

BIODIESEL

DIESTER INDUSTRIE

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Diester Industrie and DII

- Diester Industrie is the only genuinely european biodiesel producer
- With Diester Industrie International (DII), the company is present in France (6 plants in 2007, 8 in 2008), Germany (2 plants), Italy (1), Austria (1) and Portugal (1)
- The Diester group is actively looking for other opportunities in the EU countries depending on local conditions

Diester Industrie in 2008

Coudekerque (DI)
250 000 tons (2008)

Grand-Couronne (DI)
260 000 tons

Grand-Couronne 2 (DI)
250 000 tons (2008)

Compiègne (DI)
100 000 tons (2005)

Compiègne 2 (DI)
100 000 tons (2006)

Le Mériot (DI)
250 000 tons (2007)




Montoir / Saint-Nazaire (DI)
250 000 tons (2007)

Bordeaux/Bassens (DI)
250 000 tons (2008)

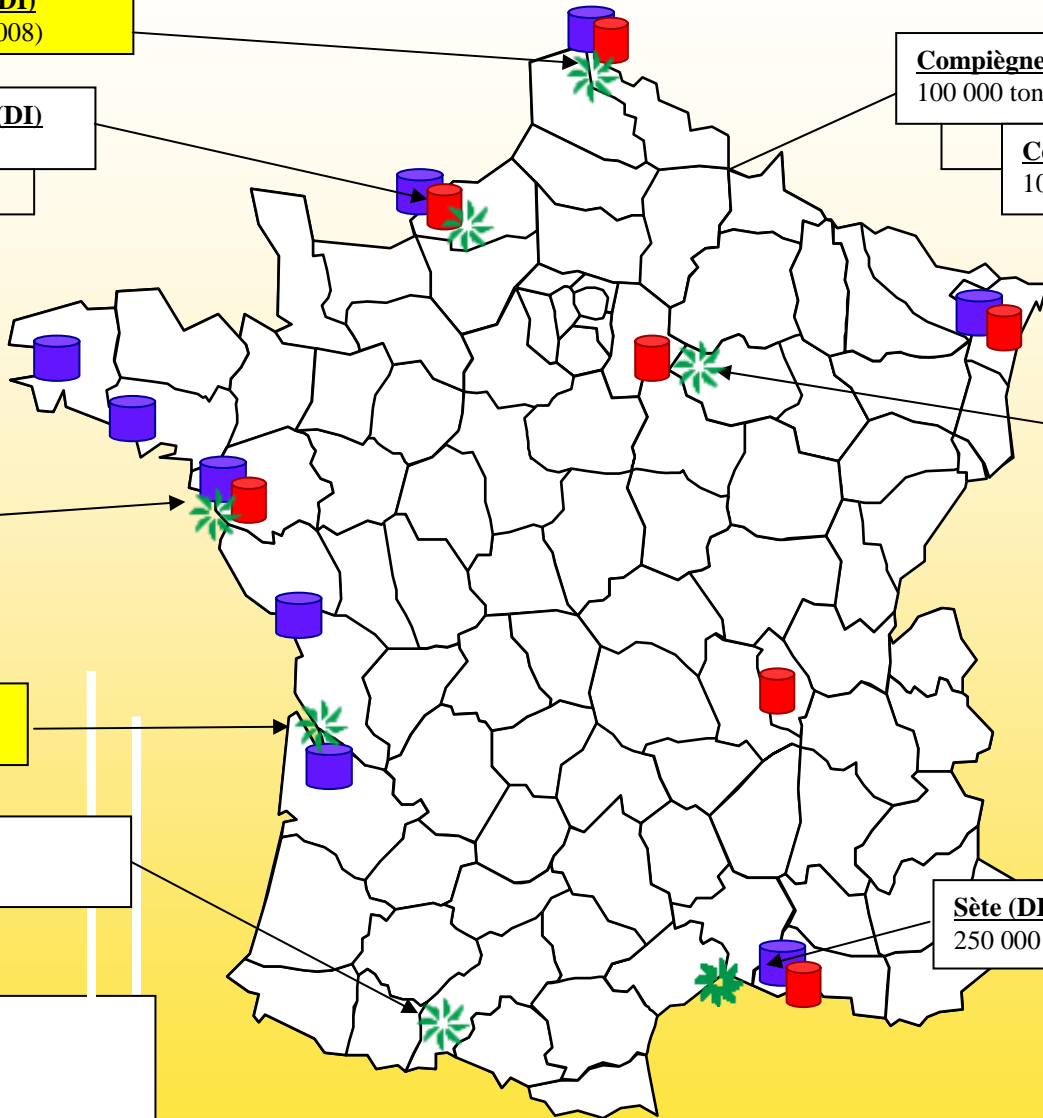
Boussens
40 000 tons

Sète (DI)
250 000 tons (2006)

