



ESL Fuels Biofuel Market Update – Q2 2025

in association with  **Portland Analytics**

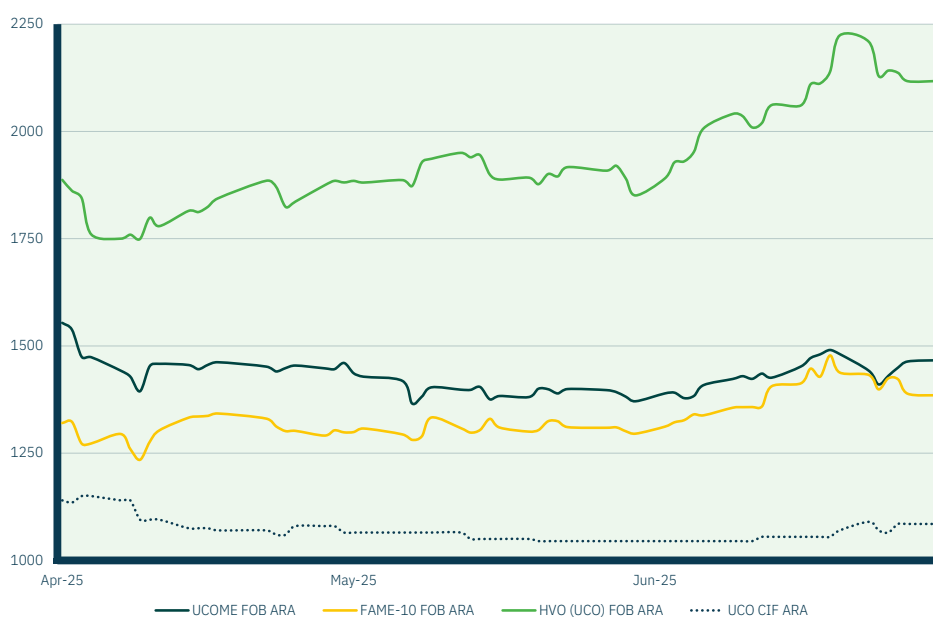
Feedstocks

After peaking at a two-year high of \$1150/mt (79 ppl) in early April, UCO declined across much of Q2. Flows to the US, a key market for Chinese UCO, declined to 14-month lows due to a trade war between the two nations following the introduction of import tariffs on many US trade partners at the start of April. Global trade uncertainty led to reduced demand forecasts with concerns of economic slowdown, weighing on both feedstock and finished product prices. UCO prices declined to a quarter low of \$1,045/mt (68ppl) mid-June, in response to preliminary guidance for the new 45Z Clean Fuel Production Tax Credit, which replaces the Blenders Tax Credit, effectively ruling out the use of imported UCO in US renewable road fuel production as it is unlikely to qualify for credits. UCO prices recovered slightly after various EU nations announced higher biofuels targets, with UCO ending Q2 at \$1085/mt.

Biodiesel

Biodiesel prices dropped at the start of Q2, as Low Sulphur Gasoil futures, the primary reference benchmark for biofuel grades, fell sharply in response to US import tariffs and retaliatory levies on US goods by China, causing a decline in outright prices across all biodiesel grades. A pause on wider US tariffs the following week saw prices recover, however an oversupplied diesel market as a result of OPEC+ output hikes capped biodiesel prices throughout much of Q2, before conflict in the Middle East caused a temporary spike in June. The third iteration of the European Renewable Energy Directive (RED III) came into effect on 21st May, increasing the overall target for renewable energy use in transport from 14% to 29% by 2030. Following this, Belgium, Germany and the Netherlands announced revisions to their domestic biofuels policies in late June, featuring higher reduction targets and tighter feedstock restrictions, which saw biodiesel prices increase at the end of Q2. Notably, the proposals consider scrapping the double-counting of waste-derived biodiesel, which would have significant effects on the way suppliers meet their obligations going forward.

