

Biofuels Struggle to Move Forward on World Stage

By Bruce Ross, Ross Gordon Consultants SPRL

Mid-March has come to mean the World Biofuels Markets conference, which I have attended and spoken at on behalf of the National Renderers Association for several years. This year the conference was in Rotterdam, The Netherlands, where it was bitterly cold, effectively keeping participant's minds concentrated on fuel.

A central theme usually emerges from the myriad of conference sessions and presentations. If there was one this year it was that the biofuels sector is poised for take-off, on the verge of converting second-generation fuel projects into full production and with the aviation sector showing particular interest in biofuels. Everyone agreed that the regulatory environment needs to be set right in order for the sector to flourish, "set" being the operative word as most attendees agreed that constant changes to rules and incentives inhibit the ability of the industry to move forward.

This feeling was prevalent among participants from both sides of the Atlantic Ocean. Europeans bemoaned proposals to change European Union (EU) policy to de-incentivise first-generation biofuels, which would undermine the significant investments made in biofuels derived from vegetable oils such as rapeseed (canola). The European Biodiesel Board accused the European Commission of trying to kill the biodiesel industry in Europe.

On the other hand, speakers from the United States seemed content with the Renewable Fuel Standard, including such praise as, "a great and stable piece of legislation." Nevertheless, former North Atlantic Treaty Organization Supreme Allied Commander General Wesley Clark pointed to some continuing impediments such as the "blend wall." Others questioned the value of biofuels mandates.

All agreed that the biofuels industry must move into a new phase. This is going to be difficult in Europe due to the vested interest in first-generation fuels, where farmers who grow rapeseed, the oilseeds processing industry, the biodiesel industry that bases itself on such materials, and their political allies form a formidable lobby group. They are in full defensive mode, not least due to accusations from non-government organizations and legislators concerned about the indirect land use change (ILUC) effects of making fuel from food crops. If you can imagine two very vocal camps engaging in a dialogue of the deaf you've understood how the debate feels. Biodiesel producers feel aggrieved that, while they are being subjected to minute scrutiny over ILUC, little attention is being given to the impact of crops used, for example, for the manufacture of cosmetics.

All of this has an effect on the prospects for biofuels made from animal fats and used cooking oil (UCO). Both are considered valuable feedstocks by fuel manufacturers with neither having an ILUC effect. In the EU, legislators have tried to encourage their use, and propose to do more. Nevertheless, their use as biodiesel feedstock remains under attack.

There was little overt discussion of animal fats as a feedstock, either in the session devoted to advances in the wastes and residues biofuels market or in the conference in general. However, UCO was on the minds of many as discussion centered on various aspects of its use. There was debate over the merits of having UCO count double toward the EU's renewable energy targets, but two more novel issues arose.

Some in the biofuels sector query the quality of UCO that is available on the EU market; it is even suggested that some UCO is not "used" at all but is in fact pure vegetable oil. Others argue that some UCO cargos are well-travelled and have counted double in more than one EU country, and that fraud is rife. European biodiesel industry leaders took the opportunity to advertise the January launch of the Register of Biofuels Origination, an industry initiative aiming to facilitate compliance with the provisions of the EU's renewable energy and fuel quality legislation with respect to "Extra Incentivised Biofuels" substances (i.e., double-counted feedstocks). It remains to be seen how well this will work, especially given that some countries have already initiated domestic certification schemes.

The discussion then took a less obvious twist. Several speakers – admittedly many of them traders – raised the problem of the lack of reliable/comprehensive data on feedstocks for UCO/UCO methyl esters. Without harmonized specifications, objective pricing and transparency are difficult to achieve. Lack of data can have more worrying consequences. One speaker alleged that perhaps 50 percent of the UCO circulating in the EU is "fraudulent," yet he admitted that due to uncertainty about customs code classifications, he might be wrong!

If either of these aspects of the biofuels debate sounds negative they do at least illustrate that the market is interested in UCO.

This is important to renderers, of course, as not only producers of animal fats but major collectors/processors of UCO. The United States exported 129,600 metric tons of UCO to the EU in 2012. Certification, traceability, pricing, and conditions of trade, including regulation, are therefore big challenges for animal fats/UCO exported to this region.