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Argus Biofuels Outlook



Overview

In a month shaped by physical constraints, Rhine water levels at Kaub fell to a record-low 25cm in July, choking inland deliveries and making tickets a preferred compliance route in Europe. RME prices held firm on tight rapeseed oil, while HVO Class II weakened despite firmer diesel. That softness should not last, as scheduled maintenance over the third and fourth quarters support prices until year-end.

In the US, record June renewable diesel output of 327mn USG and the generation of 839mn D4 credits have raised the projected year-end 2026 RIN balance to 630mn credits, pulling prices back from July's record $2.56/RIN. But exports have already retired around 570mn D4 RINs this year, August output is set to fall 27pc on turnarounds, and 2027 is now projected 1.38bn credits short, lifting our 2027 D4 forecast by 6pc to $2.77/RIN.

In Brazil, the record 40.7bn l output has rebuilt stocks and pushed hydrous parity to about 61pc. The increase to E32 from 1 August adds roughly 1bn l/yr of anhydrous demand but arrived at the peak of harvest, with anhydrous fob Santos forecast at $624/t by December.

Asia-Pacific remains the swing supplier. Chinese HVO exports rose 28pc in June as SAF fell 44pc, and UCO exports hit a record 473,000t. Producers outside Europe's anti-dumping net continue to prioritise HVO, narrowing the straits discount to ARA, while duty-exempt Chinese SAF supplies most of Europe's needs. Forecasts assume a gradual reopening of the strait of Hormuz, with renewed conflict risk the clearest upside to outright values.

Key biofuel prices, prompt

	Jun 26	Jul 26	Aug 26e	Sep 26e
Europe				*$/t*
RED FAME 0°C CFPP fob ARA	1,467	1,489	1,507	1,485
RED rapeseed OME fob ARA	1,516	1,538	1,557	1,555
RED UCOME fob ARA	1,606	1,638	1,669	1,647
RED HVO fob ARA (Class II)	2,804	2,745	2,755	2,748
RED HVO fob ARA (Class IV)	3,004	3,097	3,117	3,101
RED SAF fob ARA (Class II)	2,734	2,747	2,660	2,653
RED Bionaphtha fob ARA	2,131	2,177	2,131	2,084
RED (T2) Ethanol fob ARA	1,085	1,180	1,048	1,049
UCO cif ARA	1,198	1,214	1,260	1,245
North America biofuels				*¢/USG*
Ethanol Chicago	188	191	194	190
Ethanol USGC	198	201	204	200
B100 Chicago	694	732	709	724
R100 (UCO) del California	863	909	886	883
North America feedstocks				*¢/lb*
Soybean oil crude degummed	79	75	73	74
Tallow bleached fancy (4pc FFA)	86	76	76	77
UCO	84	76	77	78
South America				*$/t*
Anhydrous fob Santos	689	678	668	654
Asia-Pacific				*$/t*
RED HVO fob strait of Malacca	2,574	2,541	2,607	2,595
RED UCO bulk fob China	1,162	1,162	1,243	1,219
RED UCOME fob China	1,223	1,194	1,198	1,215

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EUROPE

Summary

This month

Most biodiesel prices continued their upwards trend, while hydrotreated vegetable oil (HVO) largely retreated in July, as low Rhine water levels added a prompt logistical constraint. Rapeseed oil methyl ester (RME) remained supported by tight rapeseed oil availability and freight disruption around the Rhine and Amsterdam-Rotterdam-Antwerp (ARA) hub. Meanwhile, HVO Class II weakened despite firmer diesel values as constrained inland deliveries reduced prompt physical appetite and made tickets a comparatively easier compliance route. Sustainable aviation fuel (SAF) prices rose, but the move was driven more by stronger gasoil than a tighter SAF premium.

Next month

RME prices are expected to rise in August as low Rhine levels continue to support prompt values, and HVO demand should tick up with diesel demand. Class II is forecast to average $2,755/t. Class IV is forecast at $3,117/t, holding at 80-85.5pc of the buyout, while SAF is expected to fall to $2,660/t and ethanol prices should soften as the summer driving season ends.

3-6 months ahead

Seasonal winter blending demand is expected to support RME and widen soybean oil methyl ester's (SME) discount, while used cooking oil methyl ester (Ucome) should soften as UCO prices retreat from their peak and higher-CFPP biodiesel grades become less attractive. This should allow advanced Fame to regain a stable premium to Ucome by October 2026. HVO Class II is also forecast to strengthen into October, rising to $2,760/t and averaging above $2,600/t in the first quarter of 2027, although a sharper fall in diesel values could pose some downside risk.

6-12 months forward

Longer-term support for European biodiesel prices is expected to come from tighter rapeseed supply, firm advanced feedstock demand, and policy-driven demand growth. This summer's sustained heatwaves and constraints on fertiliser use from the US-Iran war are likely to weigh on rapeseed yields, keeping RSO supported and RME elevated through the rest of 2026 before moderate easing in 2027. Spain's RED III transposition should also support tallow demand and HVO Class III demand, while advanced feedstock demand is forecast to rise from 5.22mn t in 2026 to 5.81mn t in 2027, with availability potentially becoming more constrained in 2028.

Regulation

Spain adopts GHG-based RED III transport targets

Spain has incorporated the revised EU Renewable Energy Directive (RED III) into national law, introducing greenhouse gas (GHG) reduction obligations for road, rail and coastal shipping fuel suppliers for 2027-40. The road transport target starts at an 8.5pc GHG reduction in 2027 and rises to 30pc by 2040. A waste-based bioethanol sub-obligation will rise from 0.1pc in 2027 to 5pc by 2040. Advanced biofuels, biogas and renewable fuels of non-biological origin (RFNBOs) must reach 8pc of suppliers' fuel mix by 2030 and 22pc by 2040. Conventional biofuels and Annex 9B waste-based biofuels are capped at 7pc and 1.7pc, respectively. Spain will switch its renewable fuel ticket system to a GHG basis in 2027, aligning it more closely with Germany and the Netherlands. The system will include flexibility between road and coastal shipping for advanced biofuels and biogas.

UK extends Indonesian biodiesel duties until Dec 2029

The UK Trade Remedies Authority has recommended extending countervailing duties on biodiesel imports from Indonesia, after finding injury to UK producers would likely recur if measures were removed. The UK government has accepted the recommendation. Duties will remain at 8-18pc until 10 December 2029, while SAF is excluded.

Norway consults on partial RED II implementation

Norway has opened a consultation on partially implementing RED II, focused on sustainability and reporting requirements rather than new renewable transport targets. The government considers its existing biofuel blending mandates sufficient, given the high share of electricity in transport. RFNBO would need to deliver GHG savings of at least 70pc.

Netherlands proposes to assess e-SAF use in defence

The Dutch House of Representatives has asked the government to assess measures to deploy e-SAF in the armed forces and report back by 15 September, which is the day of the Dutch budget.

UK targets 230,000 t/yr SAF subsidy by 2028

The UK will support up to 230,000 t/yr of SAF production capacity in the first round of its revenue certainty mechanism. Applications are expected to open in the first quarter of 2027, with contracts awarded in the fourth quarter of 2028. The scheme will support novel SAF types rather than

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hydrotreated esters and fatty acids (HEFA). Projects must commission by the end of the first quarter of 2033.

EU may extend SAF, e-SAF rebates to 2040

The European Commission has proposed extending airline SAF support to 2040, while reducing support levels across all SAF types. The next phase could make 110mn allowances available. Support rates would fall to 30pc for SAF, 50pc for advanced SAF and 60pc for e-SAF. SAF would qualify only if produced in the European Economic Area or countries with an emissions trading system (ETS) linked to the EU, with extra support for eligible regional feedstocks.

EU approves €290mn Dutch subsidies for SAF, e-SAF

EU competition authorities have approved Dutch schemes worth €290mn ($334mn) to subsidise around 285,000 t/yr of SAF production. Funding will run from 2027 to 2031 at the latest. Developers must prove compliance with EU criteria for advanced biofuels or RFNBOs.

EU opens review of US biofuel subsidy duties

The European Commission has begun an expiry review of anti-subsidy duties on US biodiesel, HVO and SAF, following a request from the European Biodiesel Board. The review will examine whether US imports would increase if measures expire, and is expected to conclude within 12-15 months.

Demand

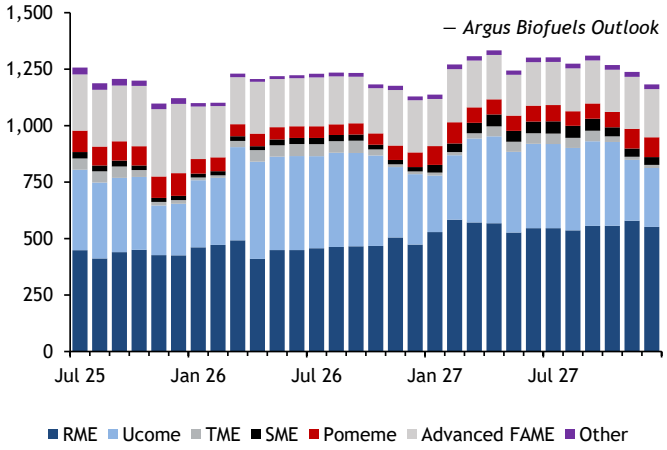
Biodiesel

Demand dips in May, outlook clouded by Rhine

European biodiesel demand was broadly flat in May but is expected to have risen 1pc in June and a further 1pc in July, as the summer driving season lifts diesel use.

German consumption rose by 8pc, from 216mn l in April to 232mn l in May, its highest level since 2022. This could mark the start of stronger German demand after the Bundestag adopted RED III into law in early May, setting a 12pc greenhouse gas quota for 2026 and raising the 2027 requirement from 16pc to 17.5pc. Under the revised law, the cap on crop-based biofuels will rise from 4.4pc to 4.9pc for 2026. This helps explain why European RME demand climbed from 410mn l in April to 448mn l in May, despite limited support from typical seasonal blending patterns. RME is usually displaced by waste-based grades such as Ucome during the summer months. But Ucome demand, while still higher in summer than winter, is now supplementing rising RME demand.

