# Argus *Americas Biofuels*

argusmedia.com

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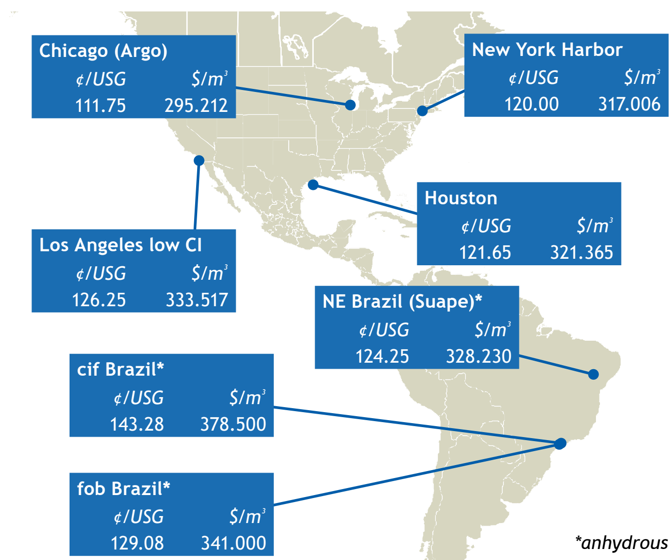
## OVERVIEW

- US ethanol prices rose with support from bullish weekly inventory and production data.

- Weaker ethanol D6 RINs capped gains in the Argus Renewable Volume Obligation (RVO).

- US biodiesel premiums tracked higher D4 RIN credit prices, while three vessels laden with biofuel and one vessel laden with biofuel feedstock are expected to land on the US west coast in the next two weeks.

### Americas ethanol prices

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## PRICE SUMMARY

| Ethanol | ¢/USG | ± | $/m³ | ± |
|---|---|---|---|---|
| Chicago (Argo) | 111.750 | +1.600 | 295.212 | +4.230 |
| New York Harbor | 120.000 | +0.250 | 317.006 | +0.660 |
| fob Brazil anhydrous | 129.083 | +1.140 | 341.000 | +3.000 |
| Los Angeles low CI | 126.250 | +2.500 | 333.517 | +6.600 |
| Cbot ethanol | 111.80 | +1.200 | 295.344 | +3.170 |

| RINs ¢/RIN | Timing | Price | ± | Less 2019 |
|---|---|---|---|---|
| Renewable fuel (ethanol D6) | 2020 | 36.125 | -0.125 | +2.875 |
| Biomass-based diesel (D4) | 2020 | 53.500 | +1.375 | -0.375 |
| Advanced biofuel (D5) | 2020 | 53.000 | +1.375 | +1.375 |
| RVO ¢/USG | 2020 | 4.86 | +0.040 | +0.560 |

| Biodiesel | Price | ± |
|---|---|---|
| SME New York Harbor B100 ¢/USG | 253.890 | +1.300 |
| SME Houston fob B100 ¢/USG | 242.390 | +1.300 |
| SME Chicago fob B100 ¢/USG | 260.015 | +1.300 |
| SME fob Argentina upriver $/t | 640.035 | -3.855 |
| Cbot soybean oil ¢/lb | 25.63 | -0.350 |

| Biofuel spreads | Spread | ± |
|---|---|---|
| Ethanol crush spread $/bushel | -0.07 | +0.07 |
| Heating oil/soybean oil spread ¢/USG | -1.09 | +0.02 |
| Houston less Chicago ethanol ¢/USG | +9.900 | +0.000 |
| New York Harbor less Chicago ethanol ¢/USG | +8.250 | -1.350 |
| Los Angeles less Chicago ethanol ¢/USG | +14.500 | +0.900 |
| Los Angeles less Nebraska ethanol ¢/USG | +15.250 | nc |
| Rule 11 less Nebraska ethanol ¢/USG | +2.500 | +0.375 |

| Key California carbon prices | Vintage | Price | ± |
|---|---|---|---|
| Credits $/t | | | |
| California carbon allowances (CCA) | 2020 | 16.820 | -0.010 |
| Low-carbon fuel standard (LCFS) | | 203.000 | +1.00 |
| Price per gallon ¢/USG | | | |
| CCA price for regular Carbob | 2020 | 13.390 | -0.030 |
| LCFS price for regular Carbob | | 19.300 | +0.090 |

| Ethanol deals done | | | |
|---|---|---|---|
| **Market** | **Timing** | **Price *¢/USG*** | **Volume ’000 bl** |
| Chicago Argo | 15 May | 112.25 | 5 |
| | 18-28 May | 110.50 | 5 |
| | 18-28 May | 110.50 | 5 |
| | 18-28 May | 110.50 | 5 |
| | 18-28 May | 110.60 | 5 |
| | prompt | 113.00 | 5 |
| Chicago Rule 11 | 13-16 May | 113.00 | 10 |
| | 13-16 May | 114.00 | 7 |

## US ETHANOL

US ethanol prices rose on the day, with support from bullish weekly inventory and production data.

Domestic ethanol production increased to 617,000 b/d for the week ended 8 May from 598,000 b/d the prior week, according to the Energy Information Administration (EIA).

Ethanol inventories in the US shrank by 1.4mn bl to 24.2mn bl, their lowest since the week ended 20 March.

Front month CBOT corn futures fell by 3.5¢/bushel to 320.25¢/bushel, while July contracts decreased by 4¢/bushel to 318.25¢/bushel. Pressure stemmed from wet weather conditions forming in the midcontinent.

Chicago Rule 11 railcars shipping this week traded between 113¢/USG and 114¢/USG, increasing by 2.9¢/USG to 113.5¢/USG.

Prompt in-tank transfers at Kinder Morgan’s Argo terminal traded as high as 113¢/USG in the first half of the session in response to EIA supply figures. After midday, prices fell, with volumes exchanging hands between 110.5¢/USG and 110.6¢/USG. Value for the day rose by 1.6¢/USG to 111.75¢/USG.

May barges at New York Harbor firmed by 0.25¢/USG, with trade surfacing at 120¢/USG.

Iowa and Nebraska fob railcars shipping this week rose by 2.5¢/USG to 111¢/USG between wide bids and offers at 108¢/USG and 114¢/USG.

| Ethanol | | | |
|---|---|---|---|
| | **Low** | **High** | **±** |
| Chicago | | | |
| Argo same-day *¢/USG* | 110.25 | 112.75 | +1.60 |
| Argo prompt *¢/USG* | 110.50 | 113.00 | +1.60 |
| Weighted average | | 111.23 | |
| Argo any May *¢/USG* | 110.50 | 113.00 | +1.60 |
| Rule 11 prompt *¢/USG* | 113.00 | 114.00 | +2.88 |
| New York | | | |
| Any May *¢/USG* | 119.75 | 120.25 | +0.25 |
| US Gulf coast/south | | | |
| Houston *¢/USG* | 119.90 | 123.40 | +1.60 |
| Tampa *¢/USG* | 127.75 | 130.75 | +1.60 |
| Atlanta *¢/USG* | 118.75 | 122.75 | +1.60 |
| Dallas *¢/USG* | 123.90 | 128.40 | +1.60 |
| Nebraska | | | |
| Union Pacific *¢/USG* | 108.00 | 114.00 | +2.50 |
| Burlington Northern *¢/USG* | 108.00 | 114.00 | +2.50 |
| US west coast | | | |
| Los Angeles low CI *¢/USG* | 124.25 | 128.25 | +2.50 |
| Brazil | | | |
| fob anhydrous *$/m³* | 305.00 | 377.00 | +3.00 |
| fob anhydrous BRL/m³ | 1807.57 | 2234.27 | +62.95 |
| cif anhydrous *$/m³* | 372.00 | 385.00 | +1.00 |
| cif anhydrous BRL/m³ | 2204.64 | 2281.68 | +56.37 |
| Asia | | | |
| cfr Asia South Korea B grade *$/m³* | 500.00 | 540.00 | nc |

| Ethanol forward curves | | *¢/USG* |
|---|---|---|
| | **Chicago, low-high** | **New York, low-high** |
| Month 1 | 110.50-113.00 May | 119.75-120.25 May |
| Month 2 | 110.75-113.25 Jun | 120.75-121.25 Jun |
| Month 3 | 109.50-112.00 Jul | 120.00-120.50 Jul |
| Month 4 | 109.50-112.00 Aug | 120.00-120.50 Aug |

| Related markets | | | *¢/USG* |
|---|---|---|---|
| | **Low** | **High** | **±** |
| Nymex Rbob settlement, Jun | | 85.27 | -6.58 |
| Nymex Rbob crack spread, Jun *$/bl* | | +10.52 | -2.28 |

| Current month-to-date averages, May | |
|---|---|
| | **Averages** |
| Chicago (Argo) prompt *¢/USG* | 106.55 |
| New York Harbor prompt *¢/USG* | 114.53 |
| Los Angeles low CI *¢/USG* | 130.30 |
| fob Brazil anhydrous *$/m³* | 348.06 |
| cif Brazil anhydrous *$/m³* | 370.12 |

