China and global low carbon demand growth

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16 July 2018
China and global low carbon demand growth

中国和全球低碳燃油需求的增长

The international demand side
国际需求

The Chinese supply side
中国供给
The international demand side
European demand growth is the future
欧洲增长是未来

The RED II Deal 2030

32% renewables

14% transport renewables

7% crop cap

No high-ILUC post 2030

7% wastes

3.5% annex a

3.5% annex b
What does RED II mean?

RED II是什么意思

- Substitution of wastes for crops is official policy for market expansion
- Diesel is the natural home for wastes as ethanol waste development struggles, expanding blending headroom
- Palm is facing additional ILUC hurdles
- Demand for non-UCO, non-animal fat streams will grow

- 现有正式的政策保证废弃油脂市场的增长，从而取代农作物类生产材料在燃料油中的应用；
- 柴油是废弃油脂相关产品的摇篮，因为乙醇废弃物的发展受到阻碍，发展空间有限；
- 棕榈油相关产品受限于ILUC；
- 非泔水油以及非动植物油脂的求会增加
HVO supply surge & red palm flags

EU renewable diesel footprint (mn t) Neste projected capacity when second Singapore plant opens

Neste projected capacity after debottlenecking

French farmers picket Total refineries in palm oil protests

French farmers have started a three-day blockade of refineries after a decision by Total to import cheaper palm oil for its biofuel plant. The move has fanned farmer discontent over unfair competition.

The Vatry fuel depot in the Marne region of northeastern France was the first to be blocked on Sunday evening as about 100 farmers set up barricades with tractors and mounds of rubble.

On Monday, a total of 13 sites were being picketed by members of the French farmers’ union FNSEA.
EU will need to import more
West Coast US is also waste hungry

- Record high prices offer $566/t in incentive to CA UCOME producer before RINs & BTC

加州的市场中，对于UCOME的补贴历史最高已经达到了每吨$566，这个价钱并不包含RINs和税收补贴。

- CME launched PRIMA LCFS swap on 16 July

芝加哥商品交易所在7月16日的时候会正式发布PRIMA价格结算的LCFS期货。
US West Coast is outpricing ARA
LCFS is worth $560+/t for generic UCOME
加州补贴高达每吨$560

Lock-in margin with CME/PRIMA LCFS swap 

c芝商所上市的PRIMA LCFS期货帮助锁住利润

Announcing LCFS (PRIMA) Futures Contract

California Low Carbon Fuel Standard (Code LCF)

California’s LCFS market is the gold standard template, offering monetization to multiple fuel supply streams as well as program risk management.

Trade PRIMA California Low Carbon Fuel Standard with CME Group for the first day of trading on July 16. The LCFS Futures contract complement existing global environmental contracts on CME Globex.

Read PRIMA’s latest market report on LCFS.

To learn more about the contract visit our Environmental Homepage

Read Report
The Chinese supply side
The New Silk Road

EU UCO price vs China UCO price $/ton

UCO FOB ARA  UCO FOB North China
Scaling up

- Total over 252,000t in 2017, up from 42,000t in 2016. 出口主要国家的数量在2016年有42,000吨，到2017年增长到252,000吨。

- EU consumption includes vols shipped into Malaysia, then shipped with locally collected oils to EU after arriving Malaysia ports. 欧盟的消耗量包括部分从中国运到马来西亚的数量。

- UCOME and HVO are joining the exodus. UCOME和HVO加入这个行列。

China UCO export to major destinations

- Netherlands
- Spain
- Portugal
- UK
- Malaysia
How to trade 如何交易

Europe

<table>
<thead>
<tr>
<th></th>
<th>€/mt</th>
<th>$/mt</th>
<th>±WoW</th>
</tr>
</thead>
<tbody>
<tr>
<td>T2 RED EU UCO FOB ARA</td>
<td>603.50</td>
<td>703.25</td>
<td>-1.9%</td>
</tr>
<tr>
<td>T2 RED EU UCO FOB NWE</td>
<td>616.00</td>
<td>718.00</td>
<td>-1.9%</td>
</tr>
<tr>
<td>T1 Non EU UCO CIF ARA</td>
<td>540.26</td>
<td>630.00</td>
<td>-1.8%</td>
</tr>
<tr>
<td>UCO CIF Lisbon</td>
<td>575.00</td>
<td>670.51</td>
<td>-2.0%</td>
</tr>
<tr>
<td>T2 EU Animal Fat Cat 3</td>
<td>400.00</td>
<td>462.50</td>
<td>0.0%</td>
</tr>
<tr>
<td>Rapseseed Oil</td>
<td>720.00</td>
<td>839.25</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

Asia & Africa

<table>
<thead>
<tr>
<th></th>
<th>RMB/t</th>
<th>$/mt</th>
<th>±WoW</th>
</tr>
</thead>
<tbody>
<tr>
<td>China UCO Ex-factory</td>
<td>3,900.00</td>
<td>590.00</td>
<td>0.0%</td>
</tr>
<tr>
<td>UCO FOB North China</td>
<td>590.00</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>UCO FOB South China</td>
<td>615.00</td>
<td>0.0%</td>
<td></td>
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<tr>
<td>UCO FOB South Korea</td>
<td>565.00</td>
<td>0.0%</td>
<td></td>
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<tr>
<td>UCO FOB Vietnam</td>
<td>600.00</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>UCO FOB North Africa</td>
<td>565.00</td>
<td>-0.8%</td>
<td></td>
</tr>
<tr>
<td>Palm Oil Futures</td>
<td>709.25</td>
<td>-1.2%</td>
<td></td>
</tr>
<tr>
<td>Soybean Oil CFR India</td>
<td>455.00</td>
<td>-1.1%</td>
<td></td>
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PRIMA Low Carbon Fuels and Feeds Report

UCO flat at market liquidity drains

Value in the European UCO market was unchanged from previous day levels after an uneventful session with supply/offer imbalances remaining flat and against a weaker weekly complex which continues to keep buyers holding fire. Press month Malaysian palm oil was up 2% W-o-W by Thursday, although prices remain 5% lower than month ago levels, with international demand for the vegoil still weak. The UCO spread to palm oil was therefore at $132.86 on Friday, down 74c and W-o-W up 71c.

In Asia 6% FFA UCO with South China origin quoted on Thursday on a CIF ARA basis, although price was not disclosed for the deal. Bids for UCO with a 9% FFA continue to reach Asian offerers, but little or no offers are seen in the higher, between 5625/4 and 5645.

In Europe, UCO prices on the domestic premises were lower this week in line with ADM levels. UCO BOP North Portugal was talked at 68c/L, while the product traded at a CIF Lisbon basis lower than 90c/mt in neighbouring Spain. UCO BOP Spain was reported at 63c/L, while UCO CIF Valencia was seen at 65c/L. In UCO/EU, no trades or offers were reported in the market on Friday, keeping prices flat.

PRIMA assessed US Midwest corn oil at 20 cts/lb during the most recent week, a quarter-cent rise from the 29.75 cts/lb level observed last Friday. Further East, prices in Ohio settled slightly below levels reported in Iowa and Minnesota, at 25.50 cts/lb.
Stay on top with PRIMA

EU Biodiesel
US Biodiesel
Argentinian biodiesel
Veg Oils
International Ethanol
Asian Ethanol
California LCFS
Monthly RIN Count

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