BIODIESEL

DIESTER INDUSTRIE

par Bernard NICOL
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
Compiègne (DI)
100,000 tons (2005)

Compiègne 2 (DI)
100,000 tons (2006)

Diester Industrie in 2008

Around 2 MT in 2008

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

Boussens
40,000 tons

Compiègne (DI)
260,000 tons

New plants in 2008

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

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

Le Mériot (DI)
250,000 tons (2007)

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

Sète (DI)
250,000 tons (2006)

Coudekerque (DI)
250,000 tons (2008)

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

Production of Diester

Refineries

Oil storages
The 3 steps in the biodiesel development

An agricultural gimmick | European development | Strategic need

Gasoil prices
• 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 attractivity
The german case

• Before august 2006:

  – Full tax exemption for biodiesel B100
  → Very good profitablity 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

Biodiesel in Germany

<table>
<thead>
<tr>
<th>kT</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>B100</td>
<td>1,900</td>
<td>1,600</td>
</tr>
<tr>
<td>B5</td>
<td>1,300</td>
<td>1,400</td>
</tr>
</tbody>
</table>
The Spanish case

- A national biodiesel specification different from the European norm EN14214

<table>
<thead>
<tr>
<th>Spanish standard</th>
<th>EN14214</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max iodine value: 140</td>
<td>Max iodine value: 120</td>
</tr>
</tbody>
</table>

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.