## ANNOUNCEMENT

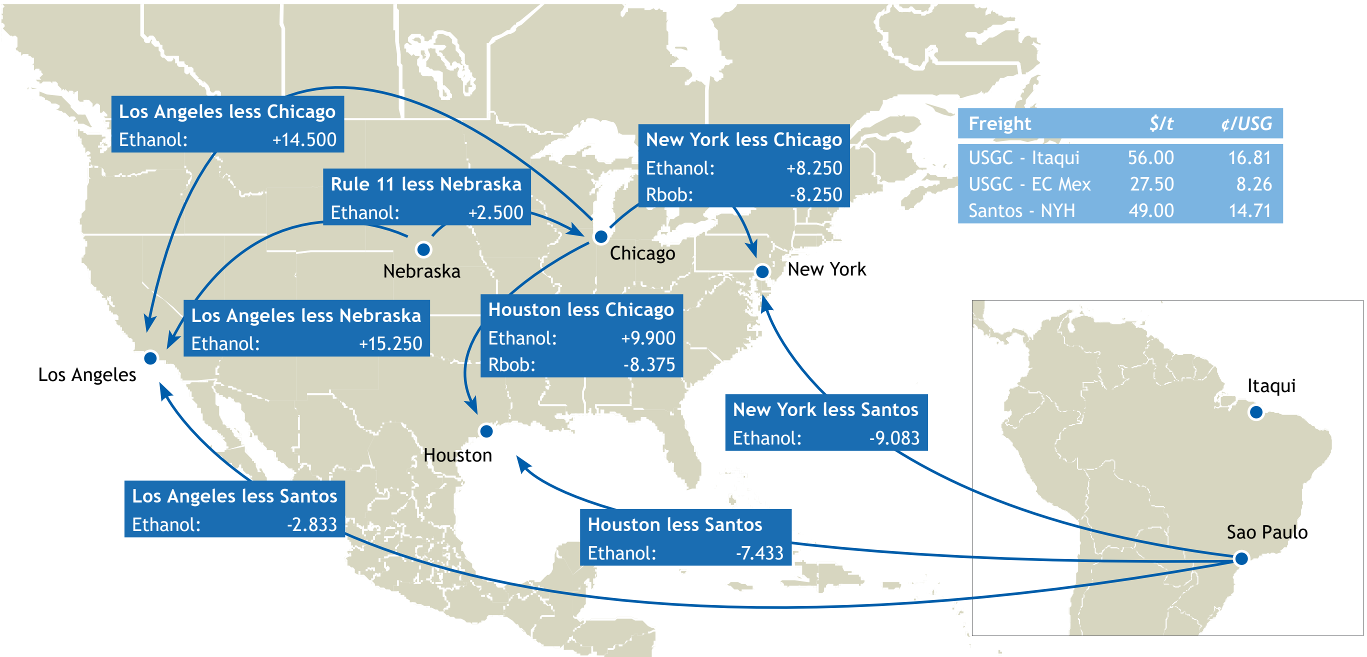
### Argus successfully completes annual Iosco assurance review

Argus has completed the eighth external assurance review of its price benchmarks covering crude oil, products, LPG, petrochemicals, biofuels, thermal coal, coking coal, iron ore, steel, natural gas and biomass benchmarks. The review was carried out by professional services firm PwC. Annual independent, external reviews of oil benchmarks are required by international regulatory group Iosco’s Principles for Oil Price Reporting Agencies, and Iosco encourages extension of the reviews to non-oil benchmarks.

For more information and to download the review visit our website https://www.argusmedia.com/en/about-us/governance-compliance

## ARGUS MARKET MAP: ETHANOL

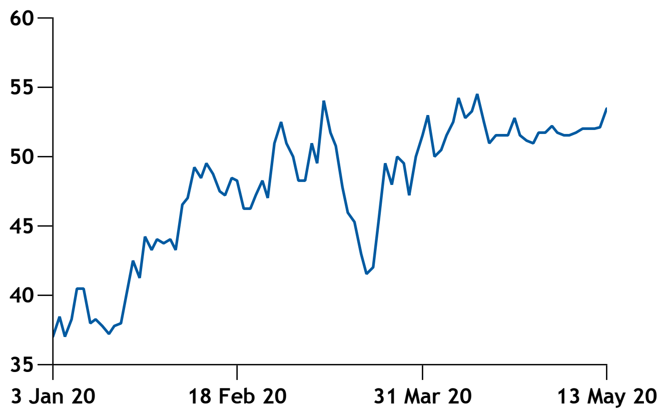
¢/USG




| Freight | $/t | ¢/USG |
|---|---|---|
| USGC - Itaqui | 56.00 | 16.81 |
| USGC - EC Mex | 27.50 | 8.26 |
| Santos - NYH | 49.00 | 14.71 |

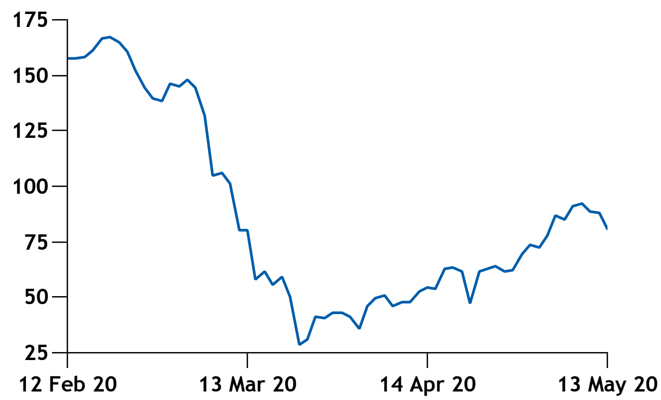
### Biodiesel RINs current year

¢/RIN



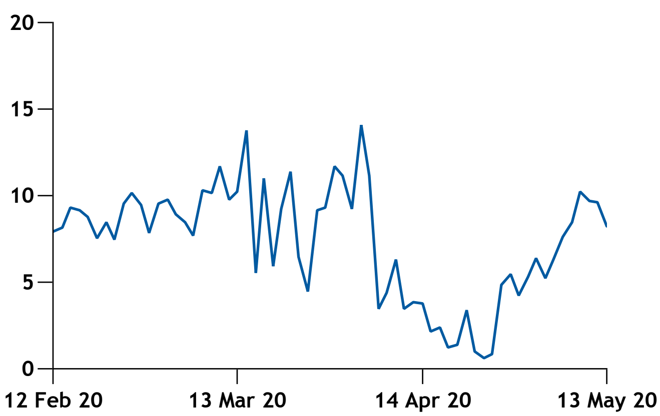

### Gasoline regular RBOB NYH barge

¢/USG



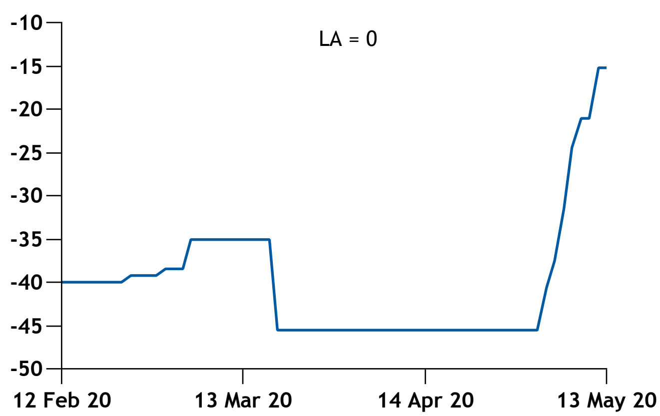

### NYH ethanol vs Chicago ethanol

¢/USG




### Nebraska UPRR vs LA low CI ethanol

¢/USG



| Tier 3 (CCO) | Low | High | ± |
|---|---|---|---|
| *$/mn USG credits* | | | |
| Standard | 1000.00 | 1500.00 | nc |

| RINs deals done | | | |
|---|---|---|---|
| Market | Timing | Price *¢/RIN* | Volume *’000 RINs* |
| Biodiesel | 2020 | 53.50 | 1000 |
| | 2020 | 53.50 | 1000 |
| Cellulosic | 2020 | 105.00 | 500 |
| Ethanol | 2019 | 33.00 | 1000 |
| | 2019 | 33.00 | 1000 |
| | 2019 | 33.00 | 2000 |
| | 2019 | 33.00 | 5000 |
| | 2019 | 33.50 | 1000 |
| | 2020 | 35.75 | 500 |
| | 2020 | 36.00 | 250 |
| | 2020 | 36.00 | 500 |
| | 2020 | 36.00 | 500 |
| | 2020 | 36.00 | 1000 |
| | 2020 | 36.00 | 1000 |
| | 2020 | 36.00 | 1000 |
| | 2020 | 36.00 | 2000 |
| | 2020 | 36.00 | 5000 |
| | 2020 | 36.25 | 500 |
| | 2020 | 36.25 | 500 |
| | 2020 | 36.50 | 500 |
| | 2020 | 36.50 | 500 |

| RINs *¢/RIN* | Low | High | ± |
|---|---|---|---|
| Renewable fuel (ethanol D6) | | | |
| 2019 | 33.00 | 33.50 | +0.25 |
| Weighted average, 2020 | | 36.05 | |
| 2020 | 35.75 | 36.50 | -0.13 |
| Biomass-based diesel (D4) | | | |
| 2019 | 53.75 | 54.00 | +1.38 |
| 2020 | 53.25 | 53.75 | +1.38 |
| Cellulosic biofuel (D3) | | | |
| 2019 | 101.75 | 102.25 | +3.50 |
| 2020 | 104.75 | 105.25 | +3.50 |
| Advanced biofuel (D5) | | | |
| 2019 | 51.50 | 51.75 | +1.38 |
| 2020 | 52.75 | 53.25 | +1.38 |
| Renewable Volume Obligation (RVO) *¢/USG* | | | |
| 2019 | | 4.30 | +0.06 |
| 2020 | | 4.86 | +0.04 |

| RIN spreads *¢/RIN* | Today | ± | Prior day | 5-day avg |
|---|---|---|---|---|
| Category spreads, 2019 | | | | |
| Biodiesel D4-ethanol D6 | 20.625 | +1.125 | 19.500 | 19.175 |
| Biodiesel D4-advanced biofuel D5 | 2.250 | nc | 2.250 | 1.775 |
| Advanced biofuel D5-ethanol D6 | 18.375 | +1.125 | 17.250 | 17.400 |
| Category spreads, 2020 | | | | |
| Biodiesel D4-ethanol D6 | 17.375 | +1.500 | 15.875 | 15.650 |
| Biodiesel D4-advanced biofuel D5 | 0.500 | nc | 0.500 | 0.500 |
| Advanced biofuel D5-ethanol D6 | 16.875 | +1.500 | 15.375 | 15.150 |
| Vintage spreads, 2019-2020 | | | | |
| Biodiesel D4 | 0.375 | nc | 0.375 | 0.150 |
| Advanced biofuel D5 | -1.375 | nc | -1.375 | -1.125 |
| Ethanol D6 | -2.875 | +0.375 | -3.250 | -3.375 |

## RINS

Weaker ethanol D6 RINs capped gains in the Argus Renewable Volume Obligation (RVO).

