

OVERVIEW OF THE SPANISH SITUATION IN BIOFUEL PRODUCTION AND CONSUMPTION

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¿WHAT IS *APPA BIOCARBURANTES*?

APPA Biocarburantes

- ✓ Established in **April of 2005** as an autonomous section of the Spanish Renewable Energy Producers' Association - *APPA*.
- ✓ It represents **bioethanol, biodiesel and biogas** Spanish industrial sectors.
- ✓ It gathers **39 companies** which produce the bulk of the biofuels manufactured in Spain.

REGULATORY FRAMEWORK

Regulatory Framework

TAX MEASURES

- ✓ Law 53/2002 establishes the “zero tax” for biofuels, recognizing their environmental and energetic advantages compared to fossil fuels.
- ✓ Law 22/2005 of Energy Taxation confirms again this tax regime until December 2012.
- ✓ Biofuels are thus exempted from paying the so called Special Hydrocarbon Tax: 278 €/m³ of biodiesel; and 371,69 €/m³ of bioethanol.

Regulatory Framework

CONSUMPTION OBJECTIVES

- ✓ Law 12/2007 which modifies the Hydrocarbon Sector Law: consumption obligation of 3.4% in 2009 and 5.83% in 2010 (global)

- ✓ Ministerial Order ITC/2877/2008: establishes objectives upon gasoline and diesel: 2,5% in 2009 and 3,9% in 2010. It also mentions a global objective of 7% in 2011.

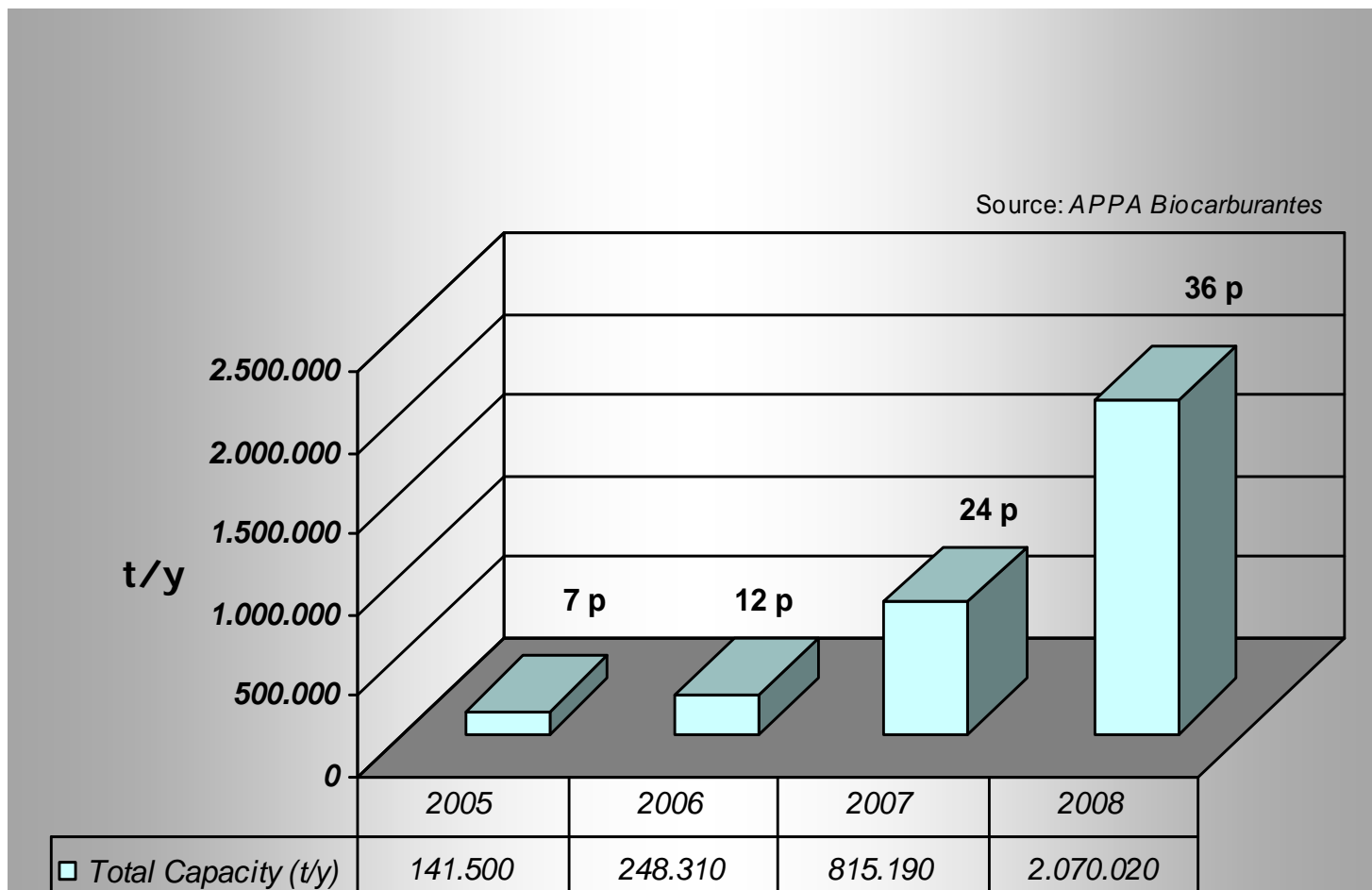
- ✓ Directive 28/2009: establishes a target of 10% of renewable energy in the transport sector in 2020. Being transposed to national legislation: Renewable Energy Plan 2011-2020 and Sustainable Economy Law.