European biodiesel demand *mn litres*



Europe's June and July heatwaves have weighed on Rhine transport, potentially reducing biodiesel consumption in inland markets. Water levels at Kaub, a key chokepoint for Rhine freight, fell to 25cm in July, their lowest on record, and reportedly disrupted operations at Duisburg-Ruhrort, Germany's largest inland port.

Navigation between the upper and lower Rhine effectively stops when levels fall to 35cm as vessels must carry much lighter loads or cannot pass at all. Biodiesel data could therefore fall short of the projected 1pc growth in June and July if low water levels continue to restrict shipments.

Portugal raises Fame blend limit to 10pc, boosts demand

The Portuguese government in early July approved a measure to raise fatty acid methyl ester (Fame) blending from 7pc to 10pc, in line with the EU's RED III. The change lifts the B7 blend wall, although B10 blending is not expected imminently and is likely to take several years to reach. Some limited demand growth is expected from 2026 as a result. Fame use is forecast to rise from 281mn l in 2025 to 318mn l in 2026, before increasing to 370mn l in 2027. The 2027 forecast is an upward revision of 26mn l from the previous estimate to reflect the higher blend limit.

Portugal's gradual increase in biodiesel demand reflects the higher blend wall, which is expected to be reached in or after 2030. Pure and blended biofuels accounted for just 2.75pc of total road fuel deliveries in May as uncertainty persisted around Portugal's transposition of RED III. This compares with monthly averages of 5.53pc in 2025 and 6.36pc in 2024, suggesting the increase will be gradual. But higher biodiesel demand also means Portugal's HVO demand is expected to be slightly lower than previously forecast.

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Portugal's decision to lift the blend limit from B7 to B10 could provide a model for other European countries. Large biodiesel markets such as Italy, Poland and Spain remain largely capped at B7, but a shift to B10 could significantly lift European biodiesel demand.

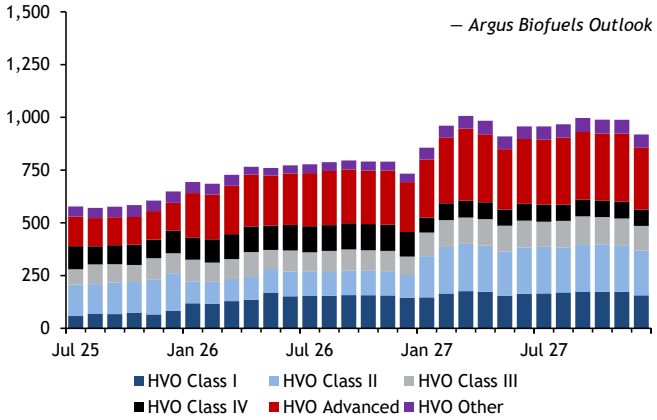
HVO

Spain's GHG-based RED III to reshape HVO grades

Europe's HVO demand dipped by 1pc in May to 757mn l. It is expected to have risen month on month in June and July and is forecast to continue climbing into August. Demand is set to rise further at the start of 2027, when more ambitious targets take effect.

One factor supporting higher demand is Spain's transposition of RED III, announced in July and due to take effect at the start of 2027. The legislation replaces the current energy-based mandate with a greenhouse gas-based mandate, strengthening incentives for fuels with greater emissions savings. This is expected to materially increase HVO demand. Spanish HVO demand is now forecast to rise from 1.3bn l in 2026 to 1.7bn l in 2027, an increase of 30pc. As Spain is one of Europe's largest HVO markets, a regulatory-driven

European HVO demand *mn litres*



increase in demand there will have a greater impact on the wider European market in absolute terms. European HVO demand is expected to total 9.21bn l in 2026, before rising to 11.49bn l in 2027.

Spain's transposition will also reshape the HVO grade mix. UCO-based biofuels will no longer be eligible for double counting and Annex IX Part B feedstocks are capped, while Category 3 tallow remains uncapped. We therefore expect Category 3 tallow use to increase in Spain, lifting HVO Class

European demand outlook *mn litres*

Product	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	4Q26	1Q27	2Q27	3Q27	4Q27
Biodiesel											
RME	457	463	466	467	505	473	1,446	1,684	1,641	1,639	1,688
SME	28	27	28	21	20	19	60	118	153	160	111
UCOME	408	417	413	400	312	312	1,024	907	1,115	1,112	902
TME	53	51	54	27	12	12	51	51	135	138	52
POMEME	52	47	50	50	64	65	179	246	206	205	244
Advanced FAME	216	212	206	200	246	231	677	650	569	570	630
Other	16	17	17	17	19	17	53	59	60	63	64
Total	**1,230**	**1,235**	**1,233**	**1,182**	**1,177**	**1,129**	**3,488**	**3,715**	**3,878**	**3,887**	**3,689**
HVO											
HVO Class I	153	154	157	157	156	144	457	488	492	510	502
HVO Class II	114	112	117	116	114	108	339	640	648	658	658
HVO Class III	92	100	100	97	96	87	281	364	375	377	373
HVO Class IV	124	122	124	124	124	116	365	231	237	238	235
HVO Advanced	252	257	254	253	256	236	746	926	915	944	933
Other	42	42	43	43	43	41	126	174	184	194	195
Total	**777**	**788**	**796**	**790**	**790**	**733**	**2,314**	**2,823**	**2,851**	**2,921**	**2,897**
SAF											
SAF	155	157	157	145	128	129	402	419	471	525	452
Ethanol											
Ethanol 1G	692	687	656	615	611	617	1,843	1,871	2,107	2,115	1,982
Advanced ethanol	184	183	173	165	165	164	493	514	567	560	531
Total	**876**	**871**	**829**	**780**	**775**	**782**	**2,337**	**2,386**	**2,673**	**2,675**	**2,513**
Grand Total	**3,038**	**3,050**	**3,015**	**2,898**	**2,870**	**2,773**	**8,541**	**9,343**	**9,873**	**10,008**	**9,551**

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III demand. Spanish Class III demand is forecast to rise from 63mn l in 2026 to 152mn l in 2027, partly because of the new legislation, while Class IV demand is expected to increase from 340mn l this year to 766mn l next year.

Spain's RED III implementation will have other implications. On the supply side, Spain's HVO capacity stands at roughly 900,000 t/yr, with Repsol accounting for 722,000 t/yr. Ship-tracking data show that Repsol regularly imports Category 3 tallow to its hydrotreatment facility in Cartagena, and these flows could intensify under the new framework. For other grades, eliminating double counting for UCO could temper future demand growth for HVO class II, because UCO is used to produce that grade. But demand is likely to remain supported by the fuel's superior GHG savings relative to other feedstocks.

Orlen's Plock output drives HVO surge

Orlen's 300,000 t/yr HVO plant in Plock, Poland, began production in May. The company said HVO from the plant would initially be used in the domestic market. Polish data show that biofuel blending in diesel rose by 53pc in May compared with April, including biodiesel and HVO. But most of the increase is likely attributable to higher HVO consumption from Orlen's plant.

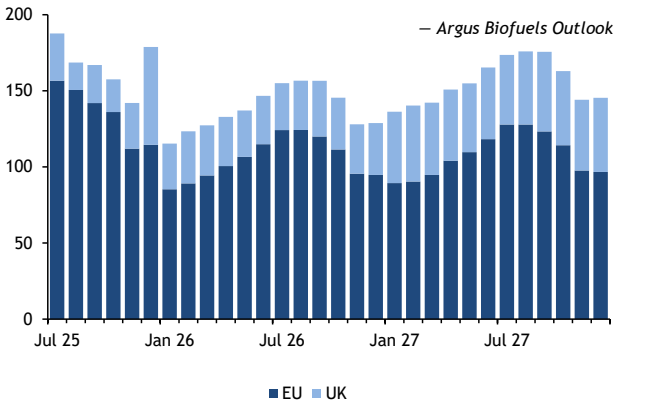
The monthly increase points to a rise in Polish HVO consumption. Poland's HVO demand for 2026 is forecast at 208mn l, up from 4mn l in 2025. Orlen's retail network also offers HVO100 at service stations in Germany, Austria, the Czech Republic and Slovakia. The Plock plant could begin supplying larger volumes to these markets once domestic demand is met.

SAF

UK SAF 1H import weakness indicates 2H catch-up

Sustainable aviation fuel demand rose by 3pc in May to 137mn l, and this ramp-up is expected to continue through the summer. European jet fuel and kerosene demand typically rises between May and September, supporting SAF demand as it is blended into these volumes. July and August are usually the peak months for jet fuel demand. European jet fuel demand, including SAF, is expected to reach 1.64bn l in August, well above the 1.31bn l average recorded between November 2025 and February 2026. SAF demand is therefore expected to be 7pc higher in June than in May, with July rising by a further 6pc.

European SAF demand *mn litres*



The UK imported 47,000t of SAF between January and June, according to ship-tracking data, against expected annual demand of 298,000t. This leaves a first-half shortfall of roughly 100,000t. Domestic capacity could bridge part of the gap, but only under bullish assumptions that UK co-processing plants maximise SAF output and run at an 85pc utilisation rate. Overcompliance in 2025 could also help, with the fifth provisional consumption data release indicating 2.26pc SAF blending on a volumetric basis, 0.26 percentage points above the target, although this figure continues to be revised lower.

These two factors are unlikely to close the gap between UK SAF consumption and mandated targets. Part of the shortfall is likely linked to price volatility since the start of the Iran war, when SAF fob ARA prices rose from $2,244/t to $2,983/t in less than a month, discouraging first-half purchases. UK SAF consumption remains below expected levels for this point in the year, with obligated parties expected to catch up in the third and fourth quarters.