The *Argus* RVO rose by 0.04¢/USG to 4.86¢/USG.

Current year ethanol D6 credits traded between 35.75¢/RIN and 36.5¢/RIN, declining by 0.15¢/RIN to 36.15¢/RIN. Prior year credits exchanged hands at 33¢/RIN and 33.5¢/RIN, firming by 0.25¢/RIN to 33.25¢/RIN.

Biomass-based diesel D4 RINs with 2020 rose by 1.4¢/RIN, trading at 53.5¢/RIN. Prior year credits remained at a 0.4¢/RIN premium to current year credits.

Current year advanced biofuel D5 credits tracked same year D4 RINs at a 0.5¢/RIN discount. D5 RINs with prior year vintage remained at a 2.25¢/RIN discount to 2019 vintage D4 credits.

Cellulosic biofuel D3 RINs with current year vintage traded at 105¢/RIN, increasing by 3.5¢/RIN. Prior year D3 RINs maintained a 3¢/RIN discount to current year credits.

## CALIFORNIA CARBON

California Carbon Allowances (CCAs) were mostly steady today, halting recent gains.

CCAs for December 2020 delivery inched lower by a penny to $16.82/metric tonne, after trading 20 times for just over 1mn t. May 2020 allowances closed at $16.62/t, down by 3¢ after trading once at this level in the session.

CCAs for December 2021 delivery rose by 2¢ to $17.42/t on higher bids and offers, but the contract did not trade.

A handful of spread trades and put and call options were also struck during the session.

California Low-Carbon Fuel Standard (LCFS) credits hit a fresh two-month high today, inching closer toward pre-Covid 19 levels as buying interest ramps up.

Spot LCFS credits climbed $1 higher to $203/metric tonne on firmer bids during the session. This is the highest level the credits have been since 13 March, before California had its shelter-in-place order in effect to slow the spread of Covid-19.

The prompt market was again talked at parity with later delivery periods in the year, keeping the spread at zero.

Credit prices for third and fourth quarter 2020 rose by $1 to $203/t. A deal was heard done at this level for third quarter 2020, but unconfirmed. Further forward, a deal was heard done on fourth quarter 2021 credits at $201/t.

Stronger buying interest has bolstered the LCFS market over the last week. Market sentiment had turned a bit more bullish recently on prospects of increased transportation fuel demand as California has started to open some more businesses. But that faded as market conversations today touched on news that Los Angeles — an historically large transportation demand center — will extend its shelter-in-place beyond May. But several restrictions will still be relaxed going forward, the county's public health director Barbara Ferrer emphasized during a press conference today. There have been over 34,000 positive cases of Covid-19 in Los Angeles County, making it the hardest-hit region in California.

Some market participants expressed surprise that prices were creeping toward pre-Covid levels despite bearish near-term fundamentals, including depressed gasoline and diesel demand.

**California carbon allowances (CCA)** $/t

| Vintage | Delivery | Bid | Ask | Price | ± |
|---|---|---|---|---|---|
| 2020 | May 20 | 16.60 | 16.64 | 16.620 | -0.030 |
| 2020 | Dec 20 | 16.80 | 16.83 | 16.820 | -0.010 |
| 2021 | Dec 21 | 17.40 | 17.44 | 17.420 | +0.020 |

**CCA volume-weighted averages** $/t

| Vintage | Delivery | Low | High | VWA | MTD |
|---|---|---|---|---|---|
| 2019-20 | Dec 20 | 16.80 | 16.83 | 16.810 | 16.630 |
| **Vintage** | **Delivery** | **Trades** | **MTD** | **Volume** | **MTD** |
| 2019-20 | Dec 20 | 20 | 242 | 1,068,000 | 12,402,000 |

**CCA price for gasoline, diesel** ¢/USG

| | Winter 13 May | ± | Summer 13 May | ± | Apr index | ± |
|---|---|---|---|---|---|---|
| Regular Carbob | 13.36 | -0.02 | 13.39 | -0.03 | 12.27 | -0.71 |
| Midgrade Carbob | 13.36 | -0.02 | 13.36 | -0.03 | 12.24 | -0.71 |
| Premium Carbob | 13.37 | -0.02 | 13.34 | -0.02 | 12.22 | -0.70 |
| Distillate ULSD | | | 17.01 | -0.03 | 15.59 | -0.90 |

**CO2 California carbon offsets, 8 May** $/t

| | Bid | Ask | Price | ± |
|---|---|---|---|---|
| Seller-guaranteed | 13.65 | 13.90 | 13.78 | +0.03 |
| 3-year invalidation | 13.40 | 13.65 | 13.53 | +0.03 |

**California low-carbon fuel standard (LCFS) credits** $/t

| | Bid | Ask | Price | ± |
|---|---|---|---|---|
| LCFS | 202.00 | 204.00 | 203.000 | +1.000 |
| **VWA** | | **Trades** | **Volume** | **MTD** |
| LCFS | | 3.00 | 10,000 | 194.00 |
| | | | | **Avg** |
| Apr index | | | | 192.45 |

**Oregon low-carbon fuel standard (LCFS) credits** $/t

| | Bid | Ask | Price | ± |
|---|---|---|---|---|
| LCFS | 110.00 | 125.00 | 117.500 | nc |

**California LCFS cost for gasoline, diesel** ¢/USG

| Fuel | Price | ± |
|---|---|---|
| Carbob | 19.30 | +0.09 |
| Ultra low-sulfur diesel | 20.55 | +0.10 |

**LCFS premium per carbon intensity point** ¢/USG

| | Price | ± |
|---|---|---|
| Ethanol | 1.65 | nc |
| Biodiesel | 2.56 | +0.01 |

**California LCFS market biogas value** $/mmBtu

| | Natural gas | Biogas |
|---|---|---|
| SoCal Citygates | 3.563 | 21.692 |
| PG&E Citygates | 4.358 | 22.487 |

## BRAZIL ETHANOL

| Daily price indicators — hydrous ethanol | | | | |
|---|---|---|---|---|
| **13 May** | **Low** | **High** | **VWA** | **±** |
| Ribeirao Preto ex-mill | | | | |
| R/m³ | 1710 | 1780 | 1757 | 53 |
| *$/m³* | 288 | 300 | 296 | 2 |
| Paulinia del | | | | |
| R/m³ | 1771 | 1841 | 1804 | 40 |
| *$/m³* | 298 | 310 | 304 | -1 |
| State of Sao Paulo ex-mill | | | | |
| R/m³ | 1710 | 1780 | 1743 | 39 |
| *$/m³* | 288 | 300 | 294 | -1 |
| Total volume reported m³ | | | 950 | |

*VWA = Volume Weighted Average*

Hydrous ethanol negotiated in the state of Sao Paulo posted gains after state-controlled Petrobras announced a 12pc rise in wholesale gasoline prices, while lower US inventories supported fob Santos prices.

In the domestic marketplace, hydrous increased by R39/m³ to R1,743/m³ inc-tax amid higher demand, after Petrobras

| Biweekly hydrous ex-mill price indicators | | | | |
|---|---|---|---|---|
| | **Low** | **High** | **VWA** | **±** |
| Paraíba out-of-state, 14-27 Apr | | | | |
| R/m³ | 1,684 | 1,723 | 1,704 | -46 |
| Total volume reported m³ | | | 0 | |
| Pernambuco instate, 14-27 Apr | | | | |
| R/m³ | 1,680 | 1,750 | 1,710 | -28 |
| Total volume reported m³ | | | 1,350 | |
| Alagoas, 14-27 Apr | | | | |
| *R$/m³* | 1,590 | 1,610 | 1,600 | -10 |
| Total volume reported m³ | | | 120 | |

| Biweekly anhydrous ex-mill price indicators | | | | |
|---|---|---|---|---|
| | **Low** | **High** | **VWA** | **±** |
| Paraíba, 14-27 Apr | | | | |
| R/m³ | 1,850 | 1,900 | 1,867 | -3 |
| Total volume reported m³ | | | 270 | |
| Pernambuco, 14-27 Apr | | | | |
| R/m³ | 1,940 | 1,960 | 1,950 | -191 |
| Total volume reported m³ | | | 1,200 | |
| Alagoas, 14-27 Apr | | | | |
| R/m³ | 1,831 | 1,984 | 1,908 | -292 |
| Total volume reported m³ | | | 0 | |

| Weekly price differentials with Ribeirao Preto | | *R/m³* | |
|---|---|---|---|
| **4-8 May** | **Low** | **High** | **±** |
| Piracicaba ex-mill hydrous | +17 | +19 | nc |
| Pirassununga ex-mill hydrous | +27 | +29 | nc |
| Piracicaba ex-mill anhydrous | +17 | +19 | nc |
| Pirassununga ex-mill anhydrous | +27 | +29 | nc |

| Weekly and biweekly price indicators | | | | |
|---|---|---|---|---|
| | **Low** | **High** | **VWA** | **±** |
| Center-South ex-mill hydrous, 4-8 May | | | | |
| R/m³ | 1662 | 1800 | 1720 | 39 |
| *$/m³* | 289 | 312 | 299 | -11 |
| Total volume reported m³ | | | 26318 | |
| R/m³ without tax | | | 1383 | 35 |
| Center-South ex-mill anhydrous, 4-8 May | | | | |
| R/m³ | 1665 | 1675 | 1670 | -30 |
| *$/m³* | 289 | 291 | 290 | -23 |
| Total volume reported m³ | | | 135 | |
| Term contract R/m³ | 1652 | 1666 | | 0 |
| Term contract $/m³ | 287 | 289 | | -10 |
| Differential contract-spot % | 10 | 11 | | 0 |
| Anhydrous-hydrous ethanol spread | | | | |
| % | | 11 | | -5 |
| Betim del hydrous, 4-8 May | | | | |
| R/m³ | 1700 | 1830 | 1779 | 22 |
| *$/m³* | 295 | 318 | 309 | -15 |
| Total volume reported m³ | | | 3400 | |
| Uberaba del hydrous, 4-8 May | | | | |
| R/m³ | 1731 | 1770 | 1747 | 63 |
| *$/m³* | 300 | 307 | 303 | -7 |
| Total volume reported m³ | | | 1855 | |
| Suape del hydrous, 5-11 May | | | | |
| R/m³ | 1600 | 1758 | 1683 | -47 |
| *$/m³* | 276 | 303 | 290 | -20 |
| Total volume reported m³ | | | 850 | |
| Suape del anhydrous, 5-11 May | | | | |
| R/m³ | 1895 | 1936 | 1902 | -13 |
| *$/m³* | 327 | 334 | 328 | -15 |
| Total volume reported m³ | | | 1200 | |
| Sao Francisco do Conde del hydrous, 22 Apr-4 May | | | | |
| R/m³ | 1576 | 1706 | 1619 | -110 |
| *$/m³* | 283 | 306 | 291 | -36 |
| Total volume reported m³ | | | 1600 | |
| Sao Francisco do Conde del anhydrous, 22 Apr-4 May | | | | |
| R/m³ | 1790 | 1850 | 1820 | -38 |
| *$/m³* | 321 | 332 | 327 | -25 |
| Total volume reported m³ | | | 90 | |
| Fortaleza del hydrous, 22 Apr-4 May | | | | |
| R/m³ | 1770 | 1796 | 1783 | -7 |
| *$/m³* | 318 | 322 | 320 | -18 |
| Total volume reported m³ | | | 1000 | |
| Fortaleza del anhydrous, 22 Apr-4 May | | | | |
| R/m³ | 2045 | 2051 | 2048 | 31 |
| *$/m³* | 367 | 368 | 327 | -25 |
| Total volume reported m³ | | | 0 | |