Biofuels consumption obligation

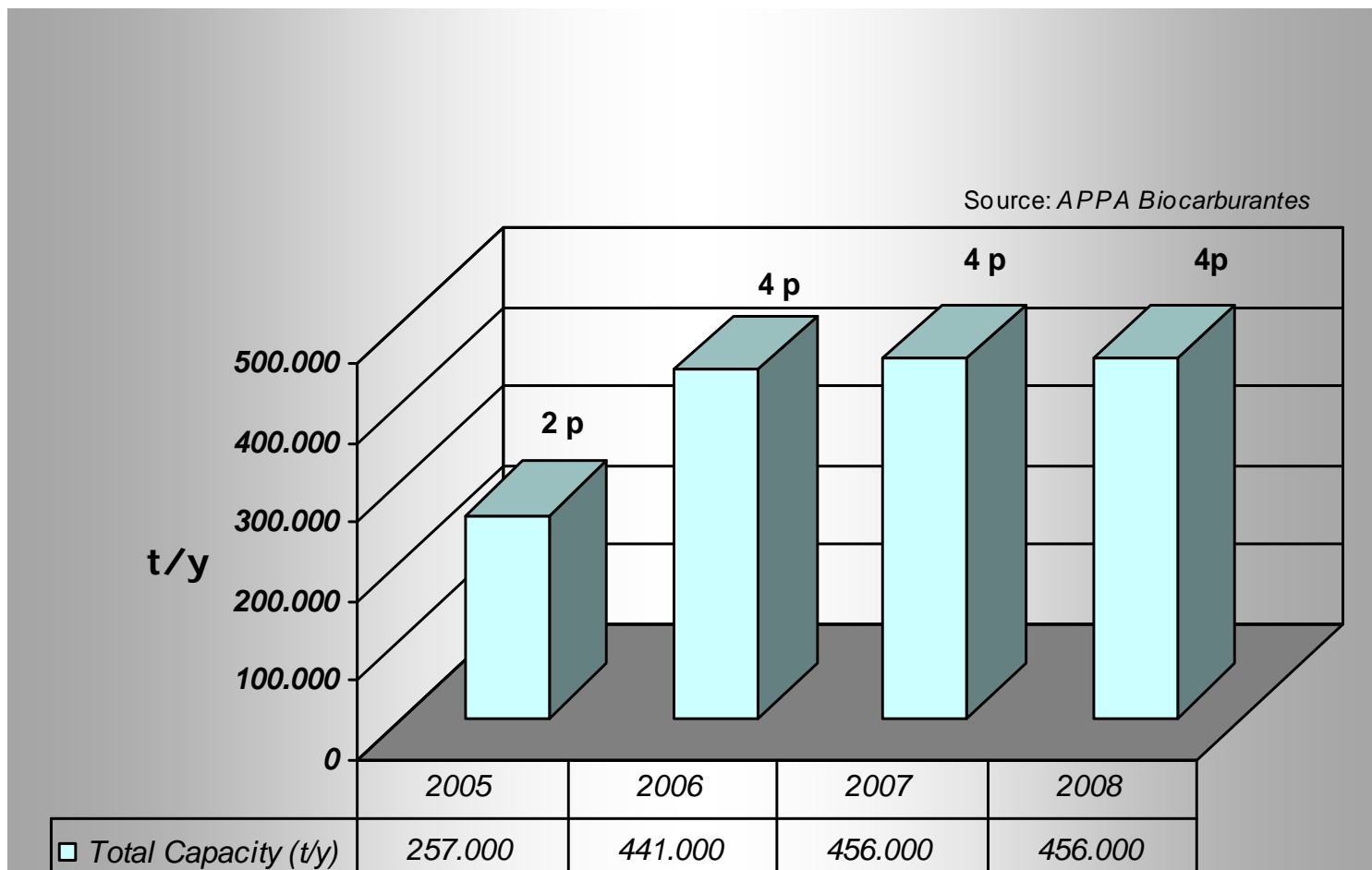
<i>Biofuels Objectives</i>	<i>2009</i>	<i>2010</i>
<i>Diesel obligation (biodiesel)</i>	740.000 tm (2,5%)	1.178.000 tm (3,9%)
<i>Gasoline obligation (bioethanol)</i>	241.000 tm (2,5%)	365.000 tm (3,9%)
<i>To fulfill global obligation (biofuels)</i>	Up to 330.000 tm of biodiesel and/or Up to 448.000 tm of bioethanol	Up to 716.000 tm of biodiesel and/or Up to 972.000 tm of bioethanol
<i>TOTAL OBLIGATION</i>	1.105.000 toe (3,4%)	1.914.000 toe (5,83%)

