S&P Global Platts Launches First Hydrotreated Vegetable Oil (HVO) values in Europe

New Renewable Diesel Assessments Aid the Transport Sector's Energy Transition

LONDON, Nov. 10, 2020 /PRNewswire/ -- S&P Global Platts ("Platts"), the leading independent provider of information and benchmark prices for the commodities and energy markets, has launched first-to-market hydrotreated vegetable oil (HVO) values in Europe. These daily assessments, which have been provided to the market since August 17, bring additional transparency to the market as the transport industry embraces the energy transition towards less-carbon intensive energy sources. The daily S&P Global Platts HVO cost-based price assessments reflect the cost of HVO produced from used cooking oil on an ex-refinery basis in Northwest Europe. The daily price assessments are published in dollars per metric ton (mt).

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Ian Dudden, Global Content Director, Metals & Agriculture at S&P Global Platts, said:"The EU has clearly signified the direction of travel for policy over the next 10 years and even the next 30 years with a revised Renewable Energy Directive and an ambitious Green Deal. These set binding targets for inclusion of 14% of renewables in transport and to cut emissions up to 55% by 2030 compared to 1990 levels, with the EU envisaging carbon neutrality by 2050. As greenhouse gas-based mandates intensify across Europe, and with COVID continuing to cause market uncertainty, we are seeing increased demand for price transparency in renewable fuels such as HVO. These new HVO assessments provide transport market participants with the conviction to trade in changing markets."

Platts has observed growing interest in renewable fuels across the transportation markets in part driven by the transition to lower carbon fuels. While spot markets in many of these commodities have not yet reached sufficient volumes to support spot price assessments, Platts has analyzed the cost structures involved and is now publishing calculated values for HVO.

Over the past three months, the Platts Northwest European HVO assessments were approximately 4.2 times the price of ultra-low sulphur diesel, having averaged $1,388.5/mt, while the Platts ultra-low sulphur diesel assessments in the same region averaged $332.6. The HVO premium reflects the desire among many companies to increase the sustainability of the fuel they use, as well as meet national environmental targets. The launch follows extensive consultation of producers, consumers, traders and others in the European biofuel markets as the demand for renewable diesel grows in consumption and supply.

"European HVO demand is forecast to increase to more than 3 million mt for road transport alone in 2030, up from 2 million mt in 2020, with the majority of the production made out of waste and residues," added **Patricia Luis-Manso, Head of Agriculture & Biofuels Analytics, S&P Global Platts.** "At the same time, HVO capacity is expected to nearly quadruple globally over the same period."

Hydrotreated vegetable oil, commonly referred to as renewable diesel, is produced via hydroprocessing of oils and fats and can be used as an alternative fuel in diesel engines, offering more than 90% greenhouse gas (GHG) savings compared to fossil-based diesel. Rising EU-wide emission reduction targets and higher biofuel blending mandates have been a key focus in the European biomass-based diesel market in 2020 as the EU tries to reduce the carbon footprint of the road transport sector. With mandates increasing year-after-year but diesel specifications in Europe not allowing for more than 7% of the fuel to be

comprised of a biofuel, meeting these targets is becoming increasingly difficult.

The HVO assessment calculation assumptions, provided by Platts Analytics, are based on existing Platts assessments and other fixed costs. The HVO inputs are Used Cooking Oil CIF and Hydrogen Netherlands SMR added to fixed renewable diesel refinery costs, then deducting the byproduct credits to include FOB ARA Propane and Naphtha CIF NWE cargoes. Platts will review the specifications and assumptions going forward based on market feedback and as both markets develop.

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