*VWA = Volume Weighted Average*

## Truck freight prices to Bahia and Ceara *R/m³*

| 4-8 May | with taxes | | | without taxes | | |
|---|---|---|---|---|---|---|
| | Low | High | ± | Low | High | ± |
| **Fortaleza** | | | | | | |
| Pernambuco | 139.80 | 169.80 | nc | 123.01 | 149.41 | nc |
| Paraiba | 120.80 | 157.80 | nc | 106.29 | 138.85 | nc |
| Bahia (north) | 185.00 | 215.00 | nc | 162.78 | 189.18 | nc |
| Bahia (south) | 325.00 | 362.00 | nc | 285.97 | 318.52 | nc |
| Goias | 384.00 | 436.00 | nc | 337.88 | 383.63 | nc |
| Rio Grande do Norte | 98.00 | 120.00 | nc | 86.23 | 105.59 | nc |
| **Sao Francisco do Conde** | | | | | | |
| Bahia (north) | 80.00 | 90.00 | nc | 70.39 | 79.19 | nc |
| Bahia (south) | 130.00 | 150.00 | nc | 114.39 | 131.98 | nc |
| Alagoas | 101.00 | 164.00 | nc | 88.87 | 144.30 | nc |
| Pernambuco | 140.00 | 167.00 | nc | 123.19 | 146.94 | nc |
| Minas Gerais | 192.00 | 274.00 | nc | 168.94 | 241.09 | nc |
| Goias | 250.00 | 280.00 | nc | 219.97 | 246.37 | nc |
| Sao Paulo | 182.00 | 261.80 | nc | 160.14 | 230.36 | nc |

## Weekly truck freight prices to Paulinia *R/m³*

| 4-8 May | with taxes | | | without taxes | | |
|---|---|---|---|---|---|---|
| | Low | High | ± | Low | High | ± |
| **Sao Paulo** | | | | | | |
| Ribeirao Preto | 60.17 | 61.53 | nc | 52.94 | 54.14 | nc |
| Aracatuba | 90.13 | 93.54 | nc | 79.30 | 82.31 | nc |
| Presidente Prudente | 97.52 | 101.37 | nc | 85.81 | 89.19 | nc |
| Ourinhos | 89.11 | 92.52 | nc | 78.41 | 81.41 | nc |
| Jau-Bauru | 63.57 | 65.16 | nc | 55.93 | 57.33 | nc |
| Sao Jose do Rio Preto | 70.16 | 72.42 | nc | 61.73 | 63.72 | nc |
| **Goias** | | | | | | |
| Quirinopolis/ Senador Canedo | 150.00 | 180.00 | nc | 131.98 | 158.38 | nc |
| **Mato Grosso do Sul** | | | | | | |
| Dourados/ Rio Brilhante | 130.00 | 170.00 | nc | 114.39 | 149.58 | nc |
| **Minas Gerais** | | | | | | |
| Triangulo Mineiro | 106.69 | 115.58 | nc | 93.88 | 101.70 | nc |

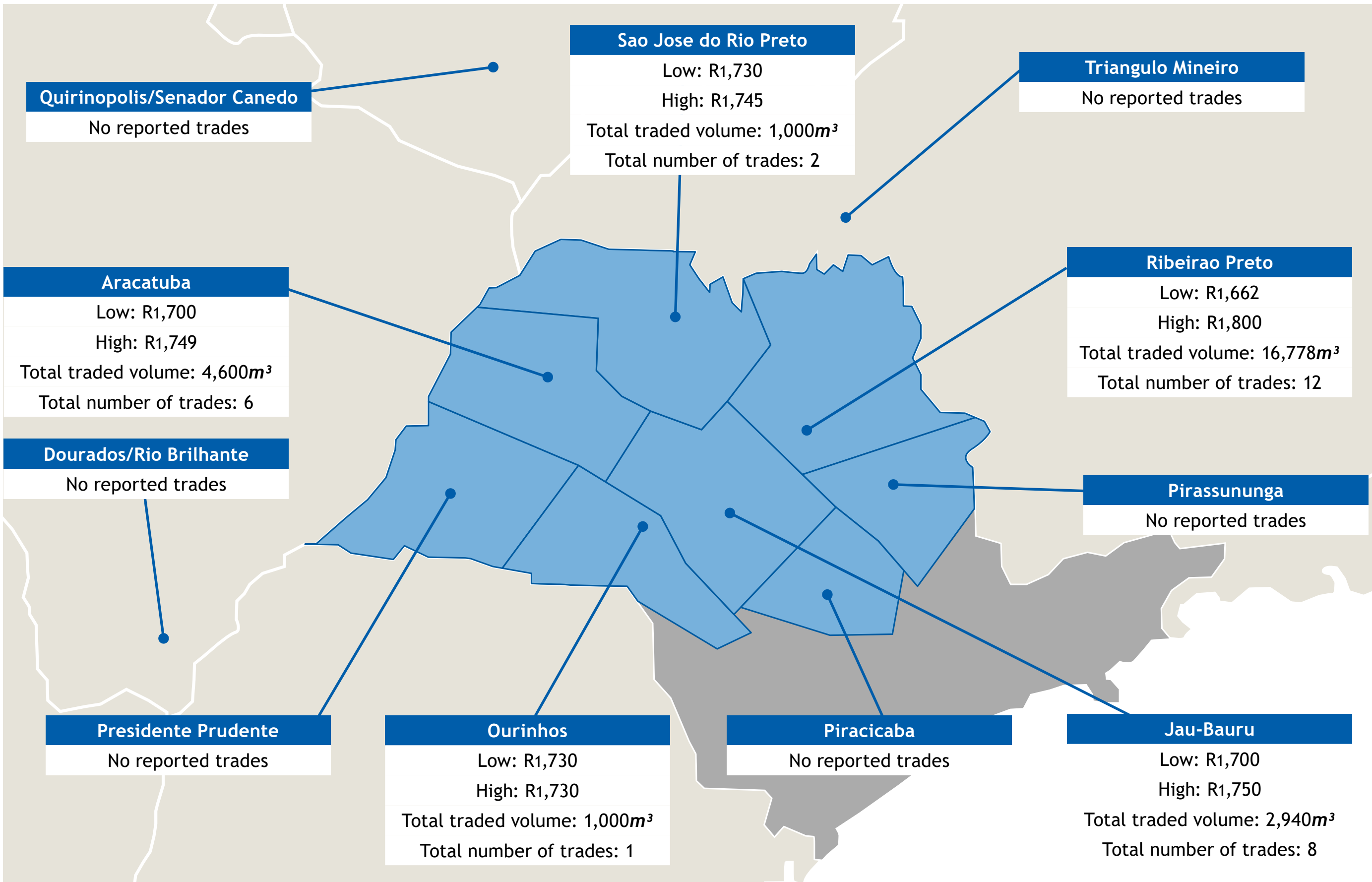
## Truck freight prices Minas Gerais *R/m³*

| 4-8 May | with taxes | | | without taxes | | |
|---|---|---|---|---|---|---|
| | Low | High | ± | Low | High | ± |
| **Betim** | | | | | | |
| Divinopolis | 27.86 | 38.18 | nc | 24.51 | 33.59 | nc |
| Frutal-Araxa | 109.19 | 111.46 | nc | 96.08 | 98.07 | nc |
| Ituiutaba | 150.05 | 150.67 | nc | 132.03 | 132.57 | nc |
| Minas Oeste | 177.92 | 179.57 | nc | 156.55 | 158.00 | nc |
| Passos | 86.69 | 87.93 | nc | 76.28 | 77.37 | nc |
| Patos-Unai | 119.09 | 133.13 | nc | 104.79 | 117.14 | nc |
| Ponte Nova | 38.08 | 52.74 | nc | 33.51 | 46.41 | nc |
| Ribeirao Preto | 79.88 | 110.53 | nc | 70.29 | 97.25 | nc |
| Senador Canedo/ Quirinopolis | 112.28 | 155.42 | nc | 98.79 | 136.75 | nc |
| Teofilo Otoni | 90.61 | 125.39 | nc | 79.73 | 110.33 | nc |
| **Uberaba** | | | | | | |
| Divinopolis | 77.19 | 100.10 | nc | 67.92 | 88.08 | nc |
| Frutal-Araxa | 38.49 | 41.28 | nc | 33.87 | 36.32 | nc |
| Ituiutaba | 53.25 | 69.14 | nc | 46.85 | 60.84 | nc |
| Minas Oeste | 57.38 | 79.46 | nc | 50.49 | 69.92 | nc |
| Passos | 52.01 | 68.11 | nc | 45.76 | 59.93 | nc |
| Patos-Unai | 69.04 | 91.85 | nc | 60.75 | 80.82 | nc |
| Ponte Nova | 104.64 | 144.79 | nc | 92.07 | 127.40 | nc |
| Ribeirao Preto | 61.40 | 85.04 | nc | 54.03 | 74.83 | nc |
| Senador Canedo/ Quirinopolis | 60.78 | 84.11 | nc | 53.48 | 74.01 | nc |
| Teofilo Otoni | 145.51 | 201.45 | nc | 128.03 | 177.25 | nc |