INDUSTRY RESPONSES TO CONSUMPTION OBJECTIVES

Biodiesel sector in Spain

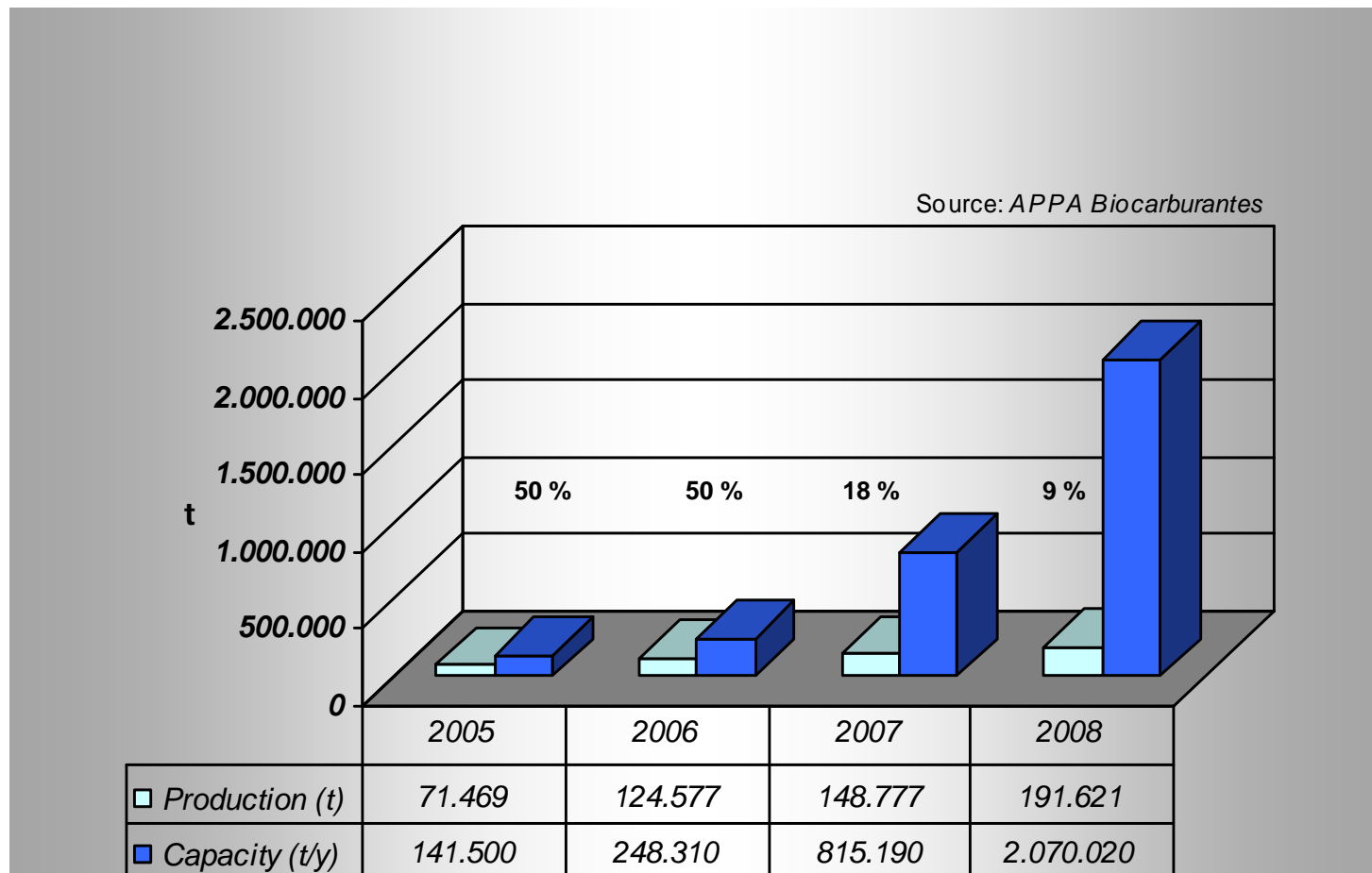


