Low carbon fuel boom sets Asian sustainability test

Asian low carbon feedstock sellers need to master supply chain auditing to capture an expanding international market

With demand for low carbon fuels rising steeply in both Europe and the US, Asian exporters are already showing a speedy response to overseas price signals demanding rapid scaling up of waste export businesses from their small origins. The prospects for the Asian export arbitrage in waste fuels and feedstocks will grow rapidly as Europe, the US and Asian governments eye quick expansion of carbon cutting mandates across their road transport fuel sectors.

EU member states are already busy responding to Brussels’ Directives demanding that they rebalance their domestic biofuels mandates away from crop-based biofuels and towards wastes. The EU demands its 28 member states hit a 10% share for renewables in their road transport fuels mix by 2020. After 2020 the EU is shifting its demands to ensure that member states start to scale back their consumption of crop-based biofuel in favour of consuming “advanced” biofuels manufactured from used cooking oil, animal fat and other streams of waste emanating from the agricultural, municipal waste and forestry industries in particular.

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The EU will also introduce carbon-counting legislation across the bloc from 2020. This will allow a step change in fuel distributors’ ability to monetize the carbon reductions that their biofuels can offer, mimicking a system which is already in operation in Germany.

The switch to GHG-counting will also require a step change in the auditing documentation which Asian fuel and feedstock suppliers will be expected to provide to remain eligible for sales into the world’s largest market for biodiesel, renewable diesel and biomass feedstocks aimed at fledgling industries in other technologically advanced biofuels.

Existing double count markets in Europe are already ratcheting up demand to stay on track with 2020 mandates. The UK — which is Europe’s largest consumer of wastes and already heavily dependent on imports — will hike its mandate from 4.75% this year to 7.25% from next April, implying a more than 50% physical demand hike in the 12 months following the rise.
In the US, waste feedstocks and fuels low in carbon emissions are finding increasing demand into the West Coast. States such as California and Oregon are pioneering their own mandates aimed at cutting road transport fuel carbon emissions, using a centralized ticketing system to allow the market to price the carbon savings offered by the renewable fuels which distributors consume. Ireland this year hiked its mandate to nearly 9%, stoking a 76% jump in demand to feed its import heavy double count pricing mechanism. The Netherlands is pursuing annual increases in its own import-heavy mandate, with the government showing little desire to allow crops extra headroom to supply the market’s growth.

In Scandinavia, Swedish suppliers are worried about the potential scramble for feedstock should the government go ahead with plans to eradicate palm derivative PFAD from the country’s biofuels mandate next summer. This would come at the same time as the country introduces a GHG-counting mandate to replace its current system of tax breaks for biofuels. Next door, Finland will hike its own waste-friendly mandate by 2 percentage points to hit a 15% mandate.

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This is prompting US and Canadian fuel producers and distributors to start casting an inquisitive eye across the Pacific in search of fuel and feedstock able to satisfy regional paperwork requirements documenting environmental sustainability and carbon credentials.

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