

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 4/24/2012

GAIN Report Number: SP1213

Spain

Post: Madrid

Spain Enacts Biodiesel Production Quota System

Report Categories:

Biofuels

Oilseeds and Products

Approved By:

Robert Hanson. Agricultural Attaché

Prepared By:

Marta Guerrero. Agricultural Specialist

Report Highlights:

Right after Argentina announced the expropriation of 51% of YPF, a subsidiary of Repsol, the Spain's largest petroleum company, the Government of Spain decided to publish a Ministerial Order to establish a biodiesel production quota system. This Ministerial Order lays down the rules to allocate biodiesel production quotas to EU based biodiesel producers whose production would be eligible to meet consumption mandates. The implementation of this quota system would ultimately restrict third countries' exports of biodiesel to Spain and result in increased domestic production of biodiesel and a higher demand of raw materials versus finished product imports.

General Information:

Background information

Spain is one of largest consumers of biodiesel within the EU. Biodiesel consumption (**Table 2**) in Spain follows an upward trend mainly driven by the mandates (**Table 1**) imposed since 2009.

Table 1. Spain's Biodiesel specific and overall mandates (percentage in terms of energy)

Year	2009	2010	2011	2012	2013
Biodiesel specific mandate (%)	2.5	3.9	6	7	7
Overall biofuels mandate (%)	3.4	5.83	6.2	6.5	6.5

Source: Orden ICT/2877/2008. Royal Decree 1738/2010 and Royal Decree 459/2011.

Table 2. Spain's Biodiesel Consumption

Year	2008	2009	2010	2011
Biodiesel (1,000 MT)	588	1,028	1,362	1,520

Source: FAS Madrid based on CORES data.

While installed biodiesel production capacity in Spain almost triples mandatory consumption, capacity use has been really low over the last years, close to 14 percent according to industry sources, due to stiff competition from third countries exports of biodiesel to Spain.

Table 3. Spain's Biodiesel Production Capacity

Year	2005	2006	2007	2008	2009	2010	2011
Production Capacity (1,000 MT)	100	248	815	2,070	4,100	4,300	4,500

Sources: EBB, APPA and FAS Madrid estimates.

In 2011, biodiesel imports from Argentina and Indonesia represented nearly 60 and 25 percent of imports. Total imports covered over 70 percent of domestic biodiesel consumption.

Table 4. Spain's main Biodiesel Suppliers (1,000 MT)

Year	2008	2009	2010	2011
EU-27	192	341	180	168
Argentina	0	197	436	695
Indonesia	73	36	187	325
India	0	9	12	15
Malaysia	6	20	21	5
United States	98	4	0	0
Others	1	2	1	2
Total	370	610	838	1,211

Source: Trade figures are based on Global Trade Atlas (GTA) data HS code 3824 90 91.

The former Ministry of Industry, Tourism and Trade drafted a Ministerial order in 2010 regarding the

allocation of production quota of biodiesel. This Ministerial Order, which was assessed by the National Energy Commission (CNE), would prevent unfair competition from third countries. Reportedly, due to pressure from exporting countries, namely Argentina, the Order remained on hold until Friday April 20, 2012.

On Friday, April 20, 2012 the Council of Ministers agreed on implementing a system to establish a quota system by which only EU producers could apply to be granted by production quotas. Only production under quotas would be eligible to meet the consumption mandates. Spain's Official Gazette published on Saturday April 21, 2011 the Ministerial Order IET 822/2012 laying down the rules for the biodiesel production quota that would ultimately reduce imports of biodiesel originated in third countries. This measure came right after Argentina announced on Monday April 16, 2012 the nationalization 51% of YPF, a subsidiary of Repsol, the Spain's largest petroleum company.

Biodiesel Quotas Ministerial Order

The Ministerial Order IET/822/2012 by the Ministry of Industry, Energy and Tourism intends to promote the domestic transport biodiesel industry as well as to contribute to the security of energy supply and to reduce dependence on petrol imports.

EU Biodiesel companies are invited to present their requests for production quota in a 30 days period. A total of 5 million metric tons of biodiesel will be distributed among producers, from which, at least 4 million MT of biodiesel should be requested by biodiesel companies to ensure fair competition. If the total amount requested is below 4 million MT, the submission deadline will be postponed. If less than 2 million MT are requested, the quota allocation procedure will be cancelled.

Companies can request production quota to the limit of their authorized production capacity.

Production quota request will be accompanied by additional company information. Plants that already have quota allocated by other EU scheme will not be eligible.

Based on information provided by companies, competent authorities will decide on the quota allocation for a two years period considering environmental, security of supply, production capacity and economic and financial viability criteria. The period can be extended in two additional years if deemed appropriate.

The final allocation of biodiesel production quotas will be published in the Official Gazette within a 6 months period. From then on, only production under quota will be eligible to count against the consumption mandates. Therefore, only production under quota will be granted with the exemption to pay the 350 Euros fines imposed per certificate/metric ton of oil equivalent that the obliged party failed to market. If a company is granted with biodiesel production quota it cannot transfer it to another company.