## Truck freight prices to Suape *R/m³*

| 4-8 May | with taxes | | | without taxes | | |
|---|---|---|---|---|---|---|
| | Low | High | ± | Low | High | ± |
| Pernambuco | 33.00 | 39.20 | nc | 29.04 | 34.49 | nc |
| Alagoas | 63.00 | 67.00 | nc | 55.43 | 58.95 | nc |
| Paraiba | 43.00 | 50.00 | nc | 37.84 | 43.99 | nc |
| Goias | 361.00 | 429.00 | nc | 317.64 | 377.47 | nc |
| Minas Gerais | 317.00 | 393.00 | nc | 278.93 | 345.80 | nc |
| Sao Paulo | 336.00 | 397.00 | nc | 295.64 | 349.32 | nc |
| Bahia (north) | 140.00 | 160.00 | nc | 123.19 | 140.78 | nc |
| Bahia (south) | 297.00 | 318.00 | nc | 261.33 | 279.81 | nc |

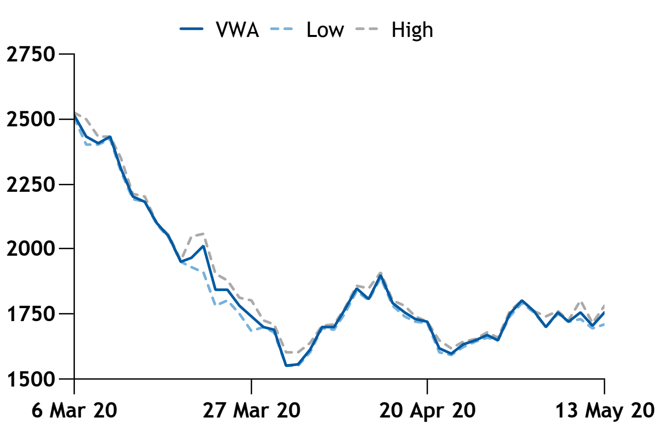
## Weekly Center-South hydrous ethanol prices



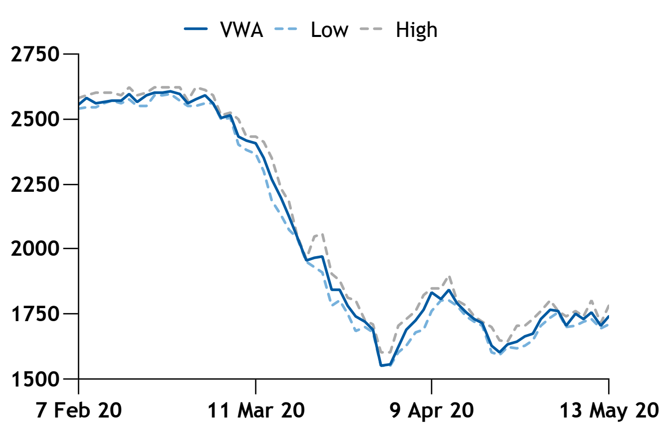

informed a price hike for refinery gate gasoline, effective Thursday.

Export quotes for sugarcane ethanol shipping from Santos settled at \$305-377/$m^3$ fob, up by \$3/$m^3$ from the previous session, supported by lower US inventories for the week ended 8 May, according to Energy Information Administration data. Import quotes rose by \$1/$m^3$ to \$372-385/$m^3$ cif Brazil, tracking Chicago's paper markets.

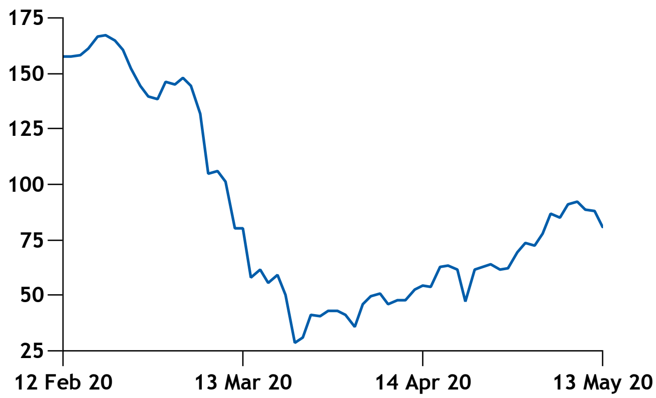
### Hydrous ethanol ex-mill Ribeirao Preto inc tax — R/$m^3$




### Hydrous Sao Paulo inc tax — R/$m^3$



Natural gasoline Mt Belvieu *¢/USG*




## BIODIESEL

### US

US biodiesel premiums tracked higher D4 RIN credit prices, while three vessels laden with biofuel and one vessel laden with biofuel feedstock are expected to land on the US west coast in the next two weeks.

B100 biodiesel premiums rose by 2¢/USG across New York Harbor, Houston and Chicago markets.

In Deerfield/Mexico, Missouri, offers for B99 with fourth quarter timing and RINs emerged at Nymex +60¢/USG.

RIN-less and LCFS credit-less, FAME B99 material near San Francisco and Los Angeles held steady on Wednesday, with FAME B99 near San Francisco offered at Nymex -98¢/USG in July, while August product was offered at Nymex -101¢/USG. The September-fourth quarter strip was offered at Nymex -105¢/USG.

Production margins as measured by the heating oil-soybean oil spread rose 2¢/USG to -109¢/USG as losses in the front month Nymex ULSD contract outpaced weaker CBOT soybean oil futures.

ULSD futures eased by 0.7¢/USG to 83.14¢/USG, while soybean oil futures shed 0.35¢/lb to 25.63¢/lb.

Three vessels laden with biofuel and one vessel with biofuel feedstock are due to arrive on the US west coast between 16 May and 1 June, according to oil analytics firm, Vortexa. The biofuel vessels could be laden with biodiesel or renewable diesel.

The *Argent Iris* left Singapore on 22 April laden with biodiesel or renewable diesel and is on route to Richmond, California, with an estimated arrival date of 16 May. The *NVIG8 Gallantry* also left Singapore laden with biofuel, and is sched-

| Biodiesel | Timing | Low/high diff | Low-high price | ± |
|---|---|---|---|---|
| US B100 | | | | |
| SME NYH *¢/USG* | Jun | +169.25/+172.25 | 252.39-255.39 | +1.30 |
| SME Houston fob *¢/USG* | Jun | +155.25/+163.25 | 238.39-246.39 | +1.30 |
| SME Chicago rail *¢/USG* | Jun | +170.25/+183.50 | 253.39-266.64 | +1.30 |
| US B99 | | | | |
| SME NYH *¢/USG* | Jun | -11.00/-8.00 | 72.14-75.14 | -0.70 |
| SME Houston fob *¢/USG* | Jun | -25.00/-17.00 | 58.14-66.14 | -0.70 |
| SME Chicago rail *¢/USG* | Jun | -10.00/+3.25 | 73.14-86.39 | -0.70 |
| FAME San Francisco fob *¢/USG* | Jun | -99.00/-95.00 | -15.86--11.86 | -0.70 |
| FAME Los Angeles fob *¢/USG* | Jun | -99.00/-95.00 | -15.86--11.86 | -0.70 |
| Latin America | | | | |
| fob upriver SME Argentina *$/t* | | | 633.42-646.65 | -3.85 |

| Renewable diesel *¢/USG* | Low-high price | ± |
|---|---|---|
| Los Angeles R99 | 108.70-110.70 | -0.13 |
| San Francisco R99 | 108.45-110.45 | -0.13 |

| 50:50 split of retroactive blenders tax credit (BTC) *¢/USG* | Credit |
|---|---|
| BTC | 0.00 |

| Related markets | Price | ± |
|---|---|---|
| US | | |
| Cbot soybean settlement, May *¢/bushel* | 836.00 | -13.25 |
| Cbot soybean meal settlement, May *$/t* | 285.20 | -3.40 |
| Nymex heating oil settlement, Jun *¢/USG* | 83.14 | -0.70 |
| Latin America | | |
| Soybean oil Argentina diff to Cbot *¢/lb* | -0.80/-0.20 | +0.18 |
| Soybean oil fob Paranagua* *$/t* | 560.00/561.00 | -19.00 |
| Soybean oil cif Sao Paulo with 12% ICMS* *BRL/t* | 3,400.00/3,625.00 | +287.50 |
| Methanol cif Brazil* *$/t* | 363.00/366.00 | -41.00 |
| Glycerine cif China* *$/t* | 350.00/400.00 | nc |
| Beef tallow cif Sao Paulo with 12% ICMS* *BRL/t* | 3,250.00/3,350.00 | -100.00 |

**assessment is as of 8 May*

| Current month-to-date averages, May | Averages |
|---|---|
| SME Houston fob B100 *¢/USG* | 241.74 |
| SME Chicago fob B100 *¢/USG* | 259.06 |
| SME fob Argentina upriver *$/t* | 642.32 |