Bioethanol sector in Spain

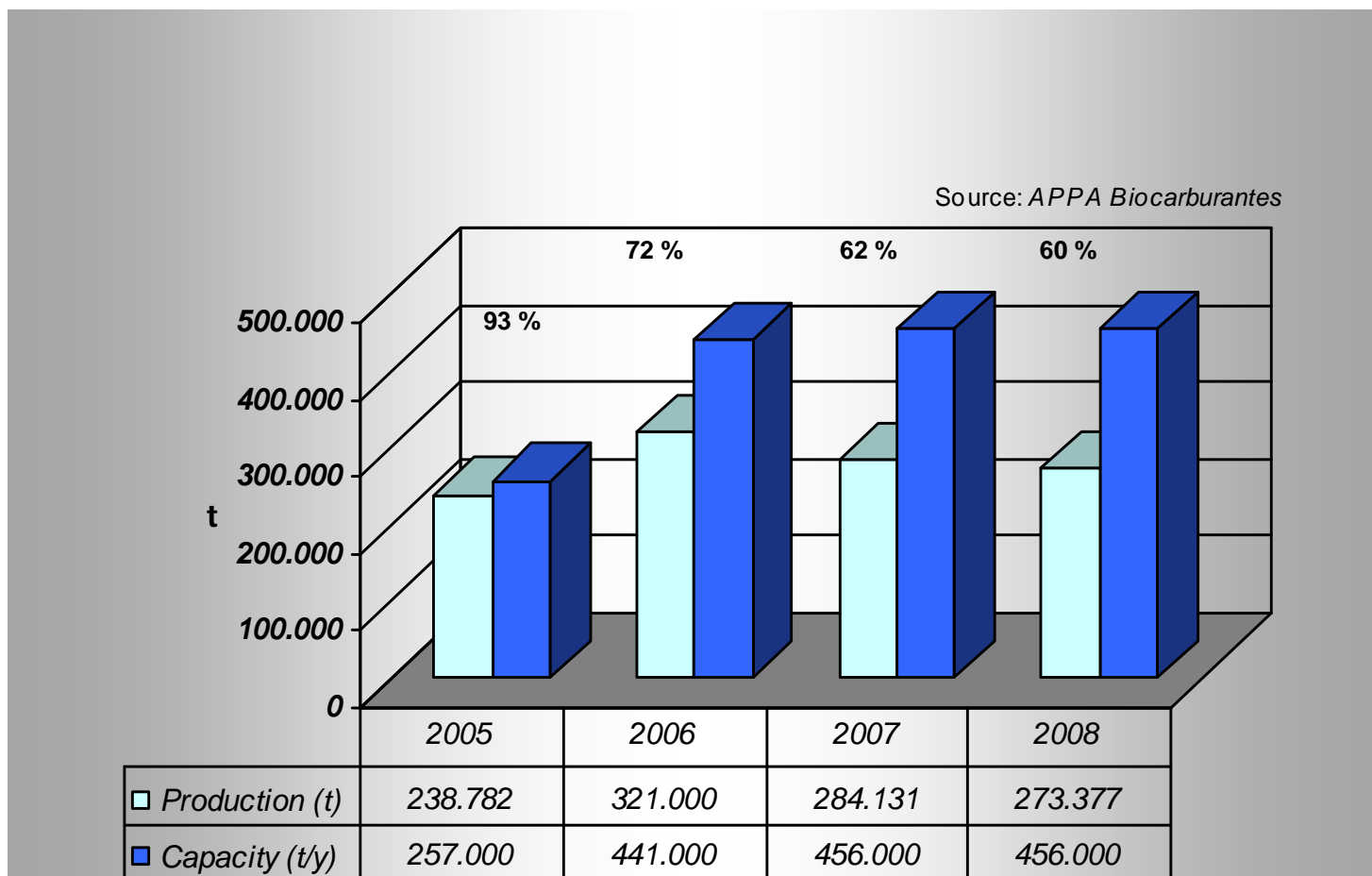


BIOFUELS PRODUCTION

Biodiesel production in Spain