Ethanol

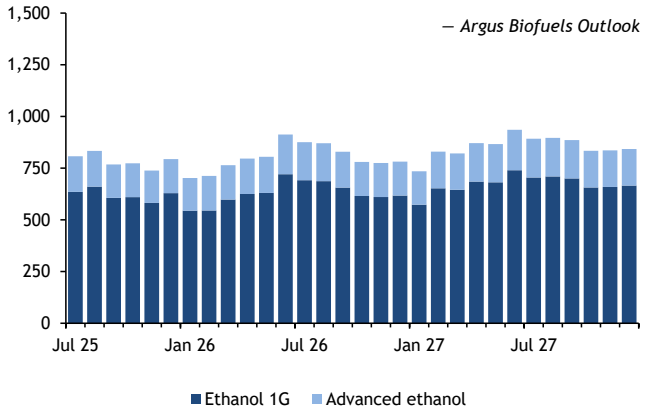
French E85 demand reaches record highs in June

European ethanol demand rose by 1pc in May, despite flat motor gasoline consumption. Demand is expected to rise more sharply in June as the summer driving season lifts gasoline use, with motor gasoline demand forecast to increase by 4pc and ethanol demand by 13pc. The stronger ethanol increase partly reflects higher French consumption, for which June domestic data have already been released.

Ethanol demand in France jumped by 20pc between May and June as the summer driving season began. Higher conventional fossil fuel prices, linked to the US-Iran war, and the relative affordability of ethanol-based fuel grades at the pump encouraged flex-fuel vehicle drivers to choose these options. Demand for E85 pump-grade reached 87mn l in June, matching the record set in April. This was 21pc above average E85 demand in 2025, illustrating how E85 sales respond to its relative price advantage against gasoline.

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European ethanol demand *mn litres*



Anecdotal reports suggest some drivers are using cheap ethanol blends such as E85 in vehicles that are not compatible with the fuel, either neat or blended with gasoline. French garages and mechanics have also reported a sharp increase in engine conversions for gasoline cars to run on E85, which could support longer-term demand as the compatible fleet grows.

Feedstocks

Waste feedstock demand eases after spring surge

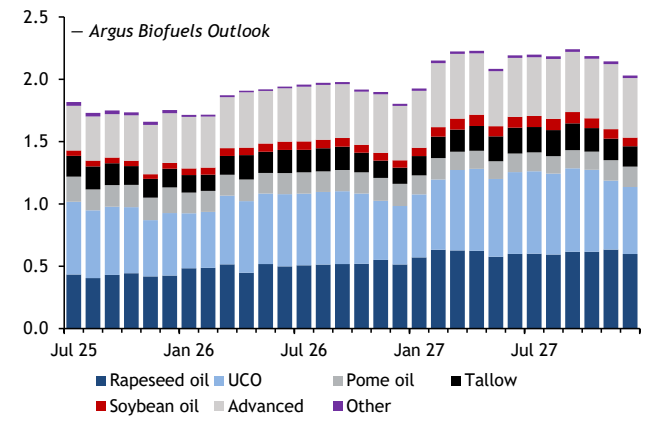
Combined feedstock demand for biodiesel, HVO and SAF consumed in Europe fell to 1.91mn t in May from 1.99mn t in April, largely reflecting weaker biodiesel and HVO demand as diesel consumption declined 5pc. Waste-based feedstock demand also fell, with UCO demand down by 5pc and tallow demand down by 13pc. This ran counter to the typical seasonal uplift during the summer months, when high cold-filter plugging point (CFPP) biodiesel can be used instead of lower-CFPP biodiesel made from feedstocks such as rapeseed oil (RSO).

The decline followed strong gains for waste-based feedstocks earlier in the spring, when UCO demand rose by 23pc in March and tallow demand increased by 30pc in April as biodiesel producers switched away from RSO. UCO and tallow demand should remain supported until October or November, before seasonal demand weakens.

Spain's RED III transposition is expected to support the tallow market over the longer term, with Category 3 tallow remaining uncapped under the country's new rules. This contrasts with mandates in other European countries, where Category 3 tallow-derived biofuels are limited by a 0.3pc cap in Germany and a proposed 0.6pc cap in France. Spain's rules take effect at the start of 2027, with tallow demand for biofuels across Europe now forecast to rise by 15pc that year, after increasing by 6pc in 2026. This is matched by a 13pc rise in HVO class III demand, outpacing expected growth for other waste-based feedstocks such as UCO and contrasting with falling demand for palm oil mill effluent (Pome) oil, which has been excluded from Germany's RED III mandate. Despite its cap under Spain's RED III transposition, total UCO demand in Spain will remain supported because it is uncapped for use in the aviation sector.

Advanced feedstock demand remains strong year on year, with June demand 28pc higher than a year earlier. Overall advanced feedstock demand is forecast at 5.22mn t in 2026, rising to 5.81mn t in 2027 and increasing further in 2028, when demand could begin to exceed availability.

Biodiesel, HVO and SAF feedstock demand *mn t*



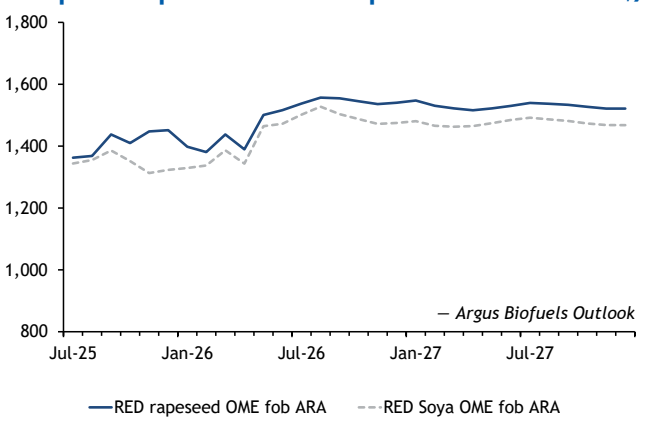
Prices

Biodiesel

Tight outlook to keep RME above $1,500/t

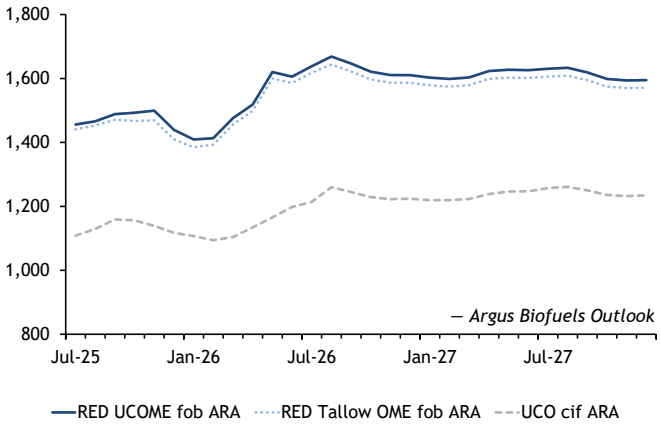
European biodiesel prices are expected to remain elevated through the rest of 2026 as tight rapeseed and RSO availability continue to support RME and seasonal blending

European crop-based biodiesel prices *$/t*



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European waste-based biodiesel prices *$/t*



patterns alter the relative value of soybean oil methyl ester (SME), Ucome and advanced Fame. RME averaged $1,538/t in July, $82/t above RSO, its highest level since late 2022 and early 2023. Prices are expected to rise further to $1,557/t in August and remain above $1,500/t through the forecast period.

The feedstock outlook for RME has tightened across both near-term and forward markets. In the near term, exceptionally low Rhine water levels are disrupting inland transport, with the key Kaub gauge at 14cm and authorities expecting levels to fall to 4cm later in August. This is restricting cargo volumes and extending journey times — vessels with a maximum capacity of 1,200t are able to move only around 180t, while journeys from Karlsruhe to the ARA trading hub are taking up to five days, compared with a more typical two. As a result, French rapeseed is struggling to reach German crushing capacity, while reduced access to ARA for RSO and RME is adding upward pressure to prices.

Constraints on Ukrainian rapeseed and RSO exports are also supporting the market, as attacks on port and logistics infrastructure continue to disrupt Black Sea trade. Together with seasonally stronger winter demand for RME, owing to its more favourable CFPP, these factors suggest RME prices are unlikely to ease materially before the first quarter of 2027.

Further forward, this summer's sustained heat has reduced rapeseed yield potential, with the effects likely to be felt in tighter European supply at the end of the current harvest cycle. Fertiliser affordability has also been a constraint after the price spike linked to the US-Iran war and partial closure of the strait of Hormuz, limiting application rates earlier in the crop cycle and weighing on yield expectations. This is expected to keep RSO supported and hold RME at an average of $1,547/t over the rest of 2026, before a modest easing to $1,529/t in 2027. A larger Canadian canola crop should help offset some of the European tightness. Most of this supply is likely to move to the US, but it should still improve the global balance and cap further gains, with RME forecast to end 2027 at $1,521/t.

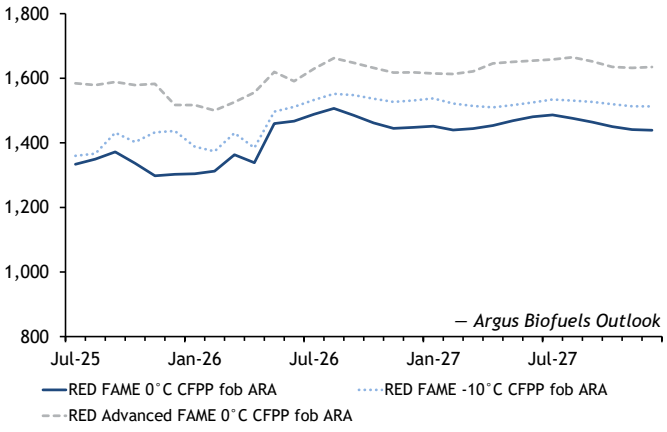
Seasonality to reshape SME, Ucome, adv Fame spreads

SME averaged $1,502/t in July and is forecast to rise to $1,528/t in August, before easing to an average of $1,478/t in the fourth quarter of 2026 and $1,475/t across 2027. These remain elevated levels for SME, broadly consistent with the high-price environment last seen in 2022. SME's discount to RME was relatively narrow through most of July, but it is expected to widen as European blending demand moves into its seasonally stronger winter pattern for RME, supported by RME's lower-CFPP properties. The spread typically narrows during the summer, with RME forecast at only $36/t above SME in August, before widening through the winter and peaking at $67/t in January 2027.

Ucome is also forecast to rise in August, to $1,669/t from an average of $1,638/t in July. Advanced Fame is forecast at $1,662/t in August, maintaining its recent discount to Ucome. Ucome's GHG savings are typically around 2.5pc higher than those of advanced Fame, which partly explains the recent premium, alongside producers having secured more advanced feedstock than needed in anticipation of stronger advanced Fame demand.

