BIODIESEL

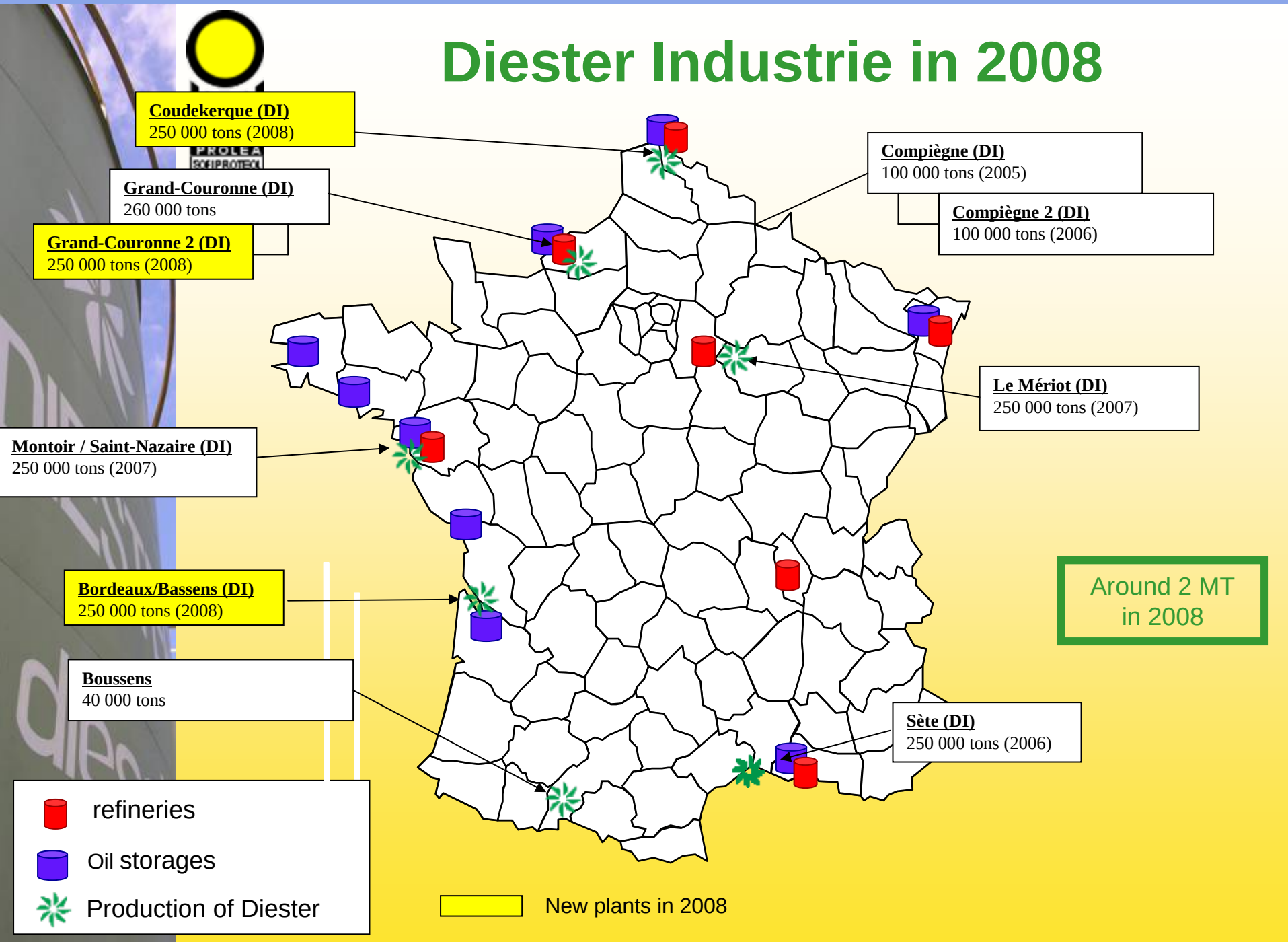
DIESTER INDUSTRIE

par Bernard NICOL

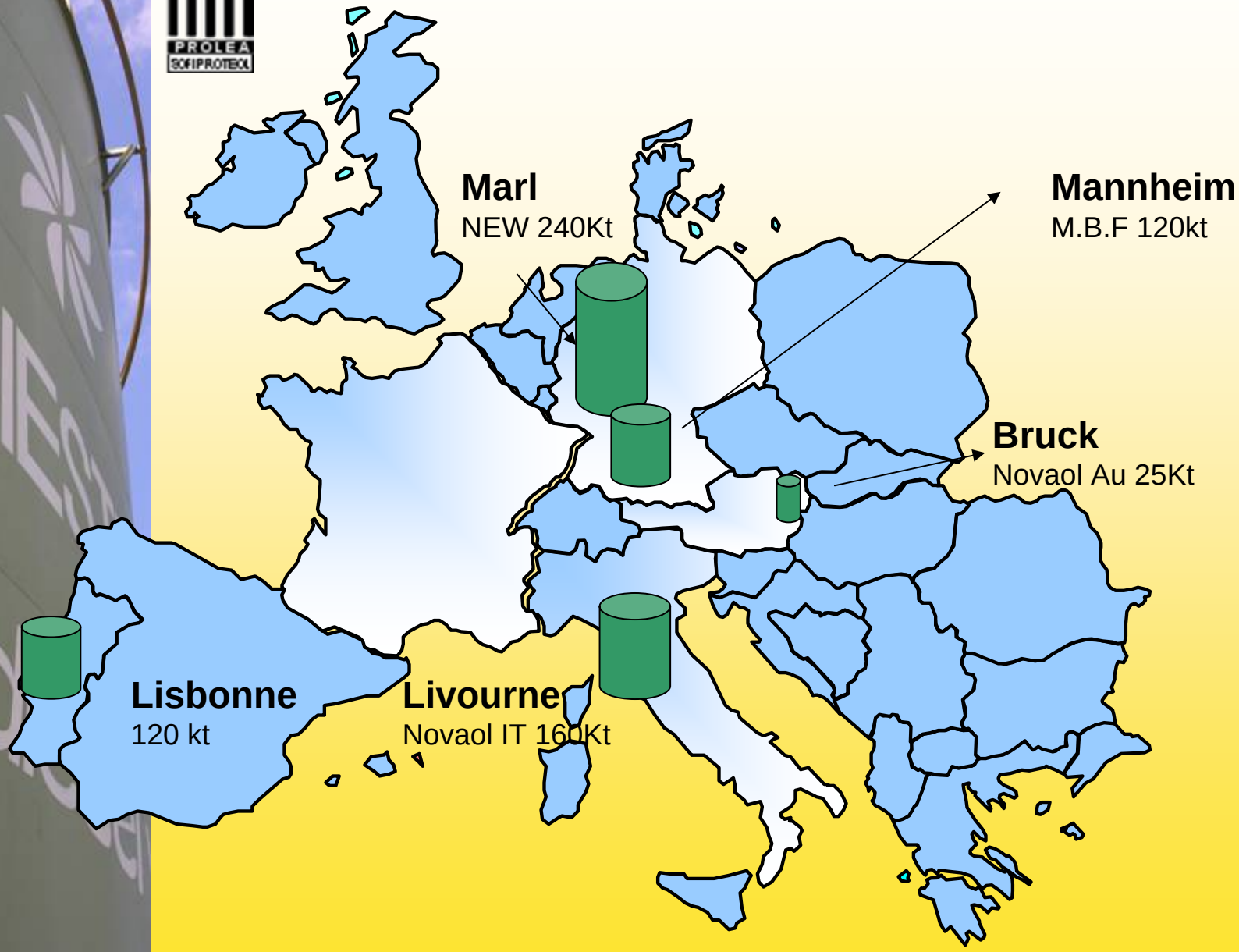
Diester Industrie and DII

