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## **Global biodiesel report identifies industry trends**

by Dave Nilles

Within 15 years U.S. biodiesel industry consolidation will begin, Brazil will become a production leader and algae will become a viable biodiesel feedstock, according to a research report now available from Emerging Markets Online. The Houston-based energy intelligence and management consulting firm has published its 380-page ["Biodiesel 2020: A Global Market Survey."](#)

The report identifies trends in worldwide biodiesel production, according to Will Thurmond, the report's author and director of management consulting for Emerging Markets Online. The survey is designed to provide financiers, producers, developers, distributors, consultants and analysts with a market guide detailing medium and long-term trends and developments in the global biodiesel sector.

The report identifies several interesting trends in the biodiesel industry. Thurmond said he expects U.S. biodiesel distribution to expand as companies like Marathon Oil Co. and Chevron become invested in the industry. Marathon is ramping up its biodiesel blending capabilities at its fuel terminals. Chevron recently announced investment in a biodiesel plant under construction in Galveston, Texas.

The infrastructure expansion means biodiesel will become distributed in costal areas, making it more available nationally, Thurmond said. Currently the fuel is distributed on a local or regional basis.

The U.S. retail market is already growing from 300 refueling sites in 2005 to more than 950 sites this year. However, public consumption still lags behind Europe, where biodiesel represents 2 percent of total on-road fuel consumption and is expected to reach 6 percent by 2010, according to the report. "Our consumer market needs to grow significantly," Thurmond said.

While the entrance of companies like Marathon and Chevron may boost national distribution, it may also signal the maturation of an industry in its infancy. Thurmond said he expects industry consolidation to begin within three years.

"Eventually the market will settle down," Thurmond said. "Only so many biodiesel producers will compete versus Marathon or Chevron and the other facilities doing over 120 million gallons of production per year. The participation by the larger corporations in larger, lower-cost biodiesel enterprises will lead to a consolidation among smaller players, which could include a series of mergers and acquisitions with small to mid-size players."

Thurmond said he expects more biodiesel production to come online as long as gasoline prices remain near \$2.50 per gallon and if the federal biodiesel tax credit is extended past 2008. "I don't see any reason why we shouldn't have continued growth as we've seen over the past two to three years," Thurmond said.

Biodiesel production is expected to expand overseas. Thurmond said Brazil will play an important role

as an international biodiesel supplier. Due to its agricultural capacity, Brazil is expected to be one of the world's biggest biodiesel suppliers by 2020.

The report also details the biodiesel industry in China. Thurmond said trends show China and India will become large-scale producers and users of biodiesel over the next decade, possibly even overtaking Europe. Thurmond said while Europe is currently a leading biodiesel producer, it will be difficult to expand production due to agriculture capacity limitations.

Finally, biodiesel feedstock sources may be changing. Thurmond said within five years soy oil may be start being replaced by biodiesel created from algae or imported palm oil. Some palm oil is already being imported to Europe, he said. Thurmond said he expects market introduction of algae-based biodiesel three years. "It's hard to say what the volumes will be," Thurmond said.

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