But this trend is expected to reverse as UCO prices retreat from their 2026 peak, easing pressure on Ucome. Ucome is also expected to weaken over the winter months, as its higher-CFPP properties favour the use of other biodiesel grades, allowing advanced Fame to regain its premium from October 2026 onwards.

European FAME prices *$/t*



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HVO

HVO re-prices with diesel as balance tightens

HVO prices softened in July, but the outright move says little about HVO fundamentals. Class II fell to $2,745/t from $2,804/t in June, and the premium to diesel narrowed by nearly $250/t even as diesel strengthened. Gasoil has driven recent volatility, with renewable diesel fundamentals a secondary factor, repeating the pattern of earlier fossil price rallies. The premium has compressed from recent highs, but a further sharp reset looks unlikely in August while liquidity is thin.

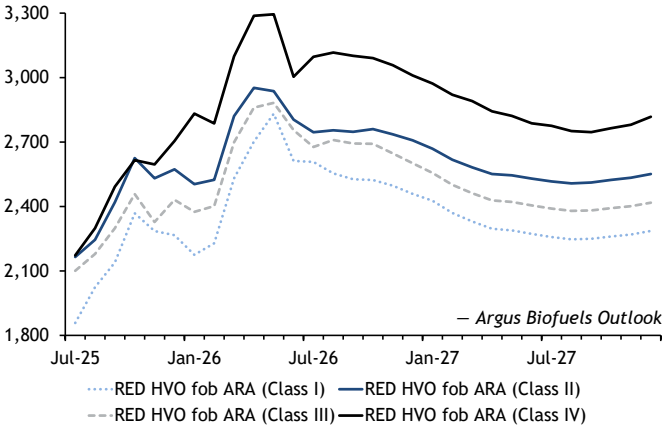
The balance matters more once the summer lull ends. September should bring compliance buying back as obligated parties turn towards the final quarter, and the fourth-quarter price increase reflects a tighter import equation.

Rhine disruption pushes compliance to tickets

Low Rhine water levels have added a prompt logistical constraint to an already cautious physical market. Water at Kaub, a critical bottleneck, fell to 17cm and was expected to drop further, restricting vessel loading and lengthening journey times around the ARA hub. German obligated parties still need compliance, but some cannot easily move physical HVO inland from ARA while barge logistics are constrained, so prompt physical appetite has weakened even as the compliance requirement stays intact.

Where physical supply is hard to deliver, tickets become the easier compliance route, and German ticket values have risen since late June to levels more expensive than blending physical HVO Class II or Class IV. Dutch ticket-equivalent values have not spiked, which points to a localised German premium created by inland logistics.

European HVO prices *$/t*



Class IV remains bound to price ceiling

Class IV is where the HVO curve meets the compliance ceiling. The grade is uncapped under RED III and remains the marginal compliance option, with its theoretical ceiling tied to Germany's €600/tCO_2 buyout, adjusted for diesel prices and HVO lifecycle savings. Class IV is forecast at $3,117/t for August, holding at 80-85.5pc of the buyout level. That share should rise towards 86pc in the fourth quarter as maintenance tightens physical supply and obligated parties have less time to optimise, but weaker diesel should cap the outright increase, leaving Class IV at $3,010/t by year-end before it averages $2,822/t in 2027.

The newly launched HVO Class V assessment is trading close to Class IV, at a slight premium reflecting higher GHG-savings potential. It should become a more relevant German compliance reference next year, following the ineligibility of palm oil mill effluent-based biofuels from 2027, but liquidity is still developing, which limits its usefulness as the main price anchor for now.

Europe leans harder on imported HVO

Maintenance is the clearest reason to expect a tighter fourth quarter. Planned work at Neste's Rotterdam plant will cut European output just as obligated parties step up buying to meet annual targets. Asian availability is also less certain than headline capacity suggests. EcoCeres' Johor plant in Malaysia has returned after a temporary suspension, but further potential for downtime could still limit output later in the year. Neste's Singapore refinery is scheduled for 11 weeks of maintenance in December, and a prompt start would cut supply to Europe during the tight fourth quarter.

Europe's import requirements highlight the direct price impact of upcoming plant maintenance. Regional HVO and SAF facilities are projected to run at an average 82pc utilisation rate for the remainder of the year, a constructive yet realistic assumption given current market conditions. Ship-tracking data show European HVO and SAF imports averaged roughly 300,000 t/month from January until July. But meeting forecasted demand will require an additional 35,000 t/month on that average over the rest of the year to balance. The shortfall is modest, but it arrives at the wrong moment. US RIN values have risen sharply, increasing the incentive for US producers to keep renewable diesel at home. Europe can still balance, but it may have to pay more clearly for the marginal imported tonne. We forecast HVO Class II to average $2,755/t in August, before rising to $2,760/t in October, with the premium to diesel widening as physical fundamentals tighten.

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The squeeze should ease into early 2027. Neste Singapore's maintenance could restrict availability, but by January the demand curve changes — most obligated parties would have met 2026 targets, reducing the urgency to chase physical tonnes. HVO Class II is forecast to stay above $2,600/t in the first quarter before averaging $2,553/t across 2027, although a sharp retreat in diesel values could warrant a significant downwards adjustment. A further fourth-quarter lift is expected next year with the return of seasonal compliance buying.

SAF

Imported SAF to cap European upside

SAF prices rose in July, but the move was driven more by gasoil strength than by a tighter SAF premium. SAF averaged $2,747/t, up from pre-US-Iran war levels of $2,188/t but still below the May high of $3,004/t.

Prices are forecast to fall to $2,660/t in August, before rebounding in the fourth quarter as obligated parties move to meet annual compliance targets. Recent market reports suggest key European demand centres, including the UK and Italy, are behind on SAF import schedules, raising the likelihood of a late-year pull on spot supply. We therefore expect SAF to peak at $2,685/t in October, before falling to $2,551/t in January 2027 as the compliance-driven buying window passes.

The fourth-quarter bounce should narrow SAF's discount to HVO Class II, but not eliminate it. SAF is expected to remain below HVO Class II through the rest of the forecast period until the end of 2027, because the marginal price-setting tonne for Europe is likely to remain imported SAF rather than domestic European production. New Chinese SAF export licences have lifted annual export capacity to around 1.4mn-1.5mn t, against forecast European SAF demand of 1.3mn t. That supply, alongside volumes from Singapore, the US and Thailand, should be enough to cover European needs before local producers are incentivised to switch output from HVO to SAF.

This import-led structure effectively discounts European SAF prices below that of HVO. Chinese supply has a competitive cost base, while European biorefineries typically need SAF prices to average around $150/t above HVO to justify switching output. With SAF forecast to remain at a discount to HVO, the incentive for European producers to maximise SAF production remains limited, leaving imported volumes as the floor for much of the European market through 2027.

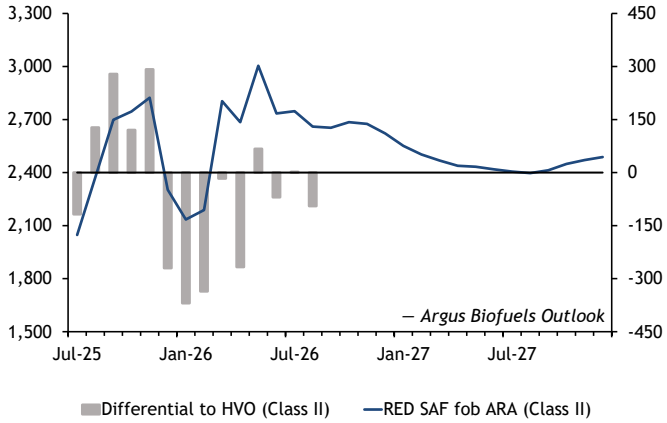
Bionaphtha

Price peak gives way to softer outlook

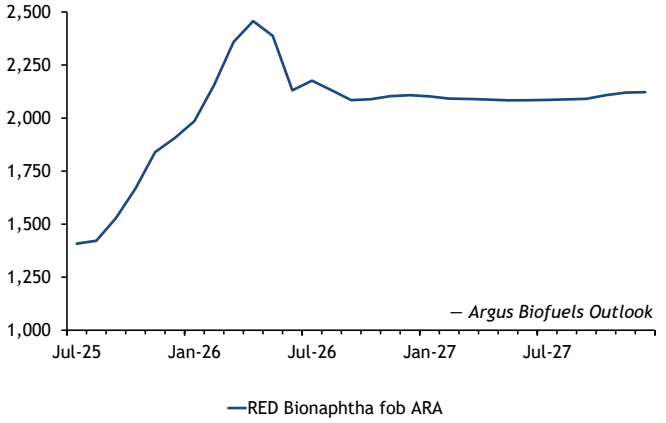
Bionaphtha prices rose to an average of $2,177/t in July, from $2,131/t in June. We expect July to mark the peak, with prices easing to $2,131/t in August and $2,084/t in September. Prices should regain some support in the fourth quarter as HVO and SAF demand increases ahead of year-end compliance deadlines, while planned maintenance at Neste's Rotterdam and Singapore biorefineries restricts output. Bionaphtha is produced mainly as a by-product of HVO and SAF rather than as a product. Its availability will therefore remain closely tied to HVO and SAF production volumes and biorefinery utilisation rates.

Prices are forecast to ease again from January 2027, averaging $2,096/t over the year, as Bangchak's new Thai refinery provides an additional source of supply to Europe. Ship-tracking data show that Bangchak exported bionaphtha in May, June and July, indicating that the refinery is emerging as a regular source of supply.

