied, the department said.

In a separate report released by the DfT Thursday, the department said Year 9 issuance of RTFC credits was 2,564 million for the full 12 months, compared with Year 8 issuance of 2,484 million.

## Indonesia to file WTO case on US anti-subsidy duties

Indonesia is expected to file a case by February 3 against the US over anti-subsidy duties that were placed on Indonesian biodiesel shipments, an official with the South-East Asian country's trade ministry said on Friday.

Indonesia's government is planning to bring a complaint to the World Trade Organization, a director of trade security at Indonesia's Trade Ministry was quoted by Reuters as saying. She did not give a timetable, however.

The US Commerce Department in November placed final countervailing duties ranging from 34.45% to 64.73% for Indonesian biodiesel in response to alleged subsidies provided by the Indonesian government.

The WTO has recently ruled in Indonesia's favour in response to several challenges to anti-dumping duties imposed on its biodiesel exports to the EU.

## EU to launch probe into Argentinian biodiesel subsidies

The EU Commission is to launch an investigation into whether producers of Argentinian biofuels – predominantly soy methyl ester (SME) – have benefitted from subsidies, according to a log in the EU Official Journal, a move that could lead to higher tariffs on imports.

The investigation, which was widely anticipated, follows a complaint by lobby group European Biodiesel Board (EBB), which represents companies responsible for European biodiesel.

"Having determined... that the complaint has been lodged by or on behalf of the Union industry and that there is sufficient evidence to justify the initiation of a proceeding, the Commission hereby initiates an investigation," the journal said.

The investigation will revolve around whether biodiesel producers in Argentina, such as agribusiness giants Bunge, Cargill and Louis Dreyfus and local biodiesel producer Renova, have benefitted from cheap soybeans, government support in buying biodiesel and other forms of subsidies such as loans or tax not collected.

Those subsidies mean that Argentinian exporters can sell biodiesel into Europe at a lower than the cost of European feedstock, accord-

Those are the first increases in FAME 0 biodiesel premiums since December 8, according to Energy Census records, and the first increase in RME premiums since December 15.

Good reasons remained for the apparent slowness of trading beyond blending, with the progress of the RTFO making heavy weather of an apparently straightforward legislative process.

Sources at the Department for Transport continued to assure that the legislation was on track and would be implemented well ahead of the April start date, while an industry source said that the statutory instrument had still to undergo the two committee review stages prior to being enshrined into law.

## Renewable Transport Fuels Obligation Targets

	Total %	Crop %	Waste %	Advanced %
<b>Year 10</b>	4.75			
<b>Apr-Dec 18</b>	7.25	4	3.25	
<b>2019</b>	8.5	4	4.4	0.1
<b>2020</b>	9.75	4	5.6	0.15
<b>2021</b>	10.1	3.83	5.77	0.5
<b>2022</b>	10.4	3.67	5.93	0.8
<b>2023</b>	10.6	3.5	6.1	1
<b>2024</b>	10.8	3.33	6.27	1.2
<b>2025</b>	11	3.17	6.43	1.4
<b>2026</b>	11.2	3	6.6	1.6
<b>2027</b>	11.4	2.83	6.77	1.8
<b>2028</b>	11.6	2.67	6.93	2
<b>2029</b>	11.8	2.5	7.1	2.2
<b>2030</b>	12	2.33	7.27	2.4
<b>2031</b>	12.2	2.17	7.43	2.6
<b>2032</b>	12.4	2	7.6	2.8

Source: UK Department for Transport

ing to a statement from the EBB in September.

The move comes more than a year after the WTO ruled in October 2016 that EU countervailing duties of 22-25% on imports of Argentinian biofuel were illegal.

In response to that ruling, in September last year the EU slashed those duties to 4.5-8.1%, but that was shortly followed by the imposition of punitive tariffs by the US on Argentinian biodiesel of more than 70% – which effectively bars Argentinian biofuels from being sold in the US.

Since the EU duty cut and concurrent rise in US import taxes, European imports of Argentinian biodiesel have soared, with 600,000 mt of biodiesel sold into Europe from September through January, according to trade sources.

According to figures from the Centro de Estudios del Sistema Agroalimentario, Argentinian exports of biodiesel in 2017 reached 1.68 million mt, with around two thirds heading to the US – a lucrative market that will disappear for the foreseeable future.

“This is a legitimate fight to protect the EU biodiesel market – and the 120,000 jobs it supports – from a heavily subsidised export-oriented industry. We are prepared to do whatever it takes to limit the recurring Argentinian biodiesel imports,” the EBB said last year.

“They had to do something once the US moved. The EU will solve this problem,” said one trader at an oil major speaking on condition of anonymity.

Argentina is the world’s third biggest producer of soybeans and soyoil.

## France takes ‘contradictory’ positions on biofuels based on palm oil

The EU’s potential exclusion of palm oil from the bloc’s recast of its renewable energy directive may not secure the backing of member states seeking lucrative export contracts with Malaysia and Indonesia – the world’s biggest producers of the biofuel commodity.