Around 2 MT
in 2008

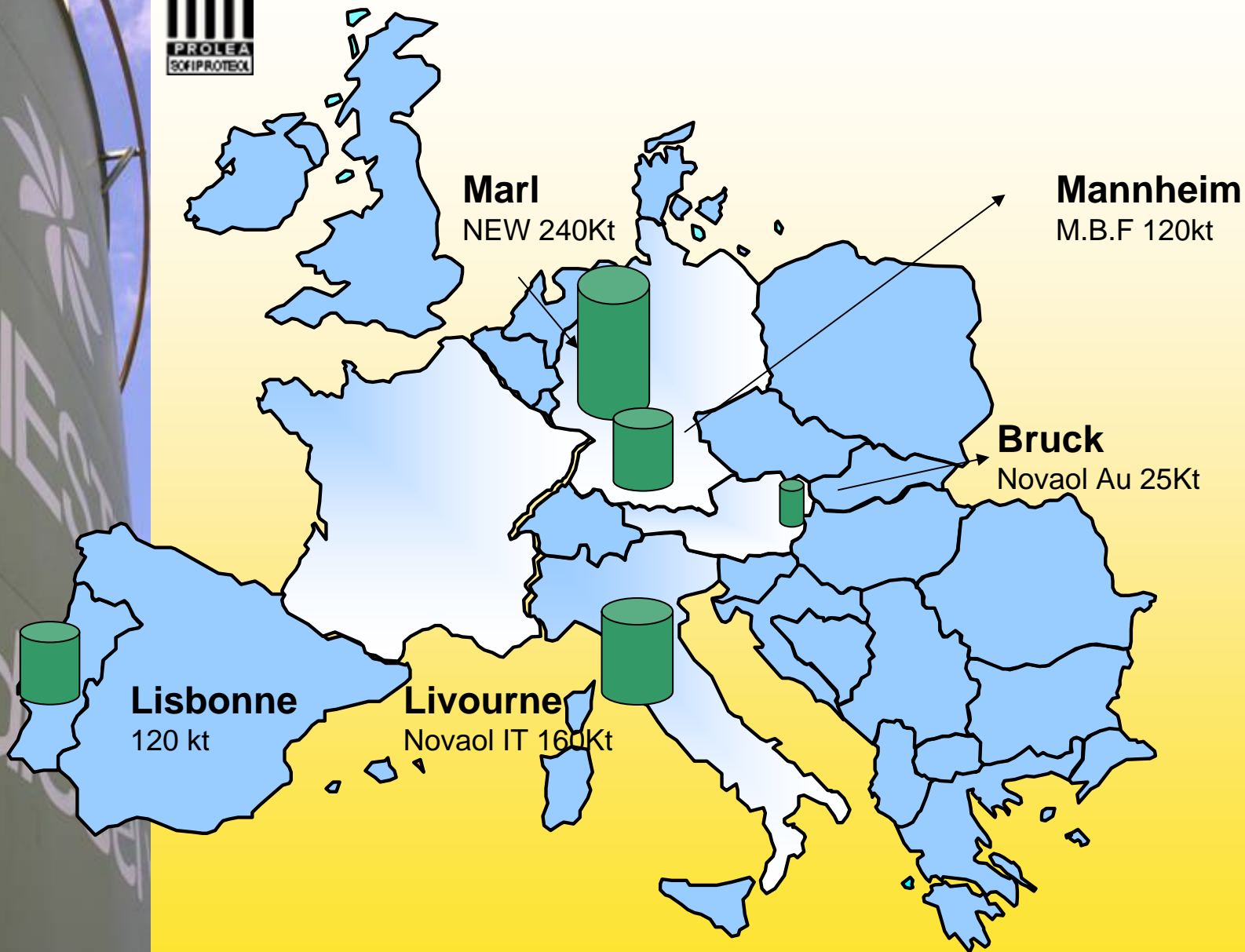
-  refineries
-  Oil storages
-  Production of Diester