European SAF prices *$/t*



European bionaphtha prices *$/t*



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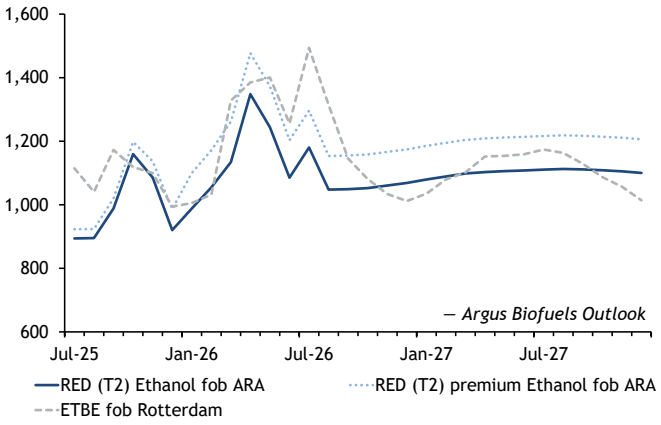
Ethanol and ETBE

Ethanol softens, but gasoline risks linger

Regular and premium ethanol prices remain closely tied to gasoline markets. Regular ethanol was volatile in July, rising to a peak of $1,230/t before falling sharply to end the month 16pc lower at $1,056/t, for a monthly average of $1,180/t. Premium ethanol averaged $1,296/t in July and is forecast to fall to $1,154/t in August. The volatility largely reflected geo-political tensions between the US and Iran and uncertainty around reports of a deal to reopen the strait of Hormuz. Regular ethanol prices are forecast to fall to an average of $1,048/t in August, pressured by weaker gasoline demand as the summer driving season comes to an end. Gasoline is also projected to decline through the fourth quarter of 2026 and the first quarter of 2027 under *Argus*' base case of a gradual reopening of the strait of Hormuz.

But some tightness in gasoline is expected to keep a floor under outright ethanol prices beyond the summer. Drone attacks on Russian refineries and low Rhine water levels continue to support gasoline values. The attacks have turned Russia from a net gasoline exporter into a net importer, while refineries globally have prioritised middle distillates amid shortages linked to the US-Iran war, strengthening gasoline cracks. Low Rhine water levels are adding further support by cutting barge loading capacity, creating congestion around the ARA hub that will take time to clear and should keep

European ethanol and ETBE prices *$/t*



European price outlook *$/t*

Product	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	4Q26	1Q27	2Q27	3Q27	4Q27
Biodiesel											
RED FAME 0°C CFPP fob ARA	1,489	1,507	1,485	1,462	1,445	1,448	1,451	1,445	1,468	1,476	1,443
RED FAME -10°C CFPP fob ARA	1,533	1,552	1,548	1,537	1,527	1,531	1,531	1,524	1,517	1,530	1,515
RED Advanced FAME 0°C CFPP fob ARA	1,629	1,662	1,648	1,632	1,617	1,618	1,623	1,616	1,650	1,658	1,634
Crop-based biodiesel											
RED rapeseed OME fob ARA	1,538	1,557	1,555	1,545	1,536	1,540	1,540	1,533	1,523	1,537	1,523
RED Soya OME fob ARA	1,502	1,528	1,503	1,487	1,472	1,475	1,478	1,470	1,474	1,487	1,470
Waste-based biodiesel											
RED UCOME fob ARA	1,638	1,669	1,647	1,621	1,611	1,610	1,614	1,601	1,625	1,628	1,596
RED Tallow OME fob ARA	1,618	1,644	1,622	1,597	1,587	1,586	1,590	1,577	1,601	1,603	1,572
UCO cif ARA	1,214	1,260	1,245	1,229	1,223	1,224	1,225	1,221	1,244	1,256	1,234
HVO											
RED HVO fob ARA (Class I)	2,608	2,554	2,527	2,523	2,497	2,459	2,493	2,376	2,286	2,251	2,272
RED HVO fob ARA (Class II)	2,745	2,755	2,748	2,760	2,736	2,708	2,735	2,623	2,542	2,512	2,536
RED HVO fob ARA (Class III)	2,677	2,710	2,693	2,692	2,647	2,602	2,647	2,506	2,418	2,384	2,404
RED HVO fob ARA (Class IV)	3,097	3,117	3,101	3,091	3,057	3,010	3,053	2,928	2,817	2,757	2,788
SAF											
RED SAF fob ARA (Class II)	2,747	2,660	2,653	2,685	2,675	2,621	2,661	2,507	2,430	2,405	2,469
Bionaphtha											
RED Bionaphtha fob ARA	2,177	2,131	2,084	2,089	2,103	2,108	2,100	2,095	2,085	2,088	2,117
Ethanol											
RED (T2) Ethanol fob ARA	1,180	1,048	1,049	1,053	1,061	1,069	1,061	1,089	1,106	1,112	1,105
RED (T2) premium Ethanol fob ARA	1,296	1,154	1,155	1,158	1,166	1,174	1,166	1,195	1,211	1,217	1,211
ETBE fob Rotterdam	1,494	1,314	1,145	1,081	1,034	1,012	1,042	1,072	1,155	1,155	1,053

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prices supported. Regular ethanol prices are therefore projected to rise again at the start of 2027, ahead of next year's summer driving season, before ending 2027 at $1,100/t. These relatively high prices should sustain the arbitrage from key ethanol exporters in the US and South America to Europe, keeping import flows available to meet European demand.

ETBE prices averaged $1,494/t in July but are expected to fall sharply to $1,314/t in August and $1,145/t in September, as the short-term factors that supported the market unwind. July's strength was driven by firm gasoline blending margins, which encouraged higher offtake, and by tighter import availability from the US. That support should fade as gasoline prices soften in August and September and as larger export volumes from the US and Brazil become available. The forecast decline therefore reflects a normalisation from July's tight, gasoline-led peak rather than a broader deterioration in ETBE fundamentals. Demand should remain underpinned by Europe's need for high-octane blending components and by relatively firm ethanol economics, and market pricing is likely to reflect a more import-led structure through the fourth quarter of 2027.

Fundamentals

Agricultural prices

Tight supply keeps EU oilseeds well supported

Weather damage has cut EU rapeseed production to just above 20mn t, lifting import needs and leaving the complex tighter than grains. Crushing demand and biofuel offtake are absorbing what supply there is, so stocks are not rebuilding. Larger Canadian canola supply and harvest selling may weigh on nearby values, but constrained Ukrainian rapeseed and sunflower exports should limit the downside. Sunflower oil has regained a premium over rapeseed oil as EU and Ukrainian sunflower crops deteriorate, removing the cheapest substitution route for crushers and blenders. For biodiesel producers, that keeps RSO-linked feedstock costs firm into the fourth quarter. Harvest pressure should soften values briefly, but with low carry-in stocks and few substitution options, the risk remains skewed to the upside.

Logistics, not supply, set EU grain floor

European grain markets are increasingly shaped by logistical constraints rather than outright supply availability. Global wheat and corn production is comfortable, but disruption to Black Sea export flows and a tightening EU balance sheet are putting a floor under prices. Wheat is supported by lower Russian production estimates, weaker crops in France, Germany and Poland, and firmer feed demand, which together cut projected EU ending stocks. EU exporters should pick up part of the demand Black Sea origins cannot serve.

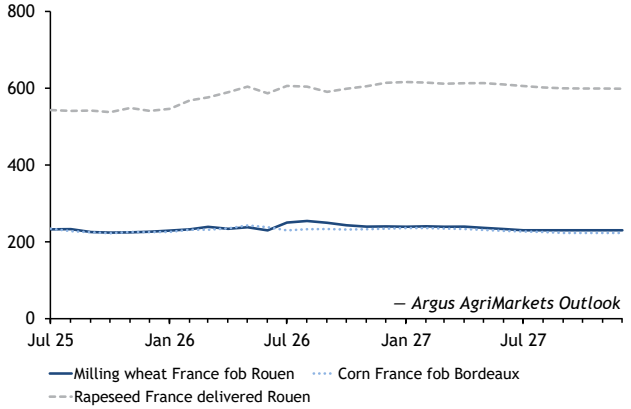
Corn fundamentals are also tightening after heat and drought cut EU production forecasts to multi-decade lows. The bloc will need more imports, but Ukraine's ability to supply them is limited by export logistics and storage. Grain prices should therefore stay weather and logistics-led through the marketing year, keeping ethanol production costs supported.

Fossil fuel demand and prices

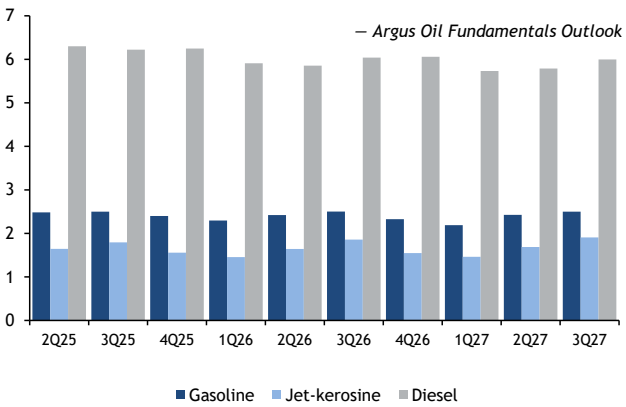
Product market tightness to outlast crude recovery

Most biofuels are priced against outright fossil fuel product values, so gasoline, diesel and naphtha balances matter more directly for biofuel pricing than crude alone. That keeps the focus on refined product availability, where supply risks remain more acute than in crude markets. The June US-Iran agreement briefly reduced fears of a deeper disruption to strait of Hormuz flows, but renewed hostilities in July showed that the ceasefire is fragile.

Biofuel agricultural feedstock prices *$/t*



European fuel demand *mn b/d*



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Argus' base case assumes strait of Hormuz flows remain broadly constrained in August before gradually recovering through the rest of the year, with crude tanker transits reaching only around 70pc of pre-war levels by the end of the first quarter of 2027. Crude exports have proved more resilient than refined products as improved vessel traffic and expanded ship-to-ship transfers in June allowed producers to clear accumulated cargoes and partly restore export programmes. Refined products are likely to lag in the recovery, as exports depend on both refinery operations and trade flows normalising through the strait of Hormuz. This points to a two-speed recovery in which crude flows continue to adapt, while refined product balances remain tighter and refining margins stay elevated through the second half of 2026 and into 2027.