In comments that will have unnerved proponents of a complete ban on palm oil from the EU’s renewable energy scheme that runs from 2021-2030, France’s armed forces minister Florence Parly was reported this week to have spoken out against a potential exclusion of palm oil following a meeting with Malaysia’s defence minister.

“We had a fruitful exchange on many issues. He also raised the issue of palm oil,” Parly was reported as saying in Malaysian media during the minister’s visit to Kuala Lumpur, during which the minister is likely to have pushed sales of French fighter aircraft.

According to these reports, Parly added: “I told him we understood the importance of this sector, in particular for rural development,” she said after attending the 4th Malaysia-France Defence Joint High Strategic Committee Meeting.

Parly was reported as saying that France was in favour of no ban and no discrimination against palm oil at national and EU levels.

The comments appear to run contrary to the French environment ministry’s position on palm oil, which is to exclude it from RED II.

Although the EU’s biofuels policy will be arrived at by 28 mem-

ber states, a reluctance by France would likely complicate efforts to exclude a feedstock widely blamed for contributing to climate change.

Malaysia has yet to decide whether to pursue with provisional plans to buy French warplanes as part of a major modernisation of its military.

Malaysia and neighbouring Indonesia have made repeated threats to boycott exports by EU nations if they back the European Parliament’s decision to freeze out palm oil in biofuels after 2021 and have orchestrated high profile media campaigns in response to the European Parliament’s vote in January in favour of a ban.

Local media are regularly sounding out where diplomats and visiting ministers from EU member states stand on the issue.

Malaysian news sites also reported that Sweden’s ambassador has also criticised an outright ban on palm oil through RED II, but many EU governments have yet to publicly outline their positions on the crop’s use in biofuels ahead of Trialogue meetings between the European Parliament, Commission and Member States.

A final decision isn’t expected until the end of the year, and other EU member states are likely to be lobbied by companies that are eyeing major export deals with Malaysia and Indonesia, and by refiners who use palm oil as a feedstock.

French oil company Total, one of the biggest users of palm oil feedstocks in Europe for use in hydrogenated vegetable oil (HVO), is understood to have lobbied strongly for palm oil to be retained for use in RED II, while the crop is also a major input for refiners including Italy’s Eni.

“It is interesting to note that during the EU Council meeting in December, France declined to give support to excluding palm oil from biofuels in the EU despite the environment ministry’s preference for a ban,” Neil Makoroff of Climate Action Network France told Energy Census.

## HVO lobbyists

“Total’s reliance on palm oil in La Mède refinery being built in southern France was a probably a major reason for that,” he said. “There appears to be major contradictions on the policy within the French government, and that could complicate negotiations within the EU Council. We hope that pressure from civil society will prevail and the government decides to support exclusion of palm oil.”

Although the EU vote made clear reference to a proposed “ban”, final legislation is unlikely to single out palm oil by

name, so as to avoid trade disputes in the World Trade Organisation.

Instead the Trialogue process is likely to draw up a metric or greenhouse reduction threshold that would effectively exclude palm oil because the crop's poor score when it come to avoiding deforestation and indirect land use change.

But ILUC measurements are highly controversial with European biofuels producers, and MEPs rejected the use of ILUC scoring in a vote last year.

Using an exclusion metric could also restrict imports of soy feedstocks or biofuels derived from soy, a move that may prompt more trade disputes with Argentina and provoke a hostile reaction from Brazil.

## Blank Canvas

"Trialogue discussions have yet to get underway and there is no indication on what will happen to the Parliament's targeted measure on palm oil. We are unlikely to know for many months what the final decision will be," said Laura Buffet of NGO Transport & Environment.

As a result, the European biofuels industry will be uncertain for most of this year about to what extent palm oil will need to be replaced by other feedstocks, particularly as the European Parliament and Commission have been pushing for lower caps on the use of crop-based biofuels.

In Spain for instance, palm oil accounts for 65% of the feedstocks used in its consumption of biodiesel, meaning that an exclusion of the crop from RED II will require the country's refineries to source advanced biofuels, which are more expensive and more difficult to procure than palm oil.

## China looks to raise demand for Malaysian palm oil, imported biodiesel

China is likely to sharply increase its imports of palm oil from Malaysia, a move that could soften the blow for producers of a proposed exclusion of the crop for use towards the EU's renewable energy scheme from 2021-2030.

Based on the weekly reports from China's National Grain and Oil Information Centre, the Malaysian government abolished tariffs for exports of palm oil starting from 8 January and will extend the tariff holiday until early April this year.

The move is part of an attempt to stimulate more imports of palm oil into China and India and provide a lift to flagging prices.

China has long been a major consumer of palm oil for use in processed food and cosmetics, but is also increasing im-

ports so it can scale up its domestic biofuels industry and decrease the share of imported biodiesel.