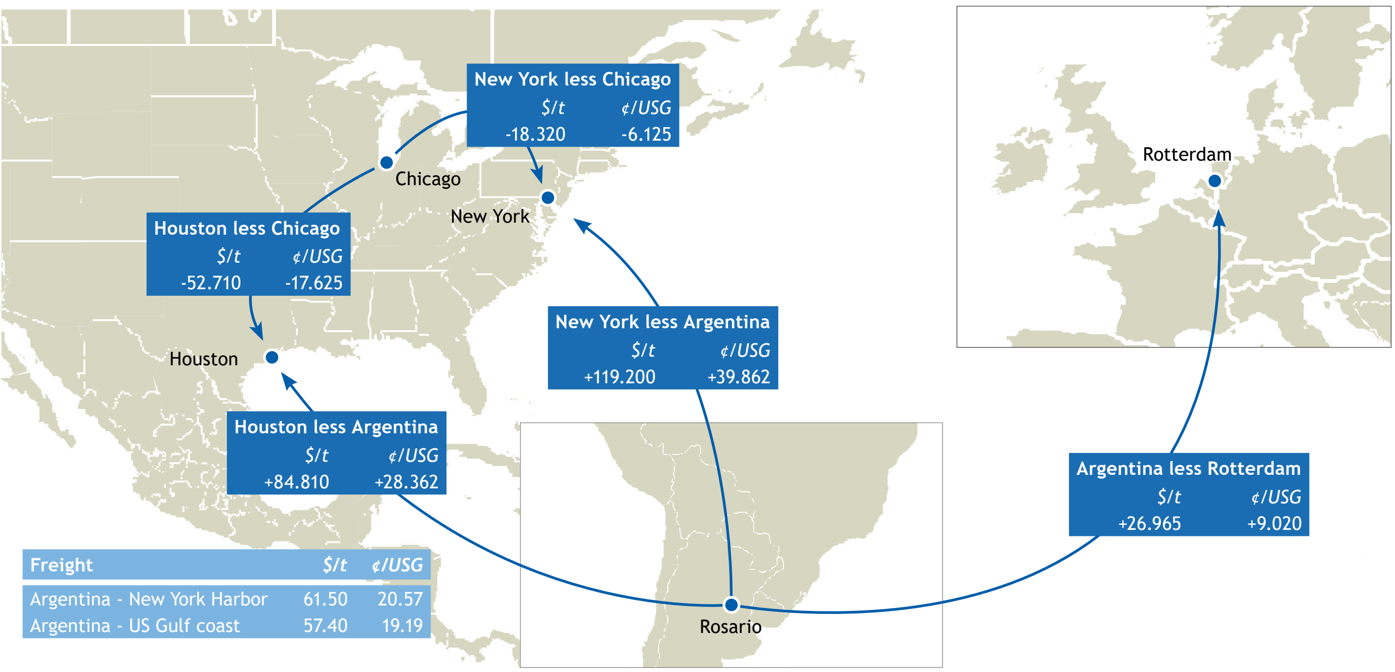
| Brazil ex-mill biodiesel prices per region | Mar-Apr *BRL/m³* | ± Jan-Feb *BRL/m³* | Mar-Apr *$/m³* | ± Jan-Feb *$/m³* |
|---|---|---|---|---|
| North | 3,180 | -90 | 743 | -49 |
| Northeast | 3,217 | 43 | 752 | -17 |
| Centre-West | 2,969 | -35 | 694 | -34 |
| Southeast | 3,088 | -30 | 722 | -33 |
| South | 2,970 | 12 | 694 | -22 |

*$/m³ values are calculated considering Thursday´s exchange rate*

*Data last updated on 22 Apr*

*— ANP data*

## ARGUS MARKET MAP: BIODIESEL




uled to arrive in Los Angeles, California, on 1 June. The *Argent Daisy* left Japan on 4 May and is bound to arrive in Vancouver, Washington, on 21 May laden with biodiesel or renewable diesel, while the *Hokada Galaxy* left Taiwan on 24 April for Richmond, California, laden with biofuel feedstock and is due to arrive on 17 May.

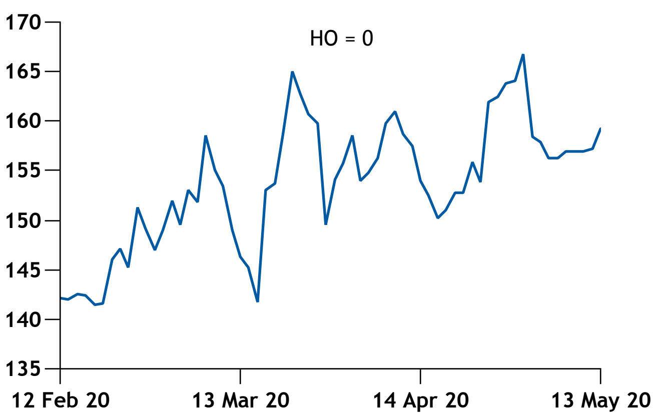
### Argentina

Export differentials for Argentinian soybean oil cargoes moved up Wednesday, as commerce centered on forward months.

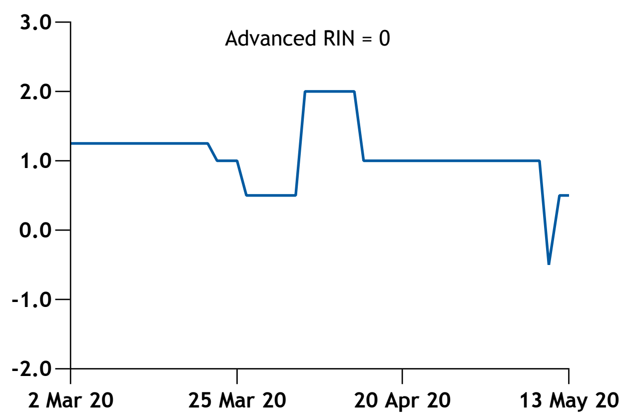
Discounts for cargoes delivering in May narrowed by 0.18¢/lb to CBOT -0.50¢/lb, while Chicago's benchmark values fell by 0.35¢/lb to CBOT -25.91¢/lb for July contracts. On the June front, differentials fell by 0.10¢/lb to CBOT -0.45¢/lb. A total of 4,000t traded for delivery between August and September at CBOT -0.30¢/lb.

Biodiesel markets were down as RED-certified product dropped by $4/t to $640/t fob.

**Houston B100 SME vs Nymex heating oil** *¢/USG*




**Biodiesel RINs vs advanced (current year)** *¢/RIN*



## LATEST NEWS

### Ethanol output rises for second straight week

US ethanol production increased by 3.2pc in the latest week, tracking rising gasoline demand, while ethanol stocks fell for a third straight week, according to the Energy Information Administration (EIA).

Domestic ethanol production increased to 617,000 b/d for the week ended 8 May from 598,000 b/d the prior week. The midcontinent accounted for most of the gains, increasing output by 17,000 b/d to 588,000 b/d. Year on year, ethanol production was 41pc lower.

**EIA ethanol production and stocks**

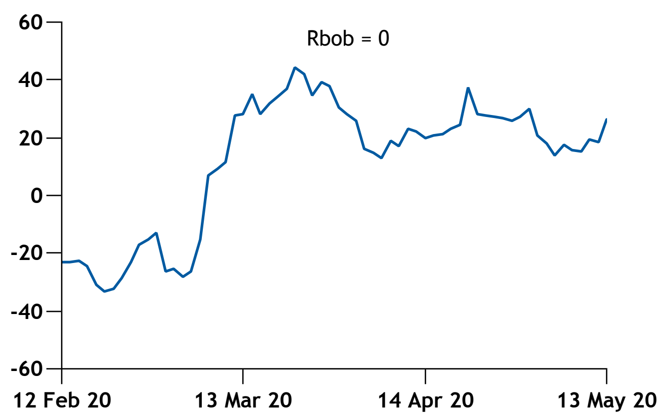
| | 1 May | Week ago | Change | Year ago | Change |
|---|---|---|---|---|---|
| Average weekly US ethanol production, *'000 b/d* | 617 | 598 | 19 | 1051 | -434 |
| East coast (PADD 1) | 8 | 8 | 0 | 21 | -13 |
| Midcontinent (PADD 2) | 588 | 571 | 17 | 978 | -390 |
| Gulf coast (PADD 3) | 6 | 6 | 0 | 19 | -13 |
| Rocky Mountains (PADD 4) | 7 | 6 | 1 | 13 | -6 |
| West coast (PADD 5) | 7 | 6 | 1 | 20 | -13 |
| Ending US ethanol stocks, *'000 bl* | 24190 | 25612 | -1422 | 22250 | 1940 |
| East coast (PADD 1) | 8542 | 9097 | -555 | 7311 | 1231 |
| Midcontinent (PADD 2) | 7722 | 8091 | -369 | 8004 | -282 |
| Gulf coast (PADD 3) | 4890 | 5117 | -227 | 4160 | 730 |
| Rocky Mountains (PADD 4) | 387 | 384 | 3 | 373 | 14 |
| West coast (PADD 5) | 2649 | 2923 | -274 | 2402 | 247 |

*— EIA*

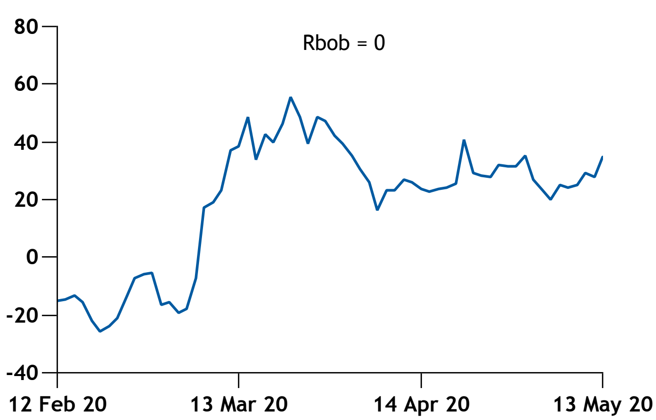
**Futures**

| | Timing | Settlement | ± |
|---|---|---|---|
| CBOT ethanol *¢/USG* | | | |
| | Jun | 111.80 | +1.20 |
| | Jul | 110.80 | +0.60 |
| | Aug | 111.80 | +0.60 |
| | Sep | 111.80 | +0.60 |
| CBOT corn *¢/bushel* | | | |
| | May | 320.25 | -3.50 |
| | Jul | 318.25 | -4.00 |
| | Sep | 322.50 | -3.50 |
| | Dec | 332.50 | -3.25 |
| CBOT soybean oil *¢/lb* | | | |
| | May | 25.63 | -0.35 |
| | Jul | 25.91 | -0.35 |
| | Aug | 26.09 | -0.36 |
| | Sep | 26.26 | -0.35 |

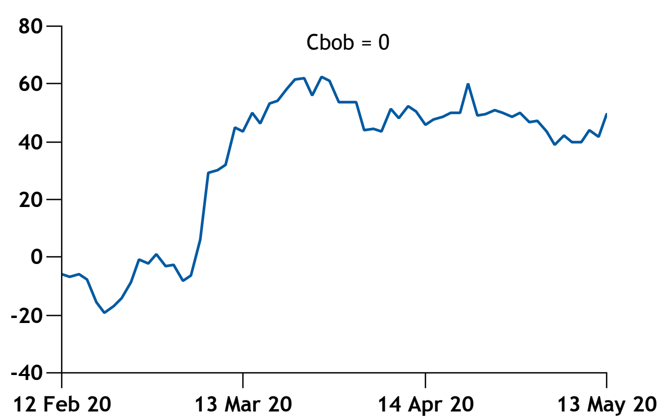
**Chicago ethanol vs Nymex Rbob** *¢/USG*




**NYH ethanol vs Nymex RBOB** *¢/USG*




**Gulf coast ethanol vs Colonial Cbob** *¢/USG*



Despite rising implied gasoline demand, the ethanol industry will be slow to increase production. Numerous facilities in the ethanol industry are undergoing cold idles, which require several weeks of preparation before production comes back online.