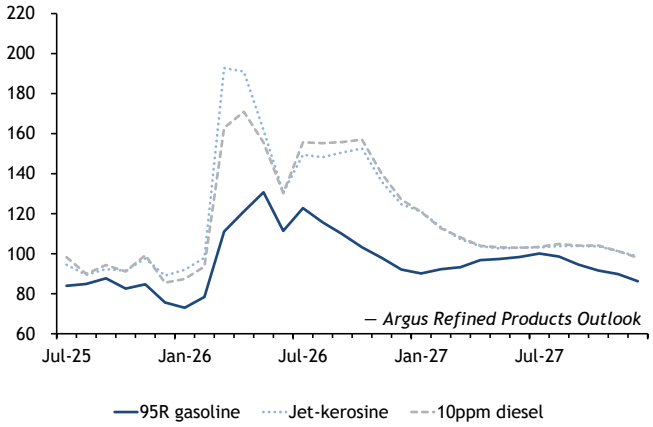
Gasoline supply risks offset weaker seasonal demand

Gasoline cracks are expected to remain supported through the second half of the year, even as blending demand softens with the end of the summer driving season. European gasoline supply remains constrained, with north and central European availability expected to be around 4pc lower year on year during May-August, while strong middle distillate margins have encouraged refiners to favour diesel output over gasoline. Drone attacks on Russian refineries have added to global light-end tightness by cutting Russian gasoline production and forcing Russia towards net import status, limiting export availability and reinforcing firm Atlantic basin cracks.

Weaker diesel demand fails to loosen balances

European diesel markets weakened in May, with consumption in France and Germany down by 100,000-200,000 b/d year on year during April-May. European diesel inventories were stable in April and rose by more than 1pc in May, suggesting higher prices have already curbed broader consumption before policy makers have had to release strategic stocks.

European fuel prices *$/bl*



European diesel balances are nevertheless expected to remain tight through the second half of the year, with northwest Europe and the Mediterranean becoming increasingly reliant on long-haul arbitrage flows. Russia's diesel export ban has forced a reshuffling of regional trade, intensifying competition for replacement barrels in the Mediterranean. Turkey, which previously imported Russian diesel while exporting domestic output to Europe, is now competing more directly with European buyers, increasing Europe's dependence on supplies from further afield.

Higher exports from the US and India have helped cover the shortfall, supported by high refinery runs, inventory draws and relatively weak domestic demand in those markets. But this relief may prove temporary if seasonal diesel demand recovers and regional balances tighten later in the year, reducing the availability of arbitrage barrels into Europe.

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NORTH AMERICA

Summary

This month

Near-term biofuels markets are easing, as record renewable diesel (RD) production, stronger June Renewable Identification Number (RIN) generation and a weaker bean oil-heating oil (BOHO) spread reduce immediate compliance pressure. August maintenance is expected to curb feedstock demand, weighing on soybean oil prices while supporting a modest recovery in waste feedstock premiums. But softer near-term pricing has not changed the underlying tightness. Persistent RD exports continue to drain RIN availability, keeping the 2026 compliance deficit largely intact and reinforcing a constructive longer-term outlook for RIN values.

Next month

September and October mark a return to tighter biofuel fundamentals, as RD maintenance ends and feedstock demand rebounds. D4 RIN values recover from August weakness, with export-driven RIN attrition keeping effective credit supply tight despite stronger production. Market focus shifts from temporary RIN balance relief to the growing 2027 deficit, reinforcing support for biomass-based diesel (BBD) margins, feedstock prices and credit values across the supply chain.

3-6 months ahead

Record June RD production and RIN generation have lifted the projected year-end 2026 balance to 630mn credits, providing temporary relief and easing near-term price pressure. But strong RD exports continue to retire large volumes of compliance credits, preventing the industry from closing its production shortfall and keeping the market undersupplied. Focus is shifting increasingly to 2027, when consecutive record mandates and persistent exports are projected to push the RIN bank into a 1.38bn-credit deficit.

6-12 months ahead

In 2027, the market shifts from RIN bank drawdown to outright credit scarcity. Consecutive record mandates, sustained BBD exports and lower equivalence values are projected to push the RIN bank into a deficit, leaving compliance increasingly reliant on deficit carry-forward provisions. As insolvency risk builds, attention is likely to shift from market fundamentals to policy relief, with small refinery exemption (SRE) approvals, compliance flexibility, legacy RIN access and future mandate reductions all possible routes to restore credit balances and preserve programme stability.

Regulation

US Senate bill reshapes House biofuels proposal

A new US Senate farm bill would pair year-round E15 sales with a different approach to small refinery exemptions than the version previously passed by the House. Although both bills aim to expand E15 availability, the Senate proposal would allow qualifying small refineries to reduce Renewable Fuel Standard (RFS) obligations based on historical production levels and would reallocate exempted volumes across the broader programme. It would also return certain previously retired Renewable Identification Numbers to eligible refiners. The changes could provide greater compliance relief for small refineries than the House proposal, while creating additional uncertainty around future RIN demand, pricing and biofuel blending obligations.

Partial waivers support RIN prices

The US Environmental Protection Agency (EPA) has ruled on six RFS waiver requests, granting one full exemption and two partial exemptions while rejecting the remainder.

The decision exempts obligations equivalent to 160mn RINs, below the levels many market participants had expected. The lower-than-expected volume of exempted obligations supported RIN prices as the decisions removed less demand from the compliance market than had been anticipated. While the rulings offer some relief to affected refiners, a significant number of waiver petitions remain pending, leaving uncertainty over future compliance costs, RIN market fundamentals and biofuel demand.

Hawaii adopts LCFS

Hawaii has approved a low-carbon fuel standard (LCFS) targeting a 10pc reduction in road fuel carbon intensity (CI) by 2035, with implementation set to begin in 2029. The programme will create incentives for lower-carbon fuels and transport technologies, while progressively tightening emissions-reduction requirements through 2045. Given Hawaii's limited domestic production capacity, the measure could increase reliance on imported low-carbon fuels.

Canada seeks stronger SAF investment framework

Canada's aviation fuel strategy has concluded that current policy support is insufficient to attract large-scale SAF investment, leaving the country behind more established markets. Stronger incentives elsewhere, high production costs and

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limited import availability have prevented announced projects from reaching final investment decisions.

The blueprint highlights regulatory reforms and revenue-support mechanisms as potential tools to improve project economics and stimulate domestic production.

Demand

Ethanol

Exports key as US domestic blending nears ceiling

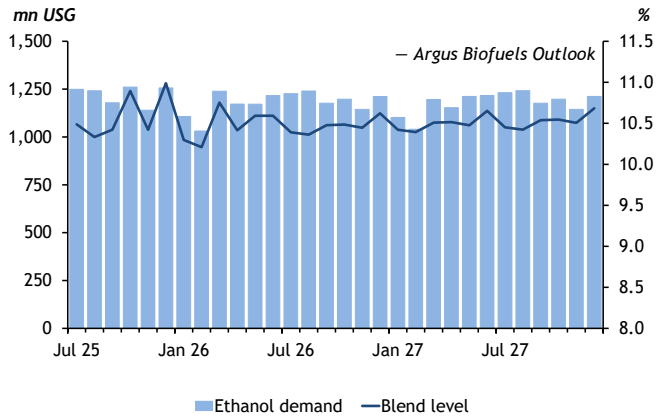
US ethanol demand remains constrained by the maturity of the E10 market, with consumption forecast at 14.1bn USG in both 2026 and 2027. The average blend rate is projected at 10.41pc in 2026 and 10.44pc in 2027, indicating that most practical blending opportunities are already being used. A modest decline in the gasoline pool limits growth potential, but supportive blending economics continue to keep ethanol inclusion near record levels.

Ethanol's competitiveness against gasoline remains exceptionally strong. Chicago Argo ethanol traded at discounts of more than $1.40/USG to gasoline during May and June, supported by ample supply and elevated D6 RIN values. The widening discount reinforced blending incentives and encouraged obligated parties to maximise ethanol use wherever infrastructure permits. Although the ethanol-gasoline spread is expected to narrow through late 2026, ethanol is likely to remain competitively priced through 2027.

Policy support remains constructive. The 45Z clean fuel production tax credit continues to encourage production and investment in CI-reduction projects, while higher RFS obligations provide long-term demand certainty. But these programmes support production growth more than domestic consumption, given the slow pace of nationwide E15 adoption.

Exports are therefore becoming increasingly important to the US ethanol market. With domestic blend rates nearing practical limits and production capacity at record levels, foreign demand is needed to absorb a growing share of output. Ethanol exports have recently accounted for more than 15pc of D6 RIN generation, underscoring their role in balancing the market. Canada remains the largest and most reliable export outlet, accounting for around 35-40pc of total US exports, while the Netherlands, Colombia and the UK have also increased purchases. Continued export growth will be critical to preventing inventories from becoming burdensome as production expands.

US ethanol demand and blend level



Biodiesel

Higher run rates support US biodiesel growth

US biodiesel demand is forecast at 1.27bn USG in 2026 and 1.34bn USG in 2027, supported by higher biomass-based diesel production and favourable blending economics. As a result, biodiesel blend rates are expected to remain historically strong, averaging around 3.12pc in 2026 and 3.20pc in 2027, despite only modest growth in underlying diesel consumption.

The stronger production outlook has reduced the market's reliance on imports compared with previous expectations. Domestic output is now expected to satisfy a larger share of obligations, while net biodiesel imports remain relatively small. Despite the increase in production, market balances remain relatively tight with biodiesel inventories remaining limited compared with RD.

Demand is projected to increase further in 2027 as higher production supports additional blending. Continued strength in D4 RIN values and 45Z incentives should encourage producers to maintain elevated operating rates, allowing domestic supply to capture a greater share of volume growth as the industry becomes less reliant on imports.

