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& Associés*

A Sector Group of CEFIC

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APAG Position Paper on Directive 2003/30/EC to promote the use of biofuels for transport and on Directive 2003/96/EC to create the possibility of reduced excise rates on biofuels in the Member States

APAG, a sector group of Cefic, represents 38 European producers and suppliers of fatty acids, glycerine, alcohols, metallic soaps, fatty nitriles and derivatives and fatty esters

APAG member companies use three types of feedstock, animal and vegetable oils and fats as well as petrochemical feedstock. The end-products are similar in terms of properties. Crude glycerine is an essential by-product obtained from the manufacture of soaps, fatty acids, fatty alcohols and fatty acids methyl esters. After refining, glycerine will be used in many applications which cover pharmaceutical, cosmetics/toiletries, resins, cellulose films, paper, polyols, tobacco, food and drink, esters, nitration and other chemical uses and applications.

Glycerine is an inevitable by-product from the biodiesel production and the Commission Directives to promote the use of biofuels for transport and to create the possibility of reduced excise rates on biofuels can therefore not be ignored by the Oleochemical Industry.

APAG is fully committed to the principles of Responsible Care and supports the use of renewable resources in Europe, which meet these principles. APAG, however, is extremely concerned about the serious distortions of trade the above Directives will create for the free market of the oleochemical industry.

As a matter of principle, APAG is against the mandatory placing on the market of non-competitive products through subsidies.

APAG is concerned about the Commission's views to use large quantities of oils and fats for the production of biodiesel. The subsidized production of methyl esters from oils and fats for use as biodiesel generates large quantities of glycerine that would, without these subsidies, never appear on the market. These additional quantities will come into competition with the current world production of glycerine. Such massive additional quantities of glycerine are likely to have a disastrous effect on the world market of glycerine and will create distortion of trade both in and outside the Community, as there is no market for such additional quantities worldwide. This may lead to a trade dispute with the United States.

Glycerine competes in the market with other products such as sorbitol, glycols and many polyols from petrochemical feedstocks. If glycerine prices drop dramatically, also these products will be confronted with the unfair competitive situation created by the reduction in excise duties.

However, not only the trade in glycerine will be completely distorted. The oleochemical industry is typically an industry, which produces its products in fixed balance. Fatty acids and glycerine are manufactured in a fixed ratio, i.e. the ratio in oils and fats. If the glycerine price drops dramatically, fatty acids and derivatives from fatty acids must consequently be sold at higher prices to avoid that the oleochemical industry becomes no longer economically feasible. This leads to a general increase in prices for oleochemical products. Since these are used in almost all day-to-day products for the consumer, price inflation for these products will be the result.

Traditional users of oils and fats are the food industry, the animal feed industry and the oleochemical industry. A reduction in excise duties on fatty acid methylesters for use as a biofuel creates unfair competition for the European industry and the industry outside Europe on available oils and fats. The oleochemical industry will therefore be confronted worldwide with higher oils and fats prices, as there will now be a subsidized fourth player in the market.

APAG requests that the Commission takes these concerns seriously. The viability of the whole oleochemical industry in Europe may be at stake. APAG is therefore asking the Commission to review these Directives with a view to minimizing the distortion of trade as it affects the European Oleochemical Industry thereby providing a level-playing field for all parties.

January, 2005