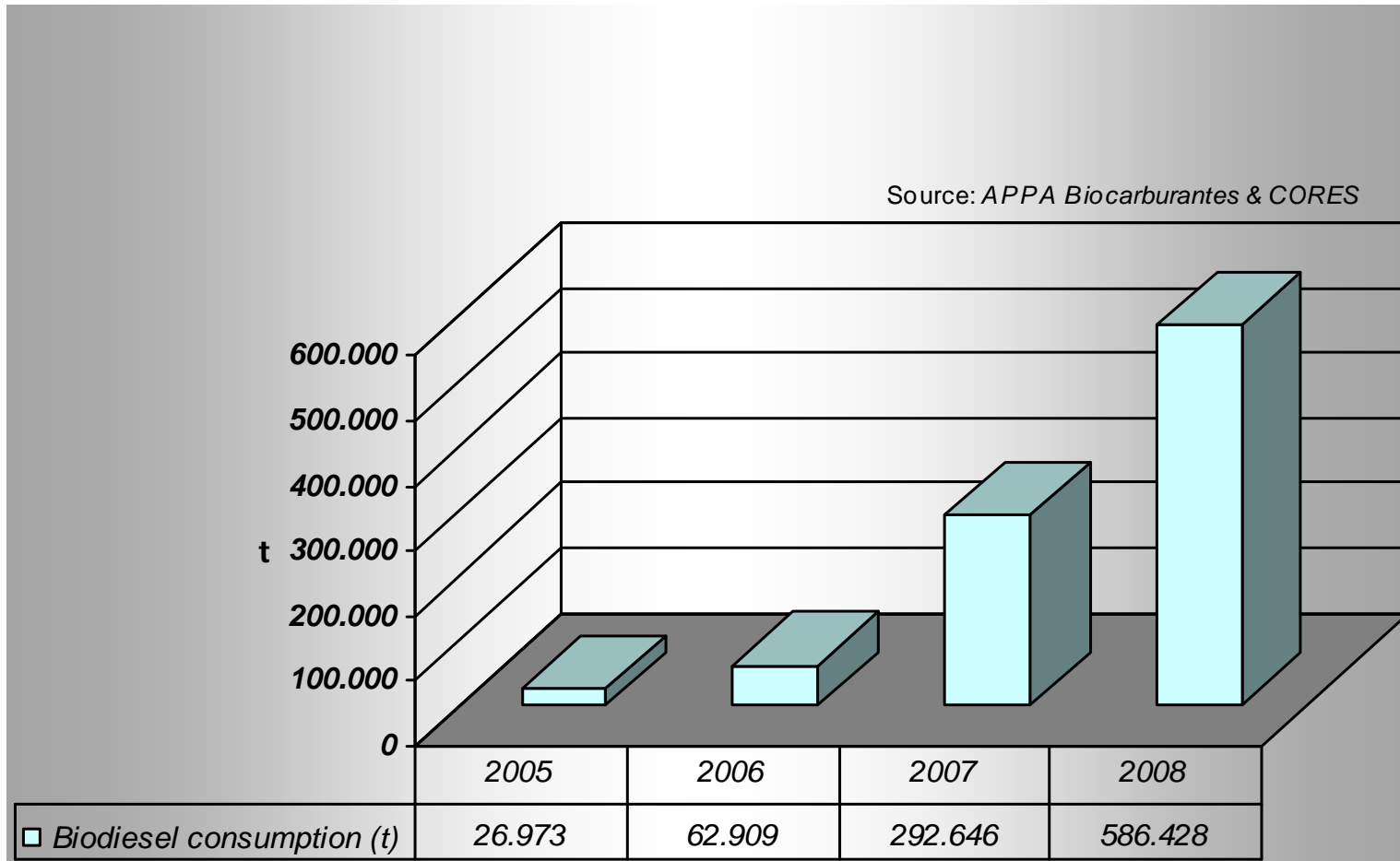
Evolución de la capacidad y la producción de bioetanol en España