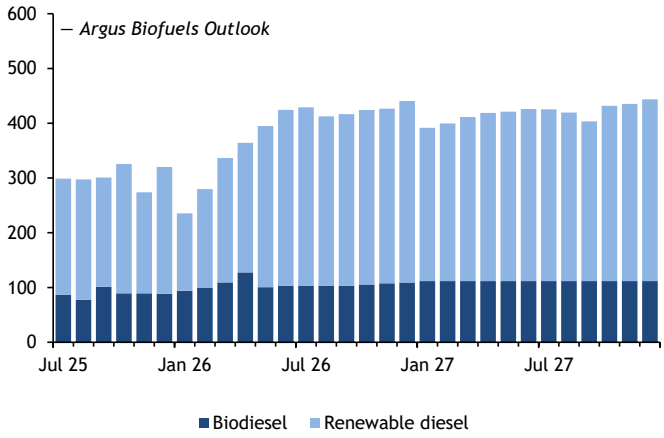
Renewable diesel

Record RD output fails to close compliance gap

US renewable diesel output rose by 14pc in June to a record 327mn USG, lifting implied utilisation rates to an all-time high of 87pc from 77pc a month earlier. Production surprised to the upside as operators raised output despite average margins falling by 6pc. While higher RD production implies looser RIN balances, strong export activity continues to

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US biodiesel and RD consumption *mn USG*



erode effective RIN availability for compliance, with at least 114mn D4 credits retired at the border for export.

June's record production and a threefold increase in biodiesel imports still leave headline mandates just out of reach. Biomass-based diesel demand must average 516mn USG/month through year-end to achieve compliance targets, implying RD production of 362mn USG/month and sustained run rates of 88pc for the remainder of 2026. With a rare round of summer turnarounds approaching and exports showing little sign of slowing, the industry must recover a five-month production shortfall while continuing to supply substantial volumes to Canada, keeping RIN balances tight through year-end.

Record run rates are unsurprising given healthy margins and the scale of the looming 2026 compliance deficit. But the industry has never sustained operating rates above 80pc over an extended period. For the second half of 2026, we assume RD utilisation averages 85pc, incorporating August turnaround activity. Even under this scenario, the sector would deliver 3.32bn USG of RD to the domestic market in 2026, leaving volumes 12pc short of those required to satisfy headline volumetric mandates.

US RD exports show little sign of easing amid persistent Canadian demand and steady European buying. June exports rose by 29pc from May, while July sales increased by a further 11pc. Preliminary August data suggest exports slowed by only 3pc, with two mixed cargoes of RD and SAF booked for the UK alongside continued shipments to Canada's west coast. Meanwhile, June saw 10.5mn USG of RD imports from Singapore, improving the trade balance marginally and marking a second consecutive month of imports.

US SAF production increased by 7pc to 27mn USG, with year-to-date output running 72pc above year-earlier levels despite the loss of the $1.75/USG SAF credit multiplier. While still robust, this marked a modest slowdown from the 79pc year-on-year growth recorded in May. SAF production expanded even as fossil jet continued to trade at a substantial discount to conventional diesel, pressuring spot-market economics, while most offtake agreements remain linked to replicated RD economics. Current output suggests only 6.5pc of total RD/SAF capacity is dedicated to SAF production, as RIN economics continue to favour RD. This year marks the final year in which RD generates 1.7 RINs/USG, compared with 1.6 RINs/USG for SAF.

RD demand cut as robust US exports drain supply

US full-year 2026 RD demand has been reduced by 6pc to 3.32bn USG, as sustained export strength and planned turnaround activity offset stronger second-half run rates

US biofuel demand outlook

Product	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	4Q26	1Q27	2Q27	3Q27	4Q27
Biofuel											*mn USG*
Ethanol	1,227	1,240	1,176	1,198	1,144	1,212	3,553	3,339	3,582	3,650	3,554
Biodiesel	103	103	103	105	108	109	322	335	335	335	335
Renewable diesel	326	309	313	319	319	331	969	867	931	913	975
Total	**1,656**	**1,653**	**1,593**	**1,622**	**1,571**	**1,652**	**4,845**	**4,541**	**4,848**	**4,898**	**4,865**
Biomass-based diesel feedstocks											*mn lbs*
Canola oil	345	443	399	348	376	466	1,190	1,097	1,244	1,201	1,235
Corn oil	404	413	435	422	448	473	1,342	1,181	1,196	1,237	1,363
Soybean oil	1,459	1,408	1,329	1,292	1,317	1,243	3,852	3,937	4,145	4,264	3,978
Tallow	614	497	568	700	613	631	1,944	1,476	1,409	1,526	1,860
Yellow grease	484	410	487	529	543	588	1,660	1,461	1,722	1,397	1,691
Other	96	99	86	72	83	92	247	367	310	261	257
Total	**3,402**	**3,270**	**3,303**	**3,362**	**3,380**	**3,492**	**10,235**	**9,520**	**10,027**	**9,886**	**10,384**

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averaging 85pc. Although our production outlook has improved, capacity constraints remain the principal barrier to higher output, as the industry must still recover from weak year-to-date production.

Robust export activity has materially reduced domestic availability, with more than 335mn USG exported during the first seven months of the year. These volumes require the retirement of around 570mn D4 RINs that would otherwise support compliance with domestic mandates. Stronger second-half production has reduced our projected 2026 RIN bank drawdown to 2.56bn credits from 2.79bn credits previously, still a record draw but lowering reliance on banked credits by 8pc.

Despite tight RIN fundamentals, we now expect the US to remain a net RD exporter through 2027, with second-half 2026 exports averaging 45mn USG/month. We no longer anticipate a material slowdown in exports over the forecast period as coastal producers continue to benefit from discounted feedstocks and duty drawback incentives. Canadian CFR credit values have kept pace with RIN prices, while the country's acute structural short position continues to support premiums to US domestic pricing.

Our full-year 2027 RD demand forecast has been lowered to 3.69bn USG after reducing average domestic utilisation assumptions to 82pc from 85pc. At the same time, RD export assumptions were increased materially to 75mn USG/quarter, while stock draws are expected to contribute 42mn USG/quarter. Reduced domestic RD availability has increased our projected 2027 RIN bank drawdown to 2.31bn credits, leaving a year-end balance of -1.38bn credits. Most of this deficit will need to be accommodated through carry-forward provisions, further highlighting the growing risk of RIN bank insolvency.

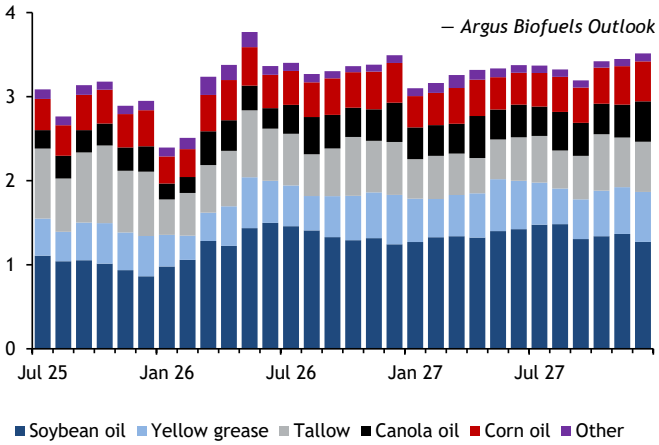
Feedstocks

US feedstock demand cut as capacity lags targets

Total 2026 feedstock demand has been revised down by 7pc, or 2.86bn lbs, to 38.86bn lbs, as capacity constraints continue to leave production well short of the 5.4bn USG BBD target, compounded by third-quarter maintenance activity and strong export flows. We now forecast US BBD production of 4.59bn USG in 2026, reflecting a 72:28 split between RD and biodiesel.

Soybean oil consumption is forecast to reach a record 1.49bn lbs in June, building on May's record 1.43bn lbs. In May, the RD sector increased its share of SBO consumption to 48pc from 44pc in April, reflecting a faster recovery in RD production. The BBD sector accounted for 55pc of total SBO use in June, above the 49pc year-to-date average and approaching the record 57pc reached in June 2024.

US biodiesel and RD feedstocks demand ***bn lbs***



The 2026 SBO demand outlook has been raised at the expense of canola oil, of which consumption continues to lag expectations. SBO is now forecast to account for 40pc of the feedstock slate, up from 39pc previously. Total 2026 SBO demand is forecast at 15.53bn lbs. In 2027, SBO demand is projected to rise to 16.33bn lbs, an increase of 5pc, as producers position for consecutive record mandates.

The 2026 canola oil demand forecast has been reduced sharply to 4.06bn lbs, lowering its share of the feedstock slate to 10pc from 12pc in the previous outlook. Canola demand is expected to recover to 4.78bn lbs in 2027, raising its share to 12pc as producers operating near full capacity diversify feedstock procurement.

DCO demand revised down

The 2026 distillers corn oil (DCO) demand outlook has been revised down by 5pc to 5.01bn lbs as higher imports of tallow and UCO reduce overall DCO consumption despite its market-leading margin returns. At this level, the BBD sector would no longer fully absorb available domestic supply, estimated at 5.2bn lbs.

Nevertheless, DCO continues to attract strong demand, supported by a 14-17pc higher 45Z value compared with competing feedstocks. But the recent correction in tallow prices has narrowed the gap considerably, bringing tallow margins to within 3pc of DCO returns. DCO is projected to account for 13pc of the feedstock slate in 2026, unchanged from the prior outlook, while tallow's share grows to 18.5pc from 17pc.

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Tallow demand holds ground, UCO share eases

The 2026 tallow demand forecast is unchanged at 7.19bn lbs as continued inflows of discounted imports to large coastal producers support favourable pricing and margins.

Tallow imports surged by 67pc in July from a month earlier as Brazilian exporters expedited volumes ahead of the 24 July implementation of 37.5pc tariffs on Brazilian product. US buyers also accelerated supplier diversification, increasing purchases from established origins such as Australia and New Zealand, while expanding sourcing from Uruguay and Canada. Preliminary August data indicate imports are slowing moderately as Brazilian volumes approach a near standstill. But we expect procurement diversification to continue, while widening Brazilian tallow discounts are likely to restore arbitrage flows before year-end.

The 2026 UCO demand forecast has been reduced to 5.62bn lbs. Record SBO consumption further reduces reliance on low-CI feedstocks in 2026. Demand signals for low-CI feedstocks have also become increasingly distorted, with D4 RIN values substantially outpacing LCFS and 45Z incentives linked to CI reduction. As a result, feedstock procurement decisions are being driven more by RIN scarcity than carbon intensity, encouraging a more feedstock-agnostic approach.