Wholesale NWE Prices (\$ per Metric Tonne)



FAME-10 & UCOME

Q2 saw the differential between UCOME and FAME-10 narrow significantly, with the UCOME premium to FAME-10 falling from \$234/mt (16ppl) at the start of April to almost reach parity at \$6/mt (0.4ppl) in late June. The decline was driven by oversupply of UCO to Europe as a result of US-China trade conflict, with Chinese product diverted to Europe due to high tariffs on exports to the US. Meanwhile, the price of alternative feedstocks such as rapeseed oil (RSO), which makes up 90% of the content of FAME-10, has risen on tighter supply expectations from poor harvest yield estimates. UCOME prices declined to a five-month low of \$1366/mt (90ppl) in May, whilst FAME-10 traded in a relatively steady \$1300-\$1350/mt (85-90ppl) band through much of Q2. However, both grades saw significant spikes towards the end of June following the outbreak of conflict between Israel and Iran, rising to the high \$1400/mt range (up to 97ppl) at the peak of the hostilities. Prices fell back after US intervention led to ceasefire, however, UCOME prices in particular quickly rebounded after regulatory announcements in Europe.

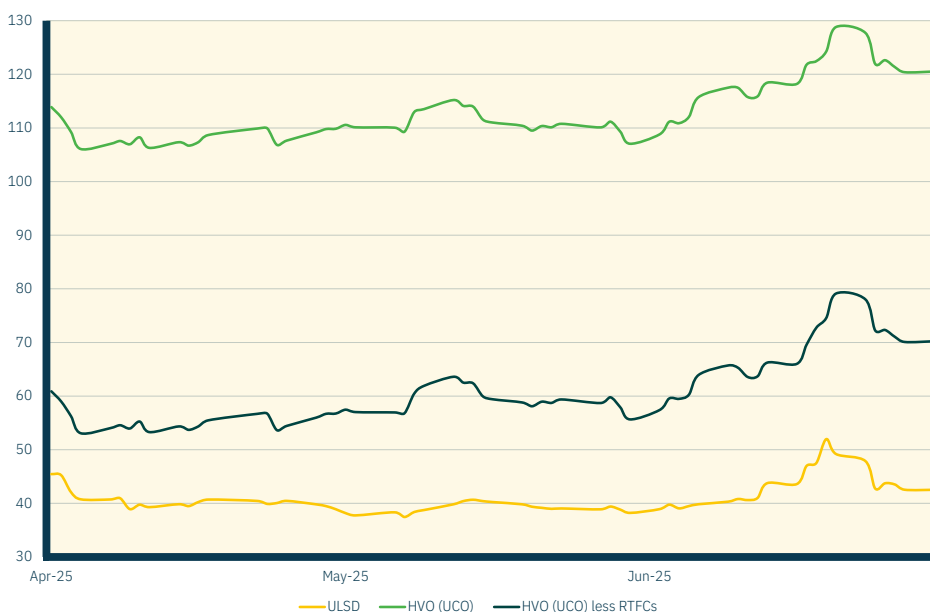
Market Outlook

The development of the regulatory landscape will be key in shaping biodiesel markets into Q3, particularly limitations on feedstocks, which will change the demand landscape moving forward. The UCOME/FAME-10 differential began to open back up at the end of Q2 in response to the EU's potential tightening of double-counting. Long term, this will likely reduce demand for waste-based biodiesel such as UCOME relative to others, however, in the short term, suppliers may look to maximise blending of waste product whilst double-counting remains in place, potentially seeing the spread widen further, although this will be limited by caps on obligation rollover allowances. US trade policy will also have an impact, particularly in shaping feedstock flows, with an initial 90-day pause on tariffs above the 10% blanket rate (excluding China) due to expire in early July. Meanwhile, geopolitical tension in the Middle East remains a wildcard - if conflict between Israel and Iran resumes, this would likely cause a surge in oil, refined product and biodiesel prices, particularly in the event of a closure of the Strait of Hormuz, a key shipping route, or sanctions on buyers of Iranian oil.

HVO

After opening April at a three-month high of \$1887/mt (114ppl) wholesale NWE prices for HVO produced from UCO feedstock declined in line with other biofuels markets, reaching a low of \$1750/mt (107ppl) on 7th April. Prices steadily recovered throughout April and May, before increasing by almost \$100/mt (6ppl) across two days after the ISCC suspended certification at a major HVO refinery in Sweden on 6th June, causing supply concerns. Prices then increased further after Israel launched airstrikes on Iranian nuclear infrastructure, peaking at \$2224/mt (129ppl) on 20th June. Despite falling slightly as geopolitical tensions cooled, HVO prices remained strong at the end of Q2 due to high expected demand from revised EU biofuels mandates, with German HVO demand alone potentially rising by up to 1.5m tonnes, almost four times current levels. Due to blend wall limitations on the use of methyl ester biodiesels as a compliance tool, an end to double-counting would drive demand for HVO, which can be blended up to 100%. Wholesale NWE prices ended Q2 at \$2125/mt (122ppl), an increase of almost \$240/mt (14ppl) across the quarter.