 New plants in 2008

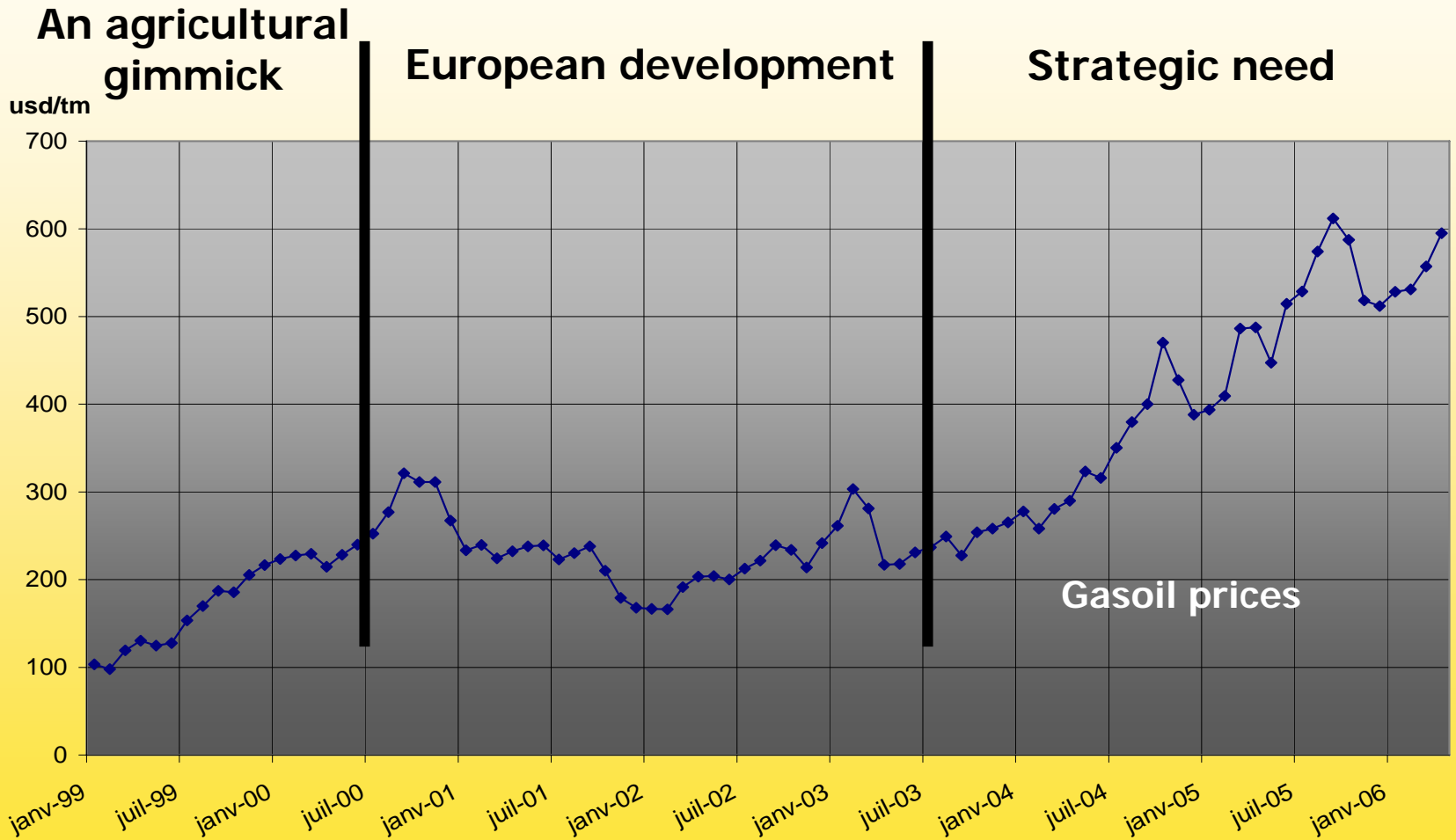


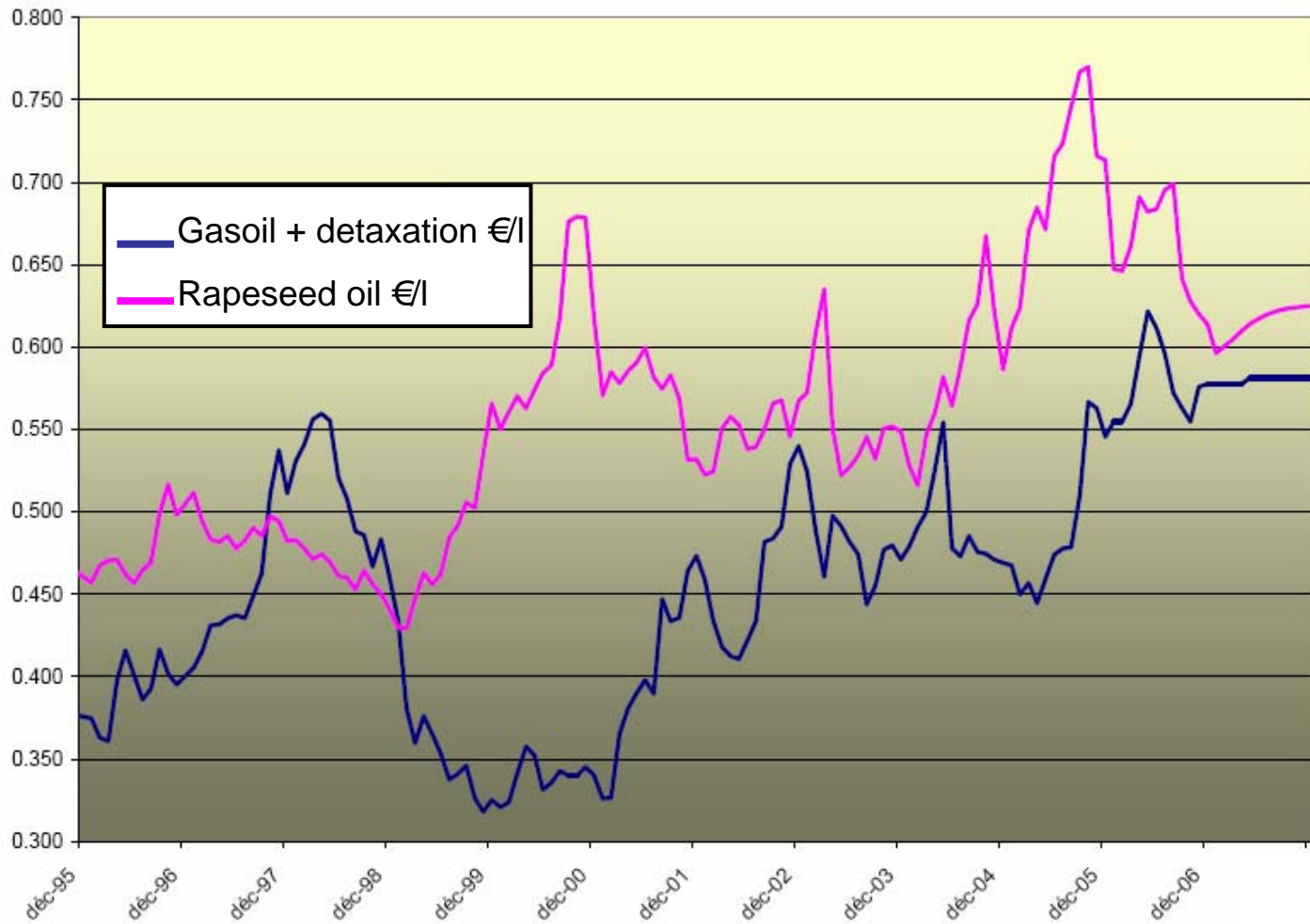


D2I today



The 3 steps in the biodiesel development





- Until now there was no correlation between the fundamentals of mineral and vegetable oil
- Today with the development of biodiesel and of the tax incentives the trends start to converge

EU : an heterogeneous market

- **3 main schemes to promote biodiesel production**
 - Total or partial **detaxation** with or without quota system (Spain, Portugal, Belgium)
 - **Mandatory blending** without detaxation (Germany, United Kingdom, the Netherlands)
 - **Mixed system**: detaxation + other tax incentive
 - Austrian law
 - French « TGAP »



Necessary and realistic conditions for a successful biodiesel production

- Clear legislative background
- Actual market demand
- Availability of feedstocks
- Sufficient fiscal support or incentives to avoid counter margins
- Clear product specifications accepted by all the stakeholders
- Consensus of end users : car manufacturers, oil distributors...