China's Ambassador to Malaysia Bai Tian was reported as saying that China was a "golden opportunity" for the south-east Asian country's palm oil biofuels industry, adding that "we will not set any limit on the import of Malaysian palm oil and related products". Bai Tian said the country's diesel and biodiesel B5 consumption in 2016 was about 165 million tonnes and 8.25 million tonnes, respectively, while its biodiesel production in 2015 was 300,000 tonnes.

"This means, we need to import eight million tonnes of biodiesel. I think this is a good news for palm diesel producers," the ambassador added.

## US EPA head calls for biofuels policy reform

The head of the US Environmental Protection Agency Scott Pruitt said this week that the country's biofuels strategy needs major revision in view of the recent bankruptcy of a Pennsylvania oil refiner.

Pruitt told Fox News that the bankruptcy was mainly the result of the US Renewable Fuel Standard, and focused on the program's stipulation that refiners earn or buy biofuel blending credits, known in the jargon as Renewables Identification Numbers, which are used to show to the EPA that they are meeting their obligations.

Last week Philadelphia Energy Solutions, a major East Coast refiner, filed for bankruptcy citing the high cost of complying with the RFS.

The RFS requires refiners to mix corn-based ethanol and other biofuels into their gasoline and diesel.

"We need RIN reform," Pruitt said, pointing out RIN prices had risen in recent years. "It is something I've talked to Congress about," Reuters reported, citing the Fox News report.

The EPA chief said he wanted to take a more cautious approach to setting annual biofuel blending volume requirements, a proposal that has been met with fierce resistance from ethanol producers.

Under the RFS, refiners are required to blend 57 billion litres of ethanol into US fuel requirements each year.

"We set volume obligations every November," Pruitt told Fox News.

"Our job should be to take the market and production levels and set volume obligations that are consistent with objective factors – not set inflated or blue-sky types of numbers that

create this inflationary pressure on RINs."

Biofuels producers were predictably hostile to the remarks, with the Renewable Fuels Association saying in a statement: "It would be disappointing, to say the least, if EPA now began to increase the number and magnitude of exemptions granted [from the RFS], a decade after the program began."

## **Qantas debuts mustard seed biofuel in Australia-US flight**

The world's first dedicated biofueled flight between Australia and the US took off on 30 January, using a 10% mix of non-edible mustard seeds, part of a wider initiative to grow the country's first commercial aviation biofuel seed crop by 2020.

The 15-hour flight on a Boeing 787-9 Dreamliner from Melbourne to Los Angeles, operated by Qantas, was powered with approximately 24,000kg of blended biofuel. This saved 18,000kg in carbon emissions, the Australian airline said in a press release.

Qantas will use biofuel processed from a non-food, industrial type of mustard seed, which is being grown by Montreal-based agritech company Agrisoma Biosciences.

Scientists say carinata is a hardy crop that is more drought and tolerant of cold weather than rapeseed, making it a good choice for producers in many areas of the US who want to rotate crops during the winter months.

Carinata has a longer carbon chain fatty acid profile than canola, and improves efficiencies in fuel conversion processes, said Steven Fabijanski, Agrisoma's CEO.

Agrisoma has around 56,000 acres (22,662 hectares) of land in the southeastern US, Uruguay and Australia in production for carinata, a figure that the company aims to double each year, Fabijanski added.

"Carinata has the potential to supply a third of the feedstock forecast for demand in aviation jetfuels," said the Agrisoma CEO, adding that the company is seeking a mandate for the crop's use through the CORSIA aviation carbon reduction scheme.

## **GHG reductions**

The Canadian company says that used across its lifecycle, carinata-derived biofuel can reduce carbon emissions by 80% compared with traditional jet fuel.

Because it is a non-food crop that is planted on fallow land, Agrisoma says it scores highly in terms of avoiding emissions from land use change, a metric that often impacts the attrac-

tiveness of particular crops in alternative jet fuels.

Residues from the crop can also be used in animal feed, providing a further income stream for farmers.

The 10% biofuel blend used on the 30 January flight enabled a 7% percent reduction in emissions on the route compared with normal operations, Qantas said.

## **To the refineries' taste**

AltAir Fuels in the US, World Fuel Services in Australia and Finland's Neste are all using the non-edible mustard seed in aviation biofuels, and the crop can also be used a feedstock in biodiesel.

The airline is under pressure to decrease the amount of fossil fuel it burns in light of a report released earlier this month by the International Council on Clean Transportation, which found that Qantas scored the worst in terms of CO2 emissions among operators of flights over the Pacific.

The Dreamliner aside, the report highlighted that Qantas operates some of the least fuel efficient aircraft in the region and its rating is impacted by the high proportion of empty seats on passenger flights and the large share of freight in its overall flights.

Energy Census is a news and price reporting agency (PRA), publishing price assessments and trade intelligence for the UK and global energy and agriculture markets.

We welcome your feedback on this report

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