- 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

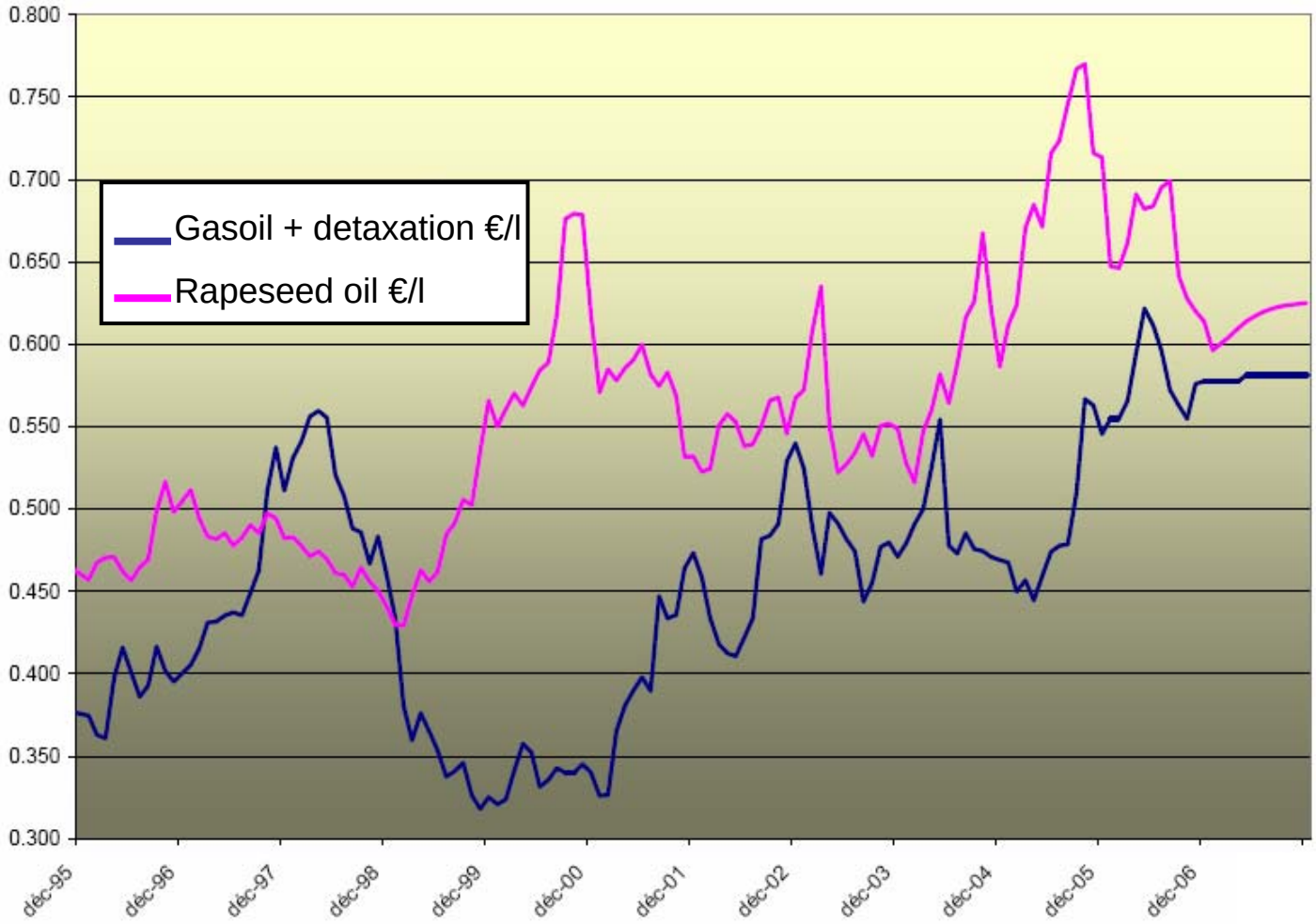
Diester Industrie in 2008



D2I today


Marl
NEW 240Kt
Mannheim
M.B.F 120kt
Bruck
Novaol Au 25Kt
Lisbonne
120 kt
Livourne
Novaol IT 160Kt

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 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

