

European biodiesel prices hit by bearish gasoil and feeds

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European biodiesel prices have been hit by a trio of bearish influences Monday, falling on weaker ICE gasoil and vegetable oil prices and poor demand, trading sources said Monday.

The price for FAME-10 biodiesel has fallen almost 15% since mid August, Platts data showed, while the flatprice of rapeseed methyl ester was offered \$35/mt lower early Monday for the fourth quarter from Friday at \$1,390/mt.

The October ICE gasoil contract was valued at \$900/mt Monday morning. Buyers were said to be scarce leading to expectations that biodiesel premiums would fall further, sources said.

"There are no bids because we don't know where the bottom is," a trader said. "With the flatprice down, RME is much lower," a source said. "I'd say value is around \$1,360/mt right now."

The October ICE gasoil contract fell \$37/mt prior to midday London time, as crude oil futures slumped on news that the oil infrastructure in the US Gulf had escaped significant damage in the wake of Hurricane Ike.

It was also pushed downward by turmoil in the financial markets feeding into the commodities complex.

"Sentiment is very bearish, it looks pretty weak out there," a trader said. European rapeseed prices fell Eur60/mt to Eur815/mt (\$1,155/mt) prior to 15:00 further weakening the RME price. Rapeseed is the feedstock for RME.

"The RME value to gas oil is going down quickly...as the rapeseed harvest has been very good, there's a good supply," a trader said.

US soy prices were also down Monday with the Chicago board of trade's October contract falling 1.37 cents [\$30.20/mt] from Friday's close to 46.14cents/lb Monday morning.

EU REVIEWS BIODIESEL TARGETS

Meanwhile, the biodiesel industry in Europe was digesting the news that EU politicians were looking to cut back on investment in the biodiesel sector.

A decision by EU politicians to rein in targets for first-generation biofuels puts at risk over Eur5 billion (\$7 billion) invested in EU biofuel production capacity. That is likely to force a major hike in imported biodiesel products to Europe.

"The proposed targets still have to be voted on but this news is very detrimental to the biodiesel industry," a trader said.

If passed, it will scale back a target for biofuels to make up at least 5.75% of road fuels by 2010 and substantially increase the CO2 savings threshold for biofuels to count towards the renewable targets.

The committee's decision requires backing from other EU bodies but it could become EU law by 2010.

The **European biodiesel board** said Friday the committee's move threatens to effectively shut down the European biodiesel industry within two years.

The EBB said its industry faces "dramatic" economic damage with more than 80% of biofuels produced in Europe forced off the market if the latest draft is adopted.

"We are in an over capacity situation [in Europe] and if demand is decreased then this would be very damaging to the [biodiesel] industry," a trader said. --Vanessa Ronsisvalle, vanessa_ronsisvalle@platts.com