Implied gasoline demand rose by 9.9pc to 7.4mn b/d from the week prior. Compared with the same week a year earlier, demand was 19pc lower. The increase from the week before comes as local and state governments ease stay-at-home orders, allowing more businesses to open.

Ethanol inventories in the US shrank by 1.4mn bl to 24.2mn bl, their lowest since the week ended 20 March. Inventories on the East coast fell the most, by 555,000 bl to 8.5mn bl. Year on year, stocks were 1.9mn bl higher.

Ethanol blending rates rose by 71,000 b/d to 666,000 b/d. Compared with the same week a year ago, blending was lower by 287,000 b/d.

*By Thom Dwyer*

## Gevo plans Luverne expansion amid virus risk

Renewable fuels producer Gevo will continue planning the expansion of its Luverne, Minnesota, facility along with the build out of two additional plant production sites despite potential risks associated with the Covid-19 pandemic.

Although the company suspended operations at its Luverne production facility in late March, Gevo said it still intends to expand the facility.

Luverne currently has an annual production capacity of about 20mn USG/year of ethanol and 1.5mn USG/year of isobutanol, with the capability to produce low-carbon ethanol along with low-carbon isobutanol. The expansion would allow the company to produce large quantities of low carbon isobutanol, sustainable aviation fuel and renewable isooctane.

The company sees an opportunity for building out three projects, chief executive Patrick Gruber said in a recent earnings call. The first would expand the Luverne plant to make renewable premium gasoline and renewable jet fuel, and the other two projects would create the two additional plant production sites.

Gevo said it expects it will need 60-70mn USG/year of capacity in 2024 compared to the 17mn USG/year of capacity currently under contract.

The company said it believes oil pricing will stabilize by the time the build outs are on line, and values for low-carbon products will continue to increase.

But the risks associated with the Covid-19 pandemic could impede those plans. Although the pandemic did not have a material adverse effect on the company's financial results for the first quarter, it could have an adverse impact on customer demand and cash flow.

The evolving changes in financial markets could have a material effect on the company's ability to obtain financing, which could impact its liquidity. Volatility in the financial markets could make it more difficult to raise money from selling equity on the capital markets, and the pandemic effect on financial markets could limit lenders' ability to provide funds for the expansion.

Gevo reported a losses of $4.3mn on revenue of $3.8mn for the first quarter, down from losses of $2.6mn on revenue of $9mn for the same quarter last year.

*By Jacqueline Reigle*

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## Pacific Ethanol sees US output slowly rising

Pacific Ethanol expects US ethanol production to slowly increase with firming demand and margins as fuel consumption rises off the lows induced by the Covid-19 pandemic.

"We will see a more gradual increase in production as markets improve both domestically and export," chief executive Neil Koehler said today on the company's quarterly earnings call. "We are cautiously optimistic that we can see a more balanced market going forward."

After stay-at-home orders and other measures to control the spread of Covid-19 slashed demand for gasoline and the biofuels blended into it, the ethanol industry quickly responded by idling an "unprecedented" 50pc of capacity, Koehler said. An estimated 75 plants were completely idled and many others slowed to minimum production, he said.

The company is currently operating at 50pc of capacity after initially cutting back its production by 60pc at the height of the demand drop.

Earlier in April, Pacific Ethanol sold its 74pc ownership of Pacific Aurora to Aurora Cooperative, receiving $20.2mn in cash, of which approximately $14.5mn is earmarked to repay lenders.

The company expects China will be a significant buyer of US ethanol later in the year as part of its trade agreement with the US. Additional export markets will materialize in other countries as they reopen their economies.
*By Thom Dwyer*

## Brazil ethanol outlook bright — for survivors

Many of Brazil's financially troubled cane mills will not be around when the Covid-19 crisis is over, though the future is bright for those that pull through, says Ricardo Mussa, chief executive of the country's biggest sugar and ethanol milling group, Raizen.

In a webcast yesterday, Mussa said Raizen Energia, the joint venture between Brazilian energy and logistics conglomerate Cosan and Shell, had entered March with plenty of cash and ample ethanol storage capacity when the pandemic put the brakes on the country's ethanol industry, along with much of the broader economy.

After authorities imposed social isolation measures to mitigate the spread of Covid-19 nearly eight weeks ago, demand on the local ethanol and gasoline market fell by half from normal levels, authorities reported, leaving many of Brazil's center-south sugar and ethanol mills in difficult financial straits.

As a result, Raizen's strategy is to limit short-term ethanol sales as much as possible, with the goal of selling its stocks of the biofuel when prices recover.

"Mills have serious cash problems and many will not make it out of the crisis, even though the outlook for demand is very good in the future," Mussa said, adding that the pandemic was not undermining structural demand for sugar or ethanol in the medium to long term.

Mills in the center-south region saw a 29pc drop in ethanol sales in April -- the first month of the 2020-21 harvest season, according to to Brazilian sugar and ethanol industry association Unica. But the average retail price of hydrous ethanol declined by 15pc over the past month, according to the oil regulator (ANP). As a result, mill are currently selling ethanol at below production costs.

Between 2010 and 2016 more than 100 of Brazil's sugar and ethanol mills entered bankruptcy or closed because of government fuel subsidies for gasoline that undermined ethanol's competitiveness. Roughly 100 of Brazil's currently operating mills are still in delicate financial conditions and could fold under the stress of the pandemic-related slump, according to Unica.

Musa said that mills in Brazil's main center-south cane-growing region have not invested in new milling capacity in more than five years, while global demand for the sweetener and ethanol has continued to grow.

"Prices for sugar will rise because of the lack of investment in production capacity, mostly in Brazil," Mussa said, adding that the Brazilian real has depreciated more against the dollar than other sugar exporters like India and Thailand. This has given Brazilian sugar a competitive edge on the international market.

The real has depreciated by more than 30pc against the US dollar so far year to date, boosting the competitiveness of the country's exports including sugar.

Mussa also said that the so-called "blue-sky news" referring to reports of people in typically polluted Asian cities seeing clear skies for the first time in their lives under the economic shutdown of the pandemic boded well for the biofuel's cache.

"This type of news coming out of the crisis, along with reports that the attack of the virus is more serious in polluted cities, will only help ethanol in the long run," Mussa said. "All the big companies, including oil companies, are investing in biofuels now."

## Pandemic leaves Brazil's Cbios market empty

A dramatic drop in Brazilian biofuel consumption sidelined many trading parties from the launch of a new market for decarbonisation credits (Cbios) on 27 April, as they try to make sense of how the Covid-19 pandemic will impact the nascent market.

When Cbios negotiations began in late April as part of Brazil's national biofuels policy, RenovaBio, Brazil's stock exchange B3 noted the deposit of 471,676 credits issued on behalf of biofuel producers through 6 April. But so far no credit negotiations have been closed, as both fuel distributors and non-mandatory parties showed little interest given the uncertainties in the market.

Brazil's mines and energy ministry (MME) has even asked the national energy policy council (CNPE) to lower Cbios targets. But the ministry's request appears to have failed to convince fuel distributors designated as mandatory parties to acquire credits.

The ethanol market has been hit hard by the pandemic. Biofuel consumption totaled 799mn l in the first two weeks of April, a 32pc decline compared to the same period in 2019, according to data from the sugarcane industry union Unica.

Last month the MME said movement restrictions adopted by Brazilian states to curb the spread of coronavirus and the resulting economic crisis posed great challenges for the fuel market and the implementation of RenovaBio.

The ministry called for a review of the official emission target of 28.7mn carbon credits this year, arguing that producers do not have guarantees to sell enough biofuel to meet the Cbios target. But the ministry has stopped short of proposing a new target. Targets for 2020 and beyond were based on pre-pandemic consumption trends, and are likely to be revised lower.

To stimulate the program, the government is considering reducing the federal tax on Cbios to 15pc from 34pc, according to federal deputy Arnaldo Jardim. No official decision has been taken. By the beginning of May, there were 135 ethanol mills certified to issue Cbios.

Fuel retailers are working to tweak the structure of the program in an attempt to improve conditions for Cbios repurchase, according to industry sources.

"As soon as the program advances in terms of volume and price, there will be a more real market reference for the pricing of Cbios," Felipe Bottini, founding partner of certifier Green Domus, told *Argus*. "It may still take a while for the Cbios trade to gear up and become an asset present in investment portfolios, in part because the local market is somewhat conservative."
*By Carolina Guerra*

## US implied gasoline demand climbs: EIA

US implied gasoline demand last week rose within 20pc of year-ago levels as more states loosened restrictions imposed to slow the spread of Covid-19, according to Energy Information Administration (EIA) data.

Implied gasoline demand increased in the week ended 8 May by 11pc to 7.4mn b/d, still 19.1pc lower than the same week last year. National gasoline stockpiles fell by 1.4pc.

Implied diesel consumption also rose, by 22pc to 3.8mn b/d. But a 2.3pc increase in US inventories, to their highest level since March 2017, underlined the difficult balance fuel providers will face meeting a rekindled gasoline demand.