Technical constraints to produce biodiesel

- EN14214 is the basic spec for biodiesel in Europe
- It allows blending of various vegoils within certain limits
- More than 5% palm oil → CFPP problem (use of cold additives forbidden in France)
 - Pure Palm oil methyl ester is inconceivable
- Soybean oil → bad oxidation stability!
 - The main feedstock must be rapeseed oil
 - Later on the high oleic sunoil can provide an excellent alternative, subject to price attractiveness



The german case

- Before august 2006 :
 - Full tax exemption for biodiesel B100
 - Very good profitability based on total detaxation
 - Important development of biodiesel production

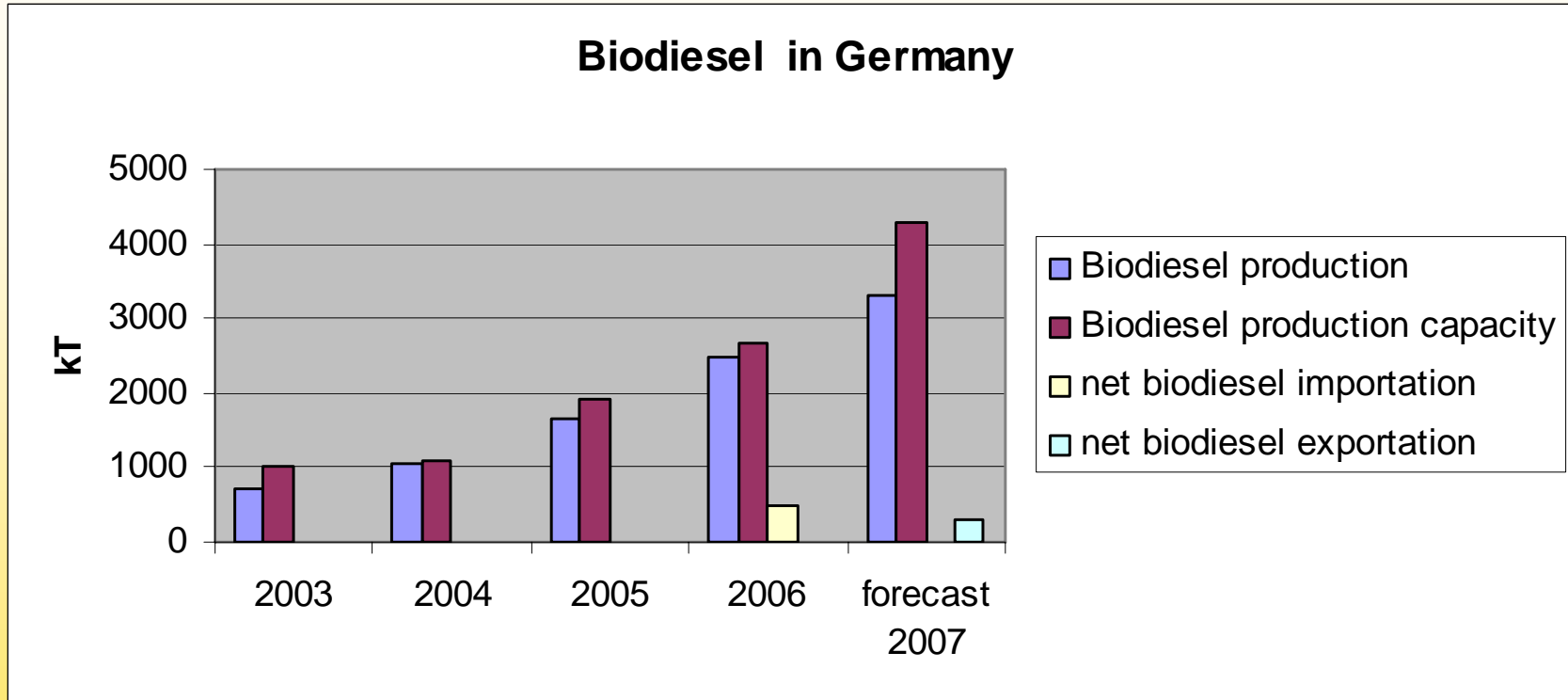


The german case

- After august 2006 :
 - Gradual increase on tax on B100 (full diesel tax as from 2012)
 - As from 2007 : mandatory blending (4.4%)
 - Less profitability
 - Overcapacity



