



Level playing field needed so biofuels can blossom

The Gazette's Back Our Biofuels campaign is ramping up pressure on Europe to come down on the side of Teesside producers following a probe into heavily subsidised US imports. Richard Nickels, CEO of the Biofuels Corporation at Seal Sands, says there's only one acceptable outcome. SUE SCOTT met him

"THE industry is in a mess," says Richard Nickels bluntly of the political bungling that has threatened to destroy Britain's biofuels sector.

As chief executive of Seal Sands' Biofuels Corporation he's a fight to feel aggrieved. He is the last man standing among England's biodiesel producers following the demise last week of Blyth-based V-Fuels. And it's a lonely position to be in.

The two plants went into production within months of each other in 2006, confident in then Prime Minister Tony Blair's environmental pledges and encouraging noises being made in Europe, which together appeared to guarantee a profitable future for biofuels in the UK.

The reality has proved somewhat different. A lack of regulatory control has allowed US producers to flood Britain with pre-blended green diesel at prices cheaper than Nickels can buy the mineral oil to add to the low-carbon product coming out of his 250,000t/year plant. Not that it's operating to anywhere near that capacity. And it won't until he gets what he calls "a level playing field".

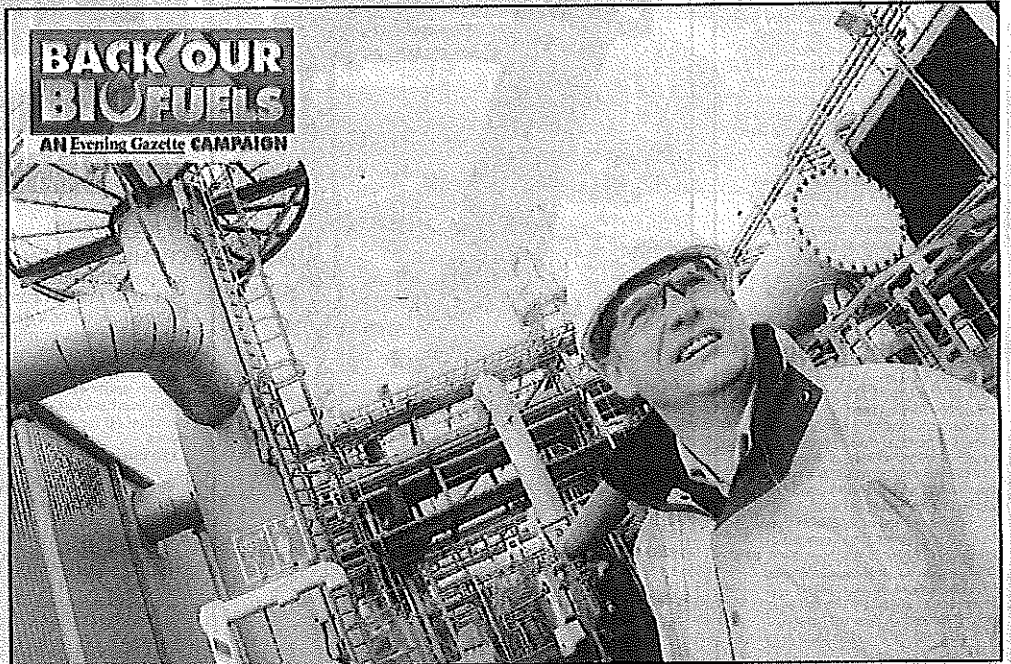
"If the market was left to itself, demand [in Europe] would be 12m tonnes a year - but it isn't going to be," he says.

Not unreasonably, he adds: "We won't produce unless it makes money." That means over half an acre of land adjacent to the current site will remain undeveloped for the foreseeable future.

At the moment, Europe consumes 6m tonnes and the UK just 1m tonnes. Recent back-sliding on the Government's original pledge to force oil companies to make up petrol and diesel blends with a minimum of 5% green fuel by 2011 won't give the industry the volume boost it had hoped for. But next month, following sustained pressure from the UK industry, supported by North-east MEPs Martin Callanan and Fiona Hall, among others, the European Commission will decide what action to take over the American question. And if it goes in European producers' favour, they could be very busy indeed.

"If I were an oil supplier I would be nervous because they have had two great years with subsidised imports [of biodiesel]. If that goes there will be a shortage. My guess is that the supply side will not be able to ramp up that quickly," says Nickels.

The likelihood of Europe persuading the States to give up its historically generous support for the grain belt seems somewhat remote. But the political landscape of the US is changing swiftly. The new demographic of American politics means Obama is less reliant on the croppers' vote than his predecessors. That said, America is



a petrol, not diesel driven society and in the current climate cutting off a lucrative, albeit ethically questionable, export market might not be his smartest move.

"Pure economics should dictate exports, not Government subsidies," insists Nickels.

Were they to be banned, he predicts a significant restructuring of the American industry, which may well then have to face up to some of the same issues as producers in the UK.

Capitalisation - or rather the lack of it - was blamed for V-Fuels putting itself in the hands of administrators, despite having a "sound business plan". D1 Oils quit Teesside last year in disgust saying it would produce outside of Europe where it didn't have to compete with American product in the same way, while the Biofuels Corporation itself swapped debt for 100% equity from Barclays two years ago when it delisted from AIM.

"If we were running at full capacity this would be a very, very profitable plant," says Nickels, who was one of several private equity investors that lost money in the deal.

He says he honestly does not know what return Barclays is expecting from its investment.

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Richard Nickels, above, CEO of the Biofuels Corporation

Picture by DOUG MOODY

Cooking up a real treat

IN THEORY, the oil that can deliver the highest margins for both producers and the environment is the one that Britain throws away in thousands of tonnes every day - used cooking oil (UCO).

Both Biofuels Corporation and V-Fuels

have the technology to turn it into a marketable biodiesel.

"There's about 100,000t in the UK of which a significant proportion is too high in fatty acids to be effectively or economically turned into biodiesel," says Richard Nickels. "But when we

drop UCO in, where you would expect to get 80% biodiesel we get 95% because we convert those fatty acids into biodiesel."

Nickels claims UCO can achieve carbon savings equivalent to 20% of mineral diesel oil, compared to 50% for most other biofuels.

But he gives the impression that they won't wait for ever to see Biofuels Corporation's bottom line turn black. "If we were haemorrhaging money our shareholder would say enough. We've had to play a very careful game to make sure we are doing whatever we can to keep costs down."

The plant is one of the leanest in the world, capable of taking a variety of feedstocks, including used cooking oil - a notoriously difficult material to handle because its cold plug point - the temperature at which it seizes in the pipes - is relatively high, making it unreliable in

some environments. If it can't make money from biodiesel, no one can.

"The reality is this industry has got to get back on to a level playing field and if it doesn't there's no European biodiesel industry in the long term. If it doesn't happen this year it's not so bad, if it doesn't happen next year, it probably is bad."

"I have great confidence in this company. That's based on our technical strength, our location and our people. If anyone deserves to get through this and come out the other side we do."