US gasoline inventories fell in every region but the Atlantic coast, where stockpiles were effectively flat at 70.9mn bl. Midcontinent inventories fell by 3pc to 54.8mn bl, their lowest level since late December but 9.7pc higher than the same week last year. US Gulf coast stockpiles fell by 1.3pc to 88.3mn bl.

EIA does not estimate weekly regional consumption of gasoline or diesel. But movement data compiled by Google based on users who share location information was consistent with anecdotal reports of rising midcontinent and US Gulf coast demand from retailers for the period.

Most states during the week allowed more retail activity, though restrictions remained. Google recorded increased trips to retail locations in every region during the week. US Gulf coast, Rocky Mountain and midcontinent trips all climbed within 25pc of year-ago levels. Mississippi retail movement was just 10pc lower on 7 May, the most recent date for Google data, and Arkansas, Alabama and Texas were all within 20pc of year-ago levels. All Rocky Mountain region states but Colorado were within 20pc of year-ago levels for retail trips on the same day.

### Diesel stockpiles rise

US diesel inventories increased by 2.3pc to 155mn bl, and ultra-low sulfur diesel (ULSD) in storage rose by 3.1pc to 141.9mn bl. Inventories were 13.4pc higher than the five-year average for the week. National ULSD production fell by 4.8pc to 4.7mn b/d.

Atlantic coast inventories led the rise. ULSD stockpiles rose by 6.5pc to 47.5mn bl, their highest level since July 2017 and 25pc higher than the five-year average for the week. Midcontinent inventories also climbed higher by 6.5pc, to 47.5mn bl, or 3.8pc higher than the five-year average for the week.

Exports of the fuel fell by 18pc from the previous week, to 766,000 b/d, or 36pc lower than year-ago levels.

US refiners want to meet gasoline demand without filling up diesel inventories. The collapse in jet fuel demand, and the need to blend that fuel into the diesel and other fuel streams, has added pressure to limit diesel production.

Crude throughputs at US refineries fell by 4.6pc to 12.3mn b/d, 26pc lower than year-ago levels. Throughputs fell in every region but the Rocky Mountains, where levels increased by 5.3pc to 478,000 b/d, US Gulf coast refiners reported the largest drop in crude processing, by 6pc to 6.8mn b/d.
*By Elliott Blackburn*

## US jet fuel output, demand touch record lows

US jet fuel production rates fell to an all-time low for the second consecutive week as historically low air travel demand continued to deter refiners.

National jet fuel production decreased for the 10th week in a row during the week ended 8 May, dropping by 4.1pc to 443,000 b/d, the lowest level recorded since the Energy Information Administration (EIA) began tracking rates in 1982.

Rates remained negative in the US Atlantic coast — rising to -1,000 b/d from -11,000 b/d — meaning finished jet fuel was being repurposed as feedstock or blendstock. Production decreased in the US Gulf coast and US west coast regions as well, while midcontinent and Rocky Mountain rates increased.

Demand decreased for the second straight week to the lowest level recorded in 29 years of data-keeping. Using product supplied as a proxy for demand, national consumption rates fell by 31.7pc to 325,000 b/d. The previous low was recorded during the week ended 10 April. Compared to the same week in 2019, US jet fuel product supplied was down by more than 80pc.

National jet fuel demand has been recorded below 1mn b/d for six consecutive weeks now, beginning during the week ended 3 April. Excluding those weeks, consumption has only been below 1mn b/d once before, during the week ended 8 May 1992.

Total US traveler throughput totaled 1.15mn during the week ended 8 May, according to Transportation Security Administration (TSA) data, down by approximately 93.1pc from the 16.49mn recorded during the same week in 2019.

National jet fuel inventory levels totaled 40.5mn bl, up by 2pc from the previous week. The east coast and Gulf coast regions posted builds, while midcontinent and west coast stockpiles fell. Rocky Mountain stocks were unchanged in weekly comparison.

Jet fuel imports decreased by nearly 45pc to 108,000 b/d last week. Imports into the east coast were 32.5pc higher in weekly comparison at 106,000 b/d, but west coast imports were 97pc lower at 2,000b/d.

Exports totaled 94,000 b/d last week, down by 28.8pc in weekly comparison.
*By Matthew Keever*

## Automotive volumes may rebound soon

North American railroads loaded 90pc fewer railcars with automobiles and parts last week amid restrictions to control the spread of Covid-19, a trend that may reverse now that manufacturers are ready to restart operations.

North American railroads loaded 2,743 railcars with vehicles and parts during the week ended on 9 May, according to data from the Association of American Railroads (AAR). Volumes fell by 88pc in the US, 92pc in Canada and 97pc in Mexico compared with the same week in 2019.

The Mexican government on 12 May deemed automotive vehicle and parts manufacturing essential, allowing the industry to restart as the country emerges from weeks of Covid-19 lockdowns.

Restarting the US and Canadian auto industries relies greatly on Mexico, which supplies many parts and components and also assembles vehicles. Parts and components may cross the borders between the three nations multiple times before a vehicle is completely assembled.

This week Honda and Toyota began reopening their US auto plants, with Fiat-Chrysler, Ford and General Motors all expected to do the same next week. Some Canadian plants also are expected to reopen shortly.

Railroads' automotive shipments have fallen more during the pandemic than any other commodity. Automakers closed facilities to prevent the spread of the disease and as buyers stayed away from dealerships.

Overall rail shipments also remain down compared with a year earlier. Automotive rail shipments did continue as companies shipped stockpiled products and materials.

"As in the prior two weeks, autos, coal and steel saw especially big declines last week," AAR senior vice president John Gray said today. Last week's volume was the second lowest since AAR began collecting data in 1988.

Overall, North American carriers loaded 412,549 carloads and intermodal units, down by 21pc compared with the same week in 2019. US volumes were down by 22pc, Canadian by 12pc and Mexican by 33pc.

Coal volumes continued to fall. The drop in power demand, caused by businesses shutting their doors to control the spread of the coronavirus, only worsened an ongoing structural change in the industry. Power plant retirements and generators' switch to using cheaper natural gas have cut into coal demand.

North American shipments of coal last week were down by 40pc compared with the year-earlier period. US coal volumes were down by 42pc, Canadian volumes by 13pc and Mexican volumes by 88pc.

Shipments of petroleum and related products were down by 34pc, while metals and metallic ores volumes were down by 28pc.
*By Abby Caplan*

## US $CO_2$ emissions to drop 11pc on Covid-19

The US Energy Information Administration (EIA) is forecasting a record drop in US energy-related $CO_2$ emissions due to the slowing economy and restrictions related to the Covid-19 pandemic in the country.

Emissions will drop by 11.1pc this year because of measures to contain the coronavirus, including restrictions on business and travel activity, the EIA said yesterday in its latest *Short-Term Energy Outlook*. This is a steeper drop than the 7.5pc drop the administration forecast in its April outlook.

Emissions will decline from all fossil fuels, with particularly sharp drops on coal at 23pc and petroleum at 11pc, EIA said.

EIA forecasts that energy-related $CO_2$ emissions will increase in 2021 by 5pc as the economy recovers and stay-at-home orders are lifted.

Despite concerns that an economic recession and responses to the coronavirus will cut near-term energy demand, California Carbon Allowance (CCA) and Regional Greenhouse Gas Initiative (RGGI) markets have recovered in recent weeks after experiencing sharp drops in March, as state, local and federal officials took steps to slow the spread of Covid-19.

The CCA market is particularly vulnerable to drops in on-road fuel use, as transportation makes up almost half of the emissions covered under the market. But after being hammered in March, CCAs rose in recent weeks as there was demand for the allowances at levels below the year's auction reserve price of $16.68/t. *Argus* assessed the prompt-month allowances at $16.65/metric tonne yesterday, their highest level in two months, before California's shelter-in-place order went into effect. CCAs for December 2020 delivery were assessed at $16.83/t.

December 2020 RGGI allowances were assessed at $5.90/short ton yesterday, putting the allowances roughly back where they were before the Covid-19 pandemic.

The market may be getting some price support from the fact that Virginia is expected to join RGGI next year, and Pennsylvania could become its 12th member. Also, next year, the RGGI states will start withholding allowances from the quarterly auctions if the clearing price falls below $6/st.

*By Jessica Dell*

## Announcement

All data change announcements can be viewed online at www.argusmedia.com/announcements.
Alternatively, to be added to the email distribution list for all announcements, please email: **datahelp@argusmedia.com.**

## House Democrats propose transport funding

Democrats in the US House of Representatives have introduced a bill that would allow states to sell toll credits to fund state and regional transportation plans.

Currently, states can only use their toll credits to finance local matches for federally funded projects within their state. That leaves behind credits that cannot be accessed for other infrastructure needs, according to representatives Chris Pappas (D-New Hampshire), Tom Malinowski (D-New Jersey) and Dan Lipinski (D-Illinois). The three introduced the the Toll Credit Marketplace Act of 2020 in the House on 8 May.

New Hampshire and New Jersey have hundreds of millions of dollars in extra credit.

"This legislation will allow states with surplus toll credits to trade and leverage them for projects that will improve our transportation system, create jobs, and bolster our economy," Pappas said.

*By Berit Henrickson*

## Petrobras raises gas prices by 10pc

Brazil's state controlled Petrobras increased wholesale gasoline prices by 10pc, effective 13 May, while diesel prices remain unchanged.

This is the second increase in gasoline prices this month, after the 12pc hike on 6 May.

The raise is not enough to compensate for recent price reductions, according to fuel importers association Abicom.

"Gasoline stocks are high, which leads Petrobras to negotiate values below the import parity prices," Abicom president Sergio Araujo told *Argus*. "That increases the company's competitiveness and reduces market share for ethanol and imported gasoline."

The decision comes amid a sharp drop in gasoline demand, a recovery in international oil markets and an increasing pressure from the ethanol industry to raise the Cide federal tax on gasoline.

Brazilian president Jair Bolsonaro is against a tax hike. He recently suggested that last week's increase on refinery gate values was a way for Petrobras to "manipulate" prices.

*By Gabrielle Moreira*

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