

# Biofuels Trading

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# Current Trading Environment in Europe for Biofuels

- Trade Multiples in Europe
- Consumption versus Mandates
- International Trade Flows
- Derivative Market & Hedging
- Outlook

## Trade Multiples in Europe changing

- 2005 -2008 Variable trade multiplier effect
- 2008-2009 Speculative activity diminishing as industry matures, more stable trading conditions
- 2010 onward – Increasingly stable trading conditions in Europe, growing US domestic market, developing Asian market

# Production and Mandates

| Country        | Biodiesel consumption 2009 (1000 mt) | Ethanol consumption 2009 (1000 mt) |
|----------------|--------------------------------------|------------------------------------|
| Germany        | 2400                                 | 600                                |
| France         | 2300                                 | 750                                |
| Italy          | 1200                                 | 300                                |
| United Kingdom | 520                                  | 310                                |
| Austria        | 435                                  | 120                                |
| Spain          | 760                                  | 250                                |
| Benelux        | 450                                  | 320                                |
| Poland         | 550                                  | 150                                |
|                |                                      |                                    |

EU blending v mandates for 2009 – Biodiesel 4.0% v 5.05 target, Bioethanol 1.93% v 5.00%. Total 3.33% versus 5.00% target

# Changes in international trade routes

- US Biodiesel exports - countervailing duties
- Argentina export tax reduction for SME
- Asian PME – Malaysia, Indonesia, Korea, India
- Brazilian Ethanol – seeing the 1<sup>st</sup> imports into Brazil of US Ethanol
- US Ethanol to ARA
  
- Future – continued internationalization of trade in FAME, Ethanol and new biofuels

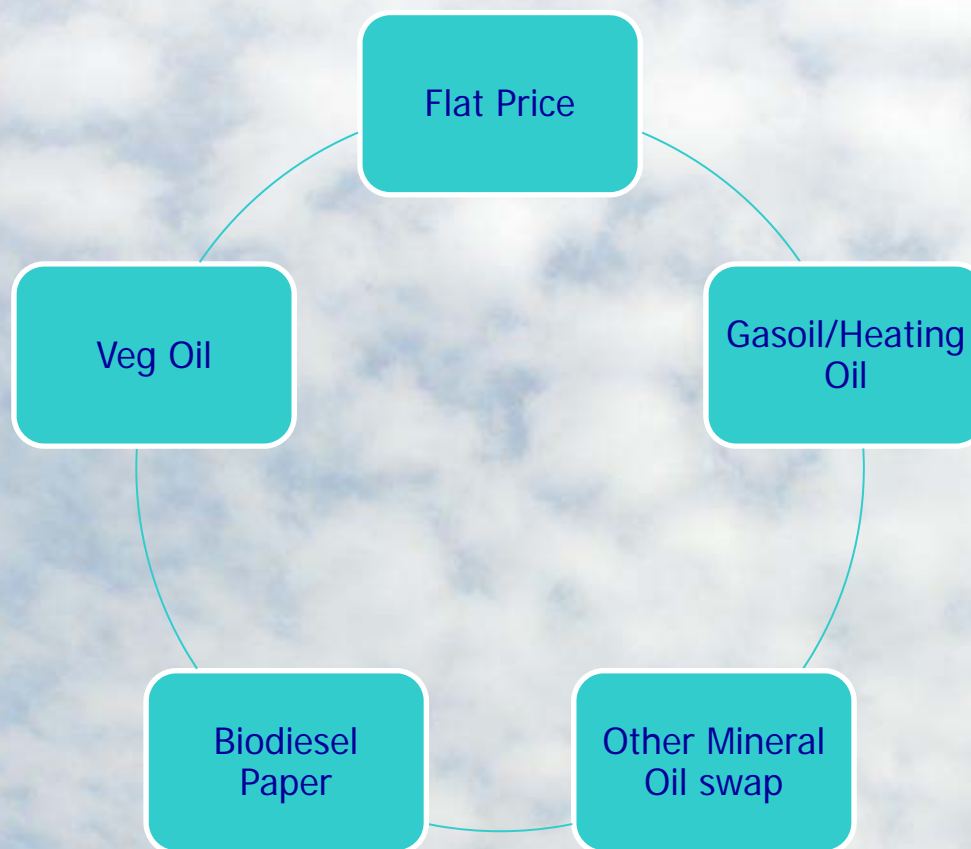
## Emerging Derivative Market

- Paper swaps in Biodiesel and Ethanol now well established – also available for feedstocks (Rape, Soya, Palm, Wheat, Sugar)
- Clearing Mechanisms – OTC or CME Clearport
- Traders, Producers, End Users, Distributors, Banks

# Hedging Biodiesel

| <b>Correlations, calculated weekly on a proportional change basis. Jan 07-Oct 09</b> |       |       |        |       |        |          |          |
|--|-------|-------|--------|-------|--------|----------|----------|
|  | RME   | SME   | FAME 0 | PME   | Gasoil | Rape Oil | Bean Oil |
| RME (ARA)  | 1     |       |        |       |        |          |          |
| SME (ARA)  | 0.661 | 1     |        |       |        |          |          |
| FAME 0 (ARA)   | 0.624 | 0.923 | 1      |       |        |          |          |
| PME (ARA)  | 0.571 | 0.839 | 0.802  | 1     |        |          |          |
| Gasoil (ICE)   | 0.600 | 0.584 | 0.549  | 0.492 | 1      |          |          |
| Rape Oil (ARA)   | 0.588 | 0.515 | 0.484  | 0.506 | 0.529  | 1        |          |
| Bean Oil (CBOT)  | 0.494 | 0.571 | 0.524  | 0.513 | 0.578  | 0.713    | 1        |
| Palm Oil (MDEX)  | 0.454 | 0.566 | 0.529  | 0.547 | 0.442  | 0.597    | 0.747    |
|  |       |       |        |       |        |          |          |
| <b>Correlations, calculated weekly on a proportional change basis. Apr 09-Oct 09</b> |       |       |        |       |        |          |          |
| RME (ARA)  | 1     |       |        |       |        |          |          |
| SME (ARA)  | 0.863 | 1     |        |       |        |          |          |
| FAME 0 (ARA)   | 0.865 | 0.967 | 1      |       |        |          |          |
| PME (ARA)  | 0.842 | 0.902 | 0.895  | 1     |        |          |          |
| Gasoil (ICE)   | 0.709 | 0.785 | 0.75   | 0.719 | 1      |          |          |
| Rape Oil (ARA)   | 0.728 | 0.651 | 0.677  | 0.645 | 0.466  | 1        |          |
| Bean Oil (CBOT)  | 0.636 | 0.668 | 0.657  | 0.741 | 0.58   | 0.769    | 1        |
| Palm Oil (MDEX)  | 0.423 | 0.516 | 0.494  | 0.65  | 0.287  | 0.57     | 0.655    |

# Biodiesel Hedging possibilities



# EU Ethanol Hedging possibilities



# What Next?

- Increasingly diverse trade routes
- Consumption v Mandate gap to narrow
- Further market “surprises” and changing trade flows
- Blending margins to continue to decline.