



*Groupement Européen des Produits Oléochimiques
& Associés*

A Sector Group of CEFIC

*The European Oleochemicals & Allied
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APAG proposal to promote the development of new applications for glycerine following the Commission proposals to promote the use of biofuels.

In its position paper on the Commission proposals to promote the use of biofuels for road transport APAG, The European Oleochemicals & Allied Products Group, a sector group of Cefic, representing 37 European producers and suppliers of fatty acids, glycerine, alcohols, metallic soaps, fatty nitriles & derivatives and fatty esters has indicated to be fully committed to the principles of Responsible Care and to support proposals on the use of renewable resources for the production of biodiesel meeting that principle.

APAG, however, is extremely concerned about the serious distortions of trade the above proposals will create for the free market of the oleochemical industry. In what APAG believes is an unintended, though nevertheless devastating consequence, the proposed tax reduction completely distorts established markets. The domino effect begins with the profound disruption of the domestic and international glycerine markets and will end in industrial facilities as well as the households of EU consumers.

Impact on glycerine market

The most commonly used feedstock for the production of biofuels is rapeseed oil transformed into rapeseed oil methyl esters. Glycerine is an inevitable by-product arising from the production of FAME.

The European glycerine market is currently 300.000 tonnes and growing at a rate of 5% per annum. The production of methyl esters from oils and fats for use as biodiesel is expected to generate around 400.000 – 500.000 tonnes of glycerine appearing yearly on the European market until 2010. Such enormous supplies of crude glycerine will disrupt the current domestic and global markets for not only refined glycerine but for other chemical industries, including the petrochemical and oleochemical sectors as well as for consumer and industrial product manufacturers. These economic disruptions, originating directly from the proposed tax reduction will result in a drop of glycerine prices estimated at 50% of the current price level resulting in an almost complete loss of profitability for the European oleochemical industry. In time, this will lead to reduced activity in Europe, job losses and possibly plant closures.

Recommendations

APAG believes that the Commission should address the question of surpluses of glycerine coming onto the free market.

APAG urges the Commission to consider to sponsor the development of new applications for glycerine and to include glycerine and glycerine derivatives in the list of detaxed fuels. If all glycerine arising from the production of Biodiesel has to find its way in traditional markets, the European oleochemical industry will face such hardships that it is unlikely it will be in a position to resist the competition from the oleochemical industry located in other parts of the world.

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