The german case

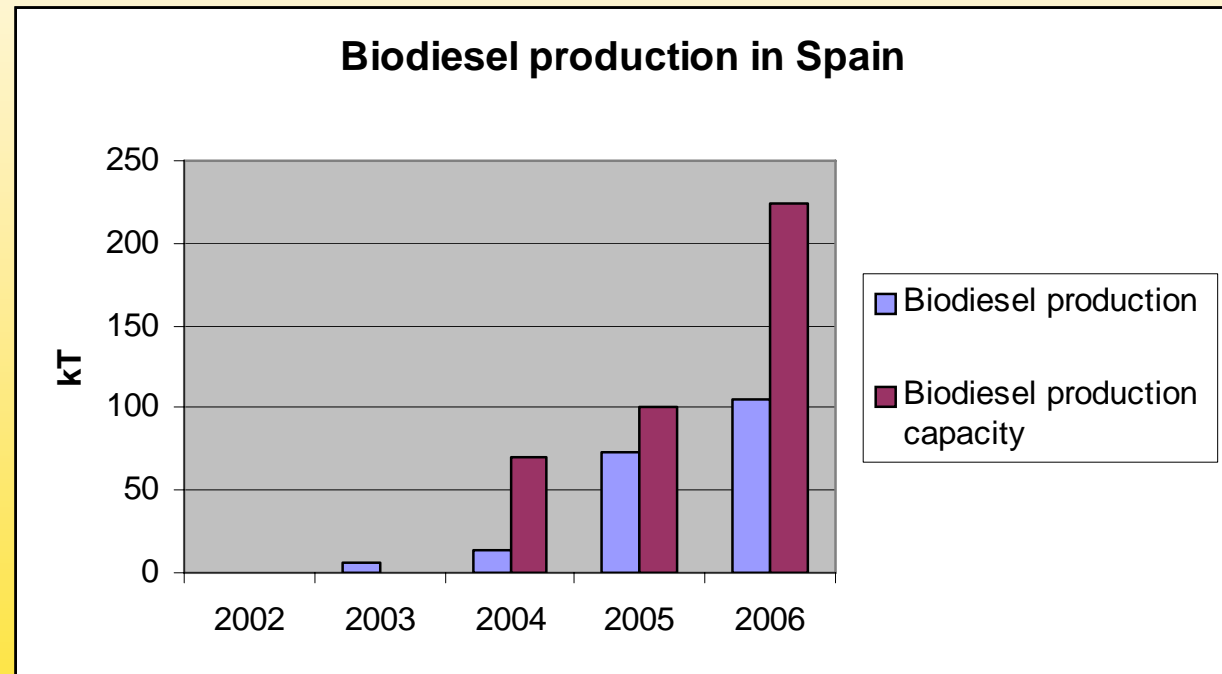


kT	2006	2007
B100	1 900	1 600
B5	1 300	1 400

The spanish case

- A national biodiesel specification different from the european norm EN14214

Spanish standard	EN14214
Max iodine value : 140	Max iodine value : 120



→ The start up of biodiesel production in Spain is very slow and difficult

France :

- France

- **Partial detaxation** allocated to producers holding 6 years **quotas**, quotas are granted on EU tenders
- **TGAP** : tax on « polluting activities » is levied on those mineral oil distributors that do not blend biofuels with conventional fuels. The operators had to blend 1.75% in 2006, the percentage increasing every year until a 7% target in 2010.
(3.5% in 2007, 5.75% in 2008, 6.25% in 2009, 7% in 2010)

→ System in place that works as long as it distributes the cost of support between the budget and the consumer

Conclusion

- Biodiesel is a must in Europe.
- We import too much gasoil.
- Although we cannot fill the gasoil deficit in the EU with biodiesel, it brings a growing contribution to security of supply and Kyoto Protocol.
- To reach the ambitious objective of the Commission a public support is needed.
- We believe that the french system quotas + detaxation is the best.
- Apart from public support biodiesel must meet a market consensus and must avoid overcompensation.