BIODIESEL CONSUMPTION

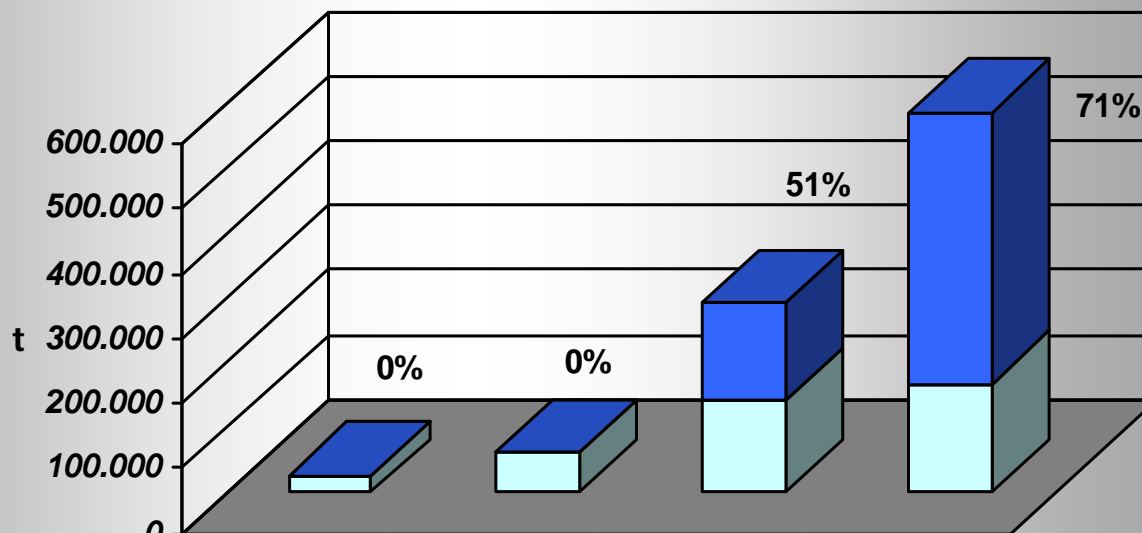
Biodiesel consumption in Spain

Source: APPA Biocarburantes & CORES



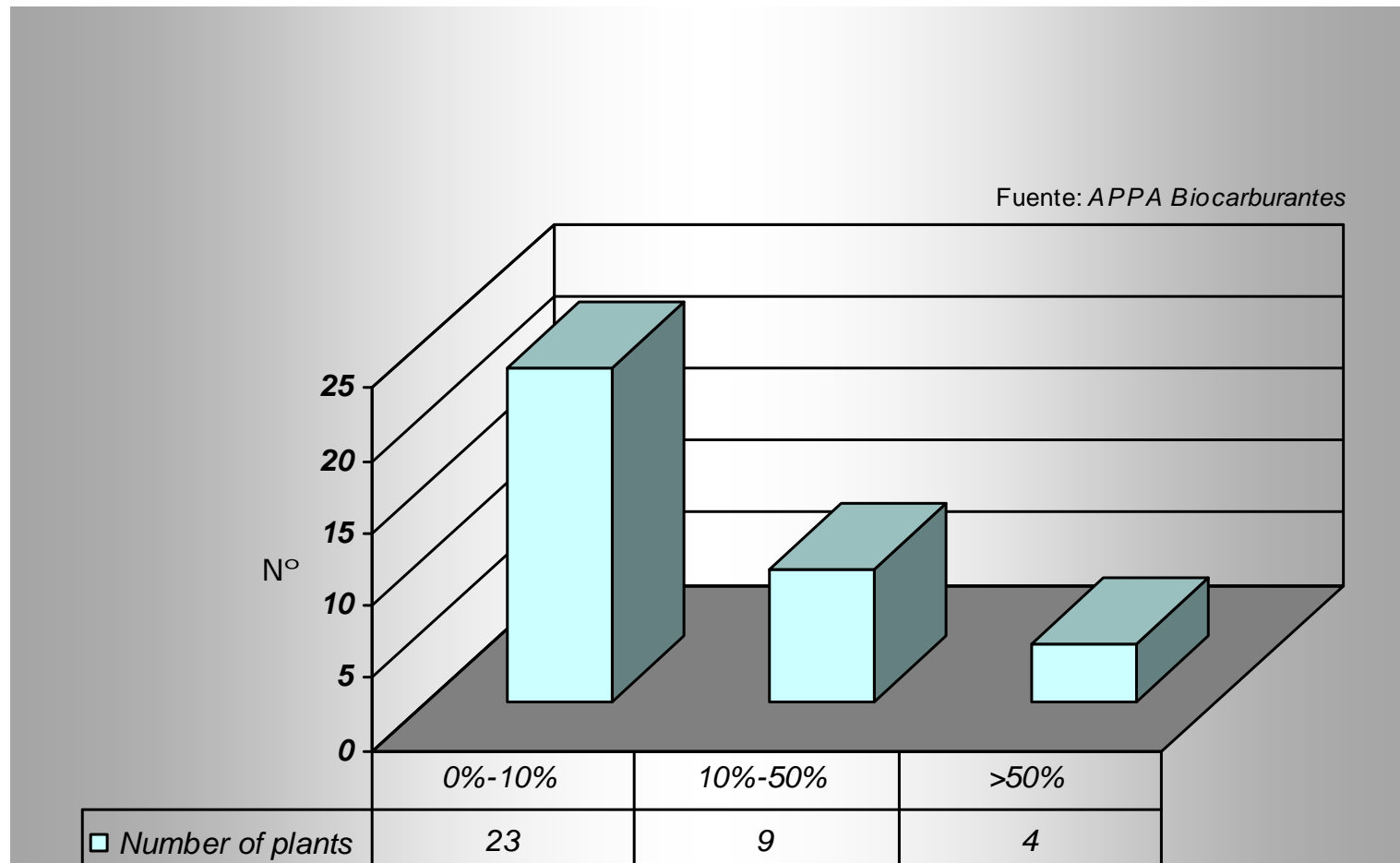
Biodiesel consumption in Spain, by origin

Source: APPA Biocarburantes & CORES



	2005	2006	2007	2008
Imports (t)	0	0	149.720	418.455
National production (t)	26.973	62.909	142.926	167.973

Utilization ratio per biodiesel plants in 2008



BIODIESEL IMPORTS

What are the causes of the biodiesel situation in Spain?

✓ B99:

- Tax credit of 300 \$ per tone of biodiesel produced in USA mixed with just a drop of fossil diesel.
- The European Commission imposed anti-dumping and anti-subsidy duties against (between 261 € & 419 € depending on the exporter).
- There are still US biodiesel stocks within European ports, being imported into Spain.

✓ Other imports:

- Differential Export Taxes (DET): are applied in order to favor biodiesel export instead of raw material export. Argentina: biodiesel export tax of 20%, soy oil export tax of 32%, and soybean export tax of 35%.