US RIN bank outlook			bn RINs
Year	2025	2026	2027
Starting balance	0.85	2.86	0.63
(+) 2023 SRE Impact	0.93		
(+) 2024 SRE Impact	1.15		
(+) 2025 SRE Impact	1.12		
(+) Net 2026 SRE Impact		0.33	
(+) Net 2027 SRE Impact			0.30
SRE adjusted balance	4.05	3.19	0.93
(-) D6 Shortfall	-1.03	-0.87	-0.87
(-) Advanced shortfall	-0.72	-1.69	-1.44
(-) Compliance Draw	-1.19	-2.56	-2.31
Ending balance	2.86	0.63	-1.38

Credits

RINs/RVO

Softer BOHO caps 2026, scarcity firms 2027 RINs

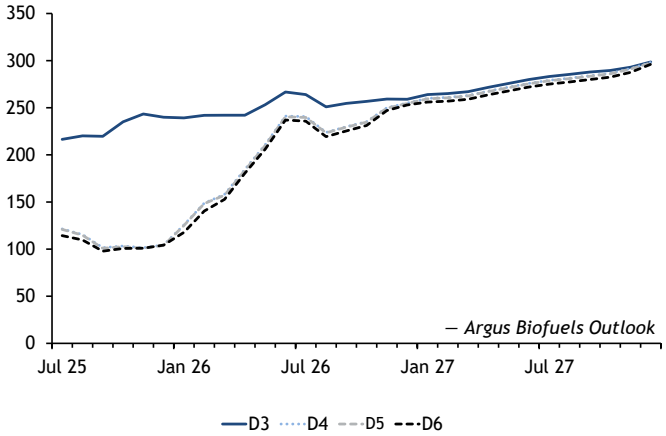
RIN prices hit a record $2.56/RIN in early July before a weaker BOHO spread and higher-than-expected June RIN generation pulled values lower in the second half of the month. June D4 generation rose 14pc month on month to 839mn credits, the third-highest on record, supported by record RD output. Stronger generation loosened near-term credit supply and lifted the projected year-end RIN bank balance to 630mn credits, but the shortfall accumulated over the first five months of the year is too large for a second-half recovery to offset. Robust exports are compounding capacity-driven credit scarcity, eroding the RINs available for compliance. Cutting the 2026 RIN bank drawdown estimate of 2.56bn credits would require the RD industry to sustain run rates of 87pc, a level never achieved, or an immediate reshuffling of trade flows.

We expect RIN prices to stay under pressure in August as planned turnarounds at two large coastal producers weigh on feedstock prices and the BOHO spread. The physical US Gulf coast BOHO spread is forecast to fall 7pc to $2.03/USG in August, its lowest since April. A potential EPA decision on outstanding 2025 SREs, alongside a possible extension to the 1 September 2025 compliance deadline, adds to the bearish near-term outlook. Our August D4 forecast is revised down

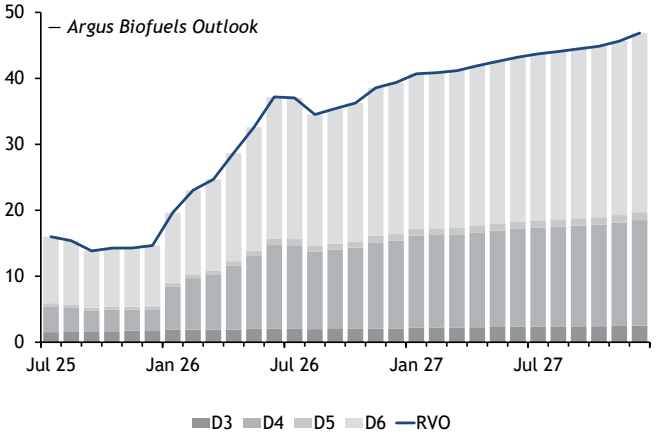
US RIN & LCFS price outlook											
Credit	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	4Q26	1Q27	2Q27	3Q27	4Q27
RIN											¢/RIN
D3	264	251	255	257	259	259	258	265	276	285	294
D4	241	224	230	235	250	255	247	261	272	281	292
D5	240	223	229	235	250	255	246	261	271	281	292
D6	236	219	225	231	247	253	244	257	268	277	289
RVO											¢/USG
RVO	37	35	35	36	39	39	38	41	43	44	46
LCFS											$/t
California LCFS	75	79	82	85	88	90	88	96	102	107	111

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RIN prices ¢/RIN



Argus RVO breakdown by RIN category ¢/USG



to $2.24/RIN, recovering to $2.30/RIN by September as maintenance ends and feedstock prices firm. The full-year 2026 D4 forecast is cut 3pc to $2.09/RIN as a softer BOHO spread and looser RIN balance weigh across the forecast period.

The full-year 2027 D4 forecast is lifted 6pc to $2.77/RIN as heavier BBD export assumptions deepen the RIN bank drawdown, leaving the credit bank insolvent by 1.38bn credits against 1.21bn in the prior outlook. A robust BOHO forecast, driven by a rapid normalisation in diesel pricing, underpins the stronger 2027 outlook.

A material RIN bank drawdown was always needed to meet 2026 compliance, but consecutive record mandates and heavy export demand now make 2027 insolvency more likely. Attention is shifting to potential sources of relief. The most immediate would be EPA intervention through reduced BBD compliance obligations. Any use of general waiver authority looks more likely for 2027 than 2026, as the EPA must first navigate 2025 compliance and the associated SRE decisions, while 2026 action would be largely retroactive and contentious across several sectors.

The EPA may also extend the 2025 compliance deadline to provide more flexibility. Expectations of further SRE relief rose after the 3 August decision on outstanding 2023-2024 petitions, whereby a more generous application of the EPA's SRE scoring methodology released an extra 160mn RINs that will not be reallocated to future obligations. Applying similar leniency to 2025 SRE approvals would release about 201mn additional RINs against our base case.

The Senate version of the E15 bill, stalled for now, could release an estimated 1.42bn 2016-18-vintage credits eligible for future compliance years. But the current language drops the more restrictive small refining company definition in favour of a broader, more controversial SRE approval and reallocation approach.

The EPA may defer more substantive action until its Set 3 rulemaking, cutting 2028 obligations enough to restore credit balances without undermining federal incentives for production growth and investment. A 12pc reduction in 2028 demand against the 2027 mandate would return 2.08bn credits to the market, allowing the RIN bank to build by 1.14bn credits and bringing year-end balances back within the 10-year average of 2.23bn RINs. The scale of the deficit, and the deficit carry-forward needed to limit insolvency, increasingly point to a combination of policy mechanisms.

Lower D4 floor, thin premiums drag 2026 D3 outlook

The D3 market stayed anchored to D4 strength as production remains on track to meet or exceed the 1.36bn 2026 mandate. July prices peaked at $2.76/RIN alongside the D4 market before retreating in the second half of the month to average $2.41/RIN. The continued compression of D3 premiums to D4 credits reinforces our view that the cellulosic market is the best-supplied segment of an otherwise acutely tight RIN complex. The D3-D4 premium narrowed to less than $0.24/RIN in July from $0.26/RIN in June, having started the year at $1.14/RIN. D3 RINs retain value as cellulosic credits that satisfy all compliance categories, but ample supply and a persistent D4 deficit should drive premiums into single-digit cents before year end.

Our full-year 2026 D3 forecast is cut 4pc to $2.53/RIN, reflecting a lower D4 price floor and more bearish D4 supply fundamentals that reduce the likelihood of EPA intervention through cellulosic waiver authority. Our first-half 2027 forecast is raised 1pc to $2.71/RIN on a stronger D4 floor. The

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full-year 2027 forecast is unchanged at $2.80/RIN, assuming single-digit premiums persist amid rapid production growth, achievable mandates and extra RIN supply released through SRE approvals.

LCFS

Credit bank drawdown lifts Cali LCFS prices into 2027

California LCFS credit prices should keep strengthening through 2027 as the market shifts from surplus accumulation to sustained inventory depletion. Prices rose from about $61/t in January to more than $80/t in early August, the highest since August 2023, and are forecast to reach $90/t by December 2026 and $112/t by the end of 2027.

The main driver is the rapid erosion of the LCFS credit bank. Available credits fell 7.1pc in the first quarter of 2026 to 36.9mn t, the largest quarterly drawdown in programme history. The market generated 6.9mn credits in the quarter against 9.8mn t of deficits, extending a tightening trend that has removed 4.7mn t of inventory over the past three quarters. Growing forward-market participation and stronger spot prices suggest compliance buyers are positioning for a structurally tighter market.

Credit generation has weakened across several key categories. RD credit generation fell 35pc on the year in the first quarter, while electric vehicle charging and forklift credits also declined. Rising use of higher-CI SBO feedstocks has cut the credit yield from RD, limiting one of the programme's largest sources of new supply. RD output has risen nationally on stronger federal biofuel mandates, but market participants still view the LCFS market as structurally short. Prices should rise steadily through 2027 as tightening carbon-intensity targets and slower credit generation outpace supply growth, drawing down the remaining credit bank.

Prices

Ethanol

RIN strength keeps US ethanol competitively priced

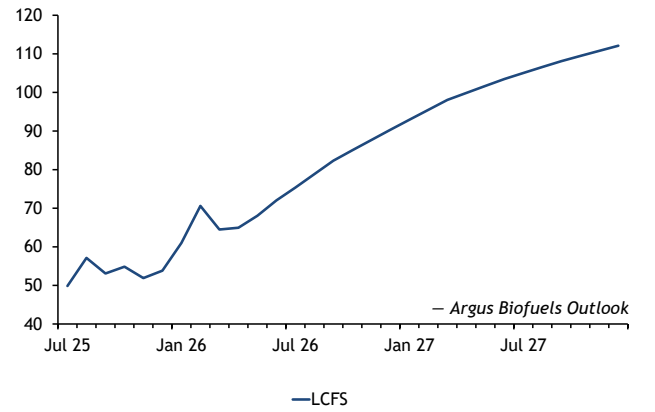
Falling gasoline prices will limit ethanol gains, but rising D6 RIN values, firmer corn costs and steady export demand should largely offset that pressure. Chicago Argo ethanol recovered from $1.88/USG in June to $1.91/USG in July on stronger corn markets, declining inventories and robust exports. Prices should hold close to current levels through the second half of 2026, reaching about $1.94/USG in December, before rising above $2.00/USG in the first half of 2027.

Corn and gasoline remain the primary