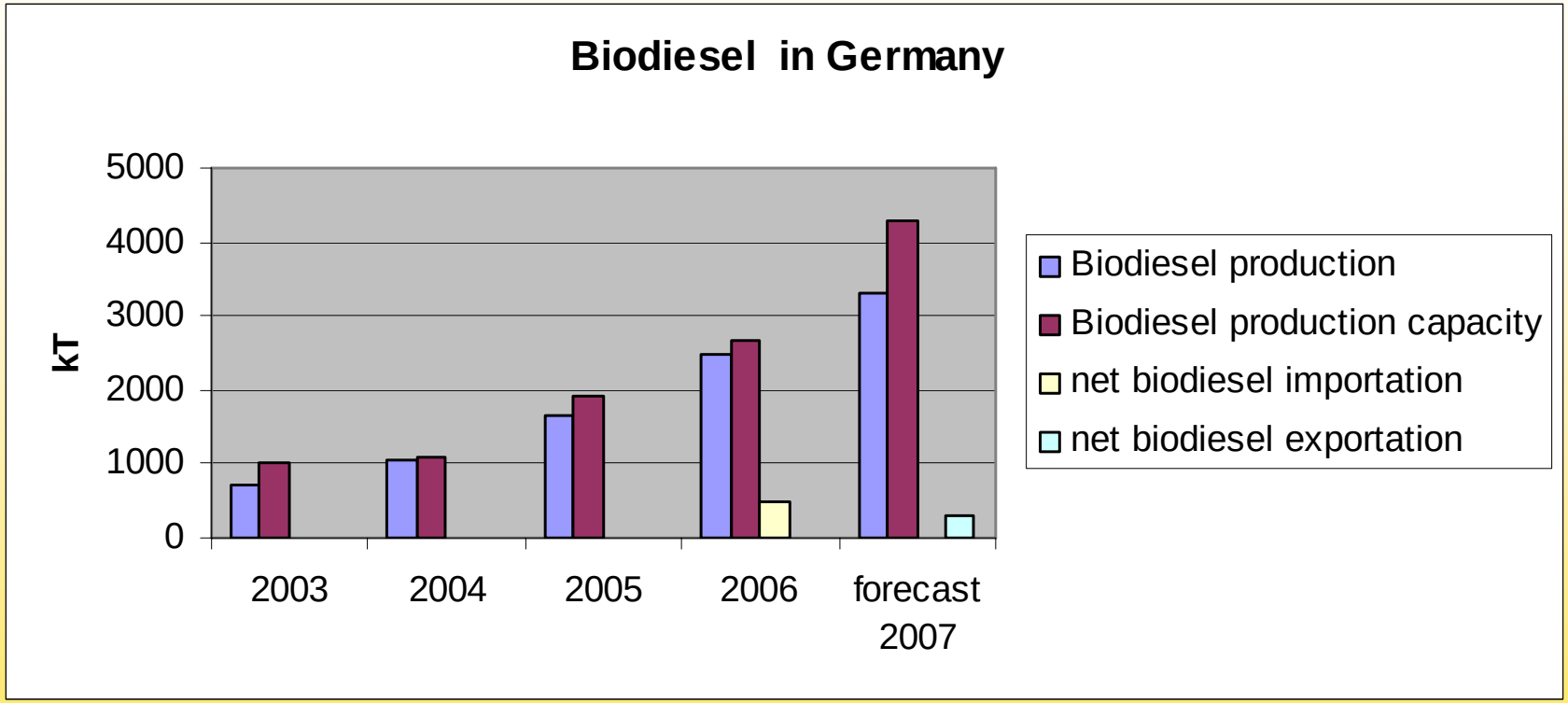
The german case

- 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

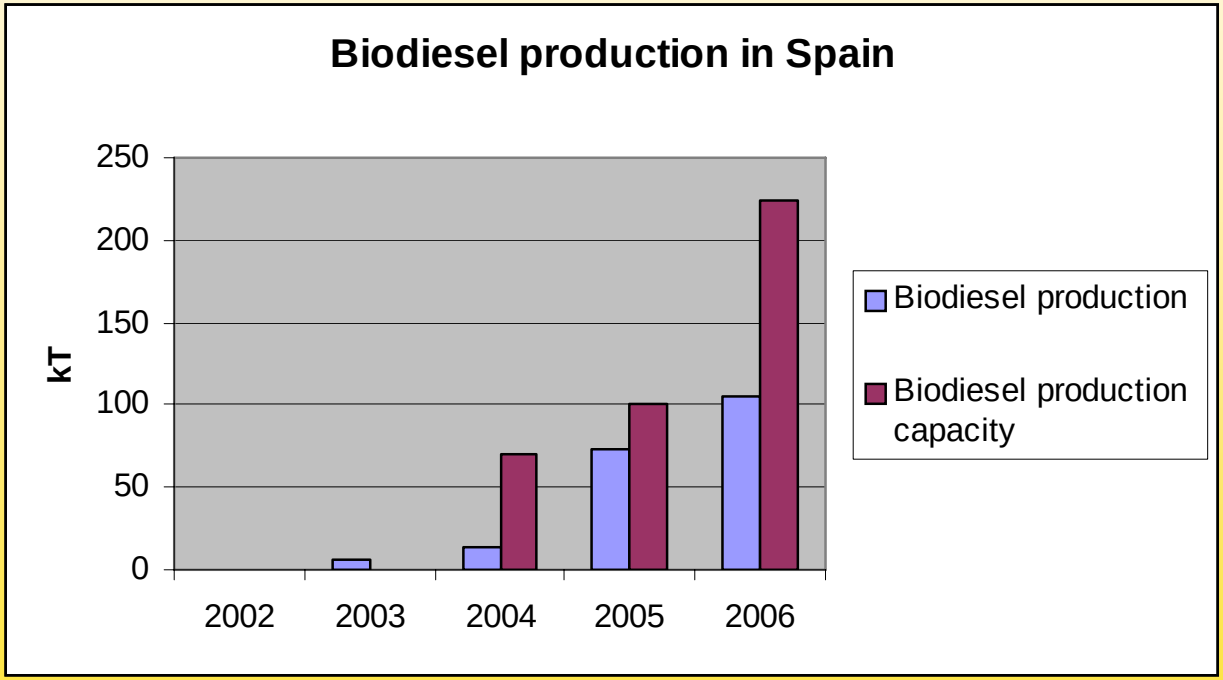


kT	2006	2007
B100	1 900	1 600
B5	1 300	1 400

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.