Once the quantities are allocated to biodiesel plants, in addition to the information required to obtain the biofuel use certificates ^[i], the obliged parties will need to provide the CNE (National Energy Commission) with evidence that shows that the biodiesel they are marketing has been produced in

plants with quota and within their annually allocated quota.

Impact on biodiesel production, raw materials use and trade

The publication of this Ministerial Order would likely result in an increased domestic production –in Spain and possibly in other EU MS– as well as in increased imports needs of raw materials that would replace finished product imports.

In 2011, data available show that domestic consumption of biodiesel reached 1.5 million MT, about 30 percent of capacity installed. The quota allocation will ensure that domestic consumption is supplied by EU based plants, however, full capacity use of Spain’s based is not assured, unless biodiesel exports become grow, as other MS plants can participate in the quota system and the overcapacity installed compared to projected consumption in Spain^[iii].

Latest official information released on feedstock used corresponds to year 2010, in which according to the National Energy Commission’s (CNE) annual report, 36 percent of the domestic biodiesel was produced out of soybean oil and 42 percent out of palm oil. Animal fats and recycled oils represented about 18 percent of the feedstock used. The remaining 4 percent was produced out of rapeseed and sunflower oil.

Table 5. Raw materials used in Biodiesel produced in Spain

Year	2009	2010	2011
Soybean oil (%)	43	36	N/A
Palm oil (%)	38	42	N/A
Recycled oils and Animal Fats (%)	12	18	N/A
Sunflower and Rapeseed oil (%)	7	4	N/A

Source: CNE

Palm oil and soybean oil imports declined in 2011 for the first time in the last 5-years period by 10 and 40 percent respectively throughout 2011, a rebound in these oils imports is anticipated for 2012, particularly in the second half of the year.

Table 6. Spain’s Imports of Palm Oil (1,000 MT)

Country of Origin	2007	2008	2009	2010	2011
EU-27	13	12	27	46	51
Indonesia	113	136	388	448	333
Malaysia	29	77	41	48	94
Papua New Guinea	83	127	143	102	78
Others	80	37	44	19	34
Total	318	388	643	664	589

Source: Trade figures are based on Global Trade Atlas (GTA) data HS code 1511.

Table 7. Spain’s Imports Soybean Oil (1,000 MT)

Country of Origin	2007	2008	2009	2010	2011
EU-27	16	14	16	25	14
Argentina	14	21	55	100	48
Brazil	11	56	63	21	20
Paraguay	0	0	4	6	5
Norway	0	0	0	9	9
Others	1	1	3	2	0
Total	42	92	141	163	96

Source: Trade figures are based on Global Trade Atlas (GTA) data HS code 1507.

A number of factors will come into play when determining domestic industry's preferences on biodiesel raw materials. For 2012 no big changes are anticipated in the use of raw materials since the Ministerial Order will be not effective earlier than the third quarter of the year.

In 2013, a transition period for sustainability verification will have expired, and raw materials will have to be sustainable to be eligible to meet consumption mandates. Also, depending on how the double counting for recycled oils and animal fats use as raw materials is tackled, it could spark biodiesel industry's interest in waste-derived feedstock. Nevertheless, while there has been a growing interest over the years in this type of products, not all biodiesel plants in Spain can operate on waste-derived raw materials.

Spain's soybean crushing industry is made up of four soybean crushing plants located in the ports of Bilbao, Barcelona (two plants) and Cartagena. Total soybean crushing in Spain capacity is over 3 million MT and expected to remain stable. While no increase is anticipated in soybean imports due to the limited crushing capacity, the implementation of this Ministerial Order could create more marketing opportunities for crude oils, soybean and palm oil for which verification of sustainability will be requested, as well as recycled vegetal oils and animal fats.

According to the Renewable Energy Plan by IDAE, domestic production of vegetable oil (some via oilseed imports) in 2020 would total 835,000 MT, which virtually meets food requirements. The biodiesel anticipated oil demand in 2020 will amount to 2,245,000 MT, which would likely be met by imports of oils.

Related reports

Report Title	Date Released
Grain and Feed Annual EU-27	4/13/2012
Oilseeds and Products Annual EU-27	4/5/2012
Spain Biodiesel Standing Report	11/22/2011
EU-27 Biofuels Annual	6/29/2011

[i]

Note: Spain implemented a Certification System (SICBIOS), managed by the CNE (National Energy Commission) through which parties obliged to supply biofuels must send their requests for certificates. One certificate equals one metric ton of oil equivalent of biofuel marketed. At the end of each year, the CNE calculates whether the obliged parties met the mandates. Fines of 350 Euros are imposed per certificate/metric tons of oil equivalent that the obliged party failed to market.

^[ii] *The Spanish Renewable Energy Plan anticipated that biodiesel consumption in 2020 would amount to 2.6 million MT, which corresponds to nearly 60 percent of the production capacity installed.*