Fuels of the Future 2007

5th BBE/UFOP International Conference on Biofuels

26th/27th November 2007 – International Congress Center Berlin IIC

Future of biofuels for transport in Germany to be questioned

Two years after the introduction of the new support system for biofuels in the transport sector in Germany the resulting problems still haven't been solved. On the contrary up to 45 biodiesel production plants are about to fold as long as the tax increase to 15 ct/l in 2008 won't be suspended. Fraught with tension the biofuels industry expects the announced report of the Government on the development of the biofuels for transportation markets next week. This report will be basis for any further decisions whether the tax rate will be adjusted or not.

The German BioEnergy Association (BBE) and its member associations UFOP, VDB, LAB and the German Farmers Union have constantly postulated to suspend the increase of the energy tax for biodiesel and vegetable oil in 2008 and to introduce a fair compensation report which considers not only overcompensation but also the possibility of an undercompensation of the biofuel production costs. And this report should be done on a more regularly basis to react to the high volatile markets for mineral oil same than to agricultural commodities. "It is true that prices for mineral oil have increased during the last months to a high level", an argument hold by financial politicians against the need to adjust the tax rates, "however the developments on the feedstock markets for biofuel production have even skyrocket as well" states Helmut Lamp, president of BBE. "*This mustn't be ignored. Feedstock prices are responsible for more than two third of the biofuel production costs"*.

According to the association an economic biofuel production would not be possible in many cases with current prices. In addition even the actual tax rate of 9 ct/l couldn't be compensated by many mainly medium sized companies. They continue operation just to avoid the deadlock of their facility, but produce under acquisition price. A tax increase to 15 ct/l I 2008 would mean their definite end.

Meanwhile the Social Democratic Party announced to consider heightening the biofuel obligation for the mineral oil industry for diesel to 7% and ethanol to 5% by 2008 and further on to exempt biofuels from the energy tax when used in public transport. This is warmly welcomed by BBE but considered to be just a drop in the ocean. The increased quota would open up the market for just another 0,4 million tonnes of biodiesel, the demand of the public transport services is calculated with 1 million tonnes maximum. Still a capacity of 2 million tonnes of biodiesel and 0,5 million tonnes vegetable oils would be dependent on the market for pure biofuels which is not competitive under this circumstances. Hence there is no way than the introduction of a flexible instrument for the calculation of the energy tax which enables to react in the short time to very dynamic feedstock and mineral oil markets.

The biofuel for transport industry comes together on November 26th and 27th at their annual conference "Fuels of the Future" in Berlin to discuss with decision makers from policy and industry about their future. It is clear by now that this discussion will be much alerted – too much is at stake.

More information about the conference at www.bioenergie.de/fuels-of-the-future

With best regards,

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