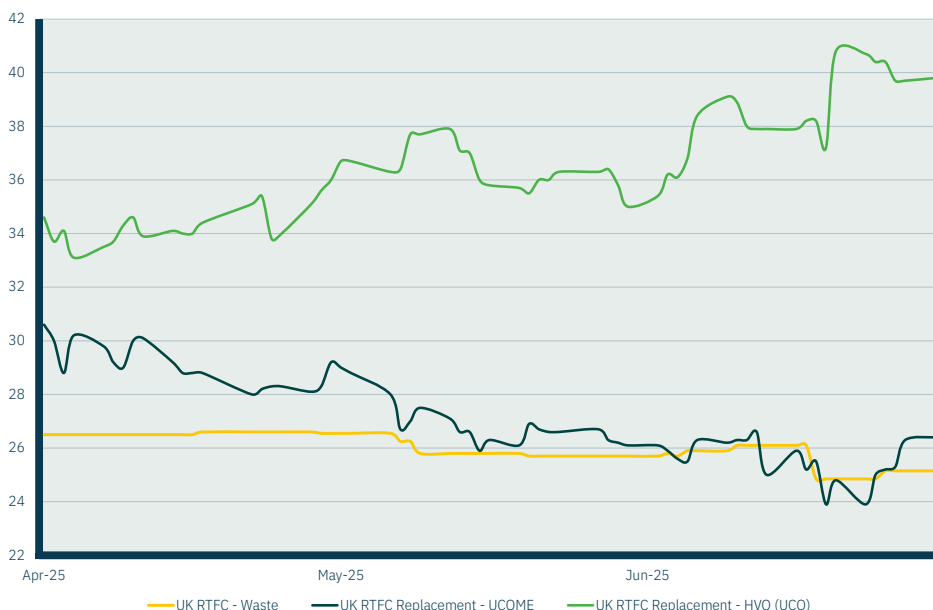
HVO vs ULSD (UK Pence per Litre [PPL])



Netting off the value of RTFCs, the cost of UK HVO rose from a Q2 low of 53ppl (excl. duty and supply costs) in early April, to a high of 79ppl in mid June, ending Q2 at 71ppl. A decline in waste

RTFC prices towards the end of June eroded some of the benefit to UK HVO buyers, as biodiesel prices fell following the Israel-Iran ceasefire, lowering the cost of meeting the RTFO.

RTFC & Replacement Prices (UK Pence per Certificate [PPC])



Certificates

The value of waste RTFCs for the 2025 compliance period remained steady at c. 26.50 ppc through much of the first half of Q2, before falling to a low of 24.85 ppc in June, in line with falling UCOME prices. In recent years, UCOME has been the primary compliance tool used by blenders to meet the RTFO, effectively becoming the price-setter for waste RTFCs. However, the differential between waste RTFCs and the cost of blending UCOME to generate RTFCs (UK RTFC Replacement - UCOME) has widened over the last 12 months, as the UK market has seen a surplus of RTFCs, in part generated by voluntary HVO consumption, making it cheaper for suppliers to buy certificates on the traded market vs using a UCOME blend to generate certificates themselves. The decline in UCO prices across Q2 has seen this differential close, as the cost of meeting the RTFO through UCOME blending has reduced as a result.

News & Policy

President Trump's 'One Big Beautiful Bill', which includes the 45Z Clean Fuel Production Tax Credit, has been passed by Congress, providing clarity for the US renewables industry after months of policy uncertainty following the expiry of the Blenders Tax Credit at the end of 2024. The bill restricts the use of feedstocks outside of North America which, combined with import tariffs, will reshape global feedstock flows, particularly from Asia.

The EU Commission continues to progress its biofuels traceability platform, the Union Database for Biofuels (UDB). Mandated under RED III, the system requires all economic operators - from first collection points to traders and final fuel suppliers - to record transactions involving biofuels. The aim is to strengthen transparency and prevent fraud across EU supply chains, though full enforcement across all Member States is still being phased in.

The US Government has submitted formal comments to the Trade Remedies Authority after an investigation into US HVO supplied to the UK was launched in March, urging the immediate termination of the inquiry. A Trade Remedies Notice has also just been issued, mandating that HMRC commences import registration for US HVO, meaning all US HVO entering the UK must be declared and tracked.