FUTURE PERSPECTIVES

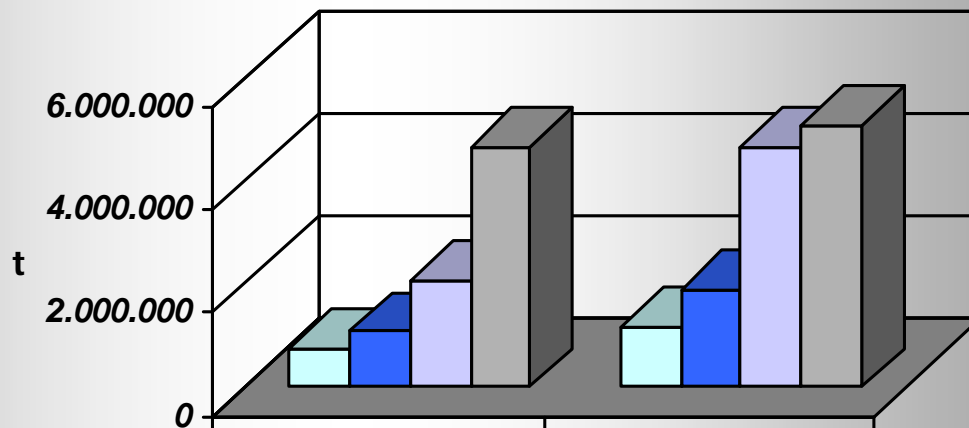
Future perspectives. Challenges

- ✓ Keep an eye on third countries imports to avoid re-exporting of US biodiesel.
- ✓ Watch for the illegal utilization of irregular custom codes to import US biodiesel.
- ✓ The Spanish Ministerial Order does not allow biodiesel that has been mixed with fossil diesel outside the EU to count towards the obligation. The Energy National Commission will have to carefully monitor this requirement.

BIOFUELS' PRODUCTIVE CAPACITY PERSPECTIVES IN SPAIN

Biofuels' target and biodiesel capacity

Source: APPA Biocarburantes



	2009	2010
Min. biodiesel obligation (t)	740.000	1.178.000
Max. biodiesel obligation (t)	1.070.000	1.894.000
January capacity (t)	2.070.020	4.643.820
Decembre capacity (t)	4.643.820	5.067.920

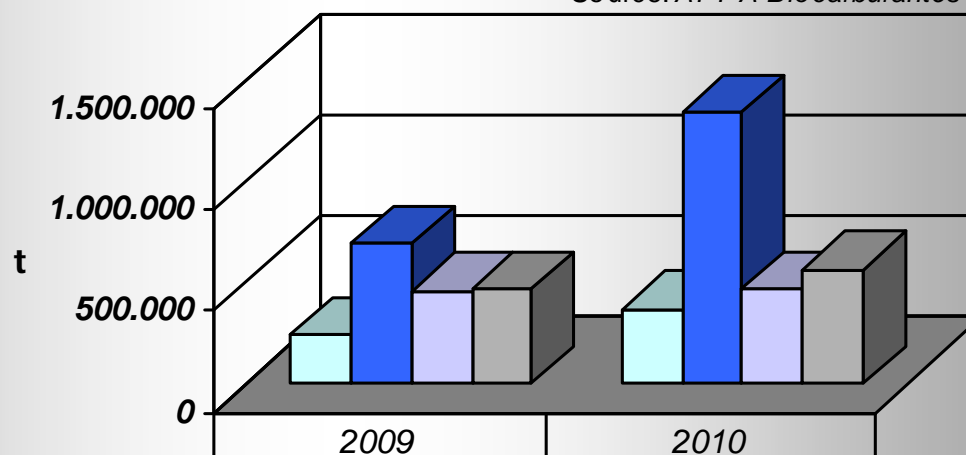
Measures to boost demand are needed

- ✓ Establishing mandatory targets from 2010 to 2020, setting a 10% target already for 2011.

- ✓ Increasing the demand of labeled blends, apart from the obligation, through additional measures:
 - Mandatory labeled blends selling in gas stations (Sweden).
 - Mandatory labeled blends utilization in public fleets.
 - Mandatory manufacturer warranty of new vehicles to run with labeled blends.
 - Approval of technical specifications for labeled blends.

Biofuels' target and bioethanol capacity

Source: APPA Biocarburantes



□ Min. bioethanol obligation (t)	241.000	365.000
■ Max. bioethanol obligation (t)	689.000	1.337.000
□ January capacity (t)	456.000	463.800
□ December capacity (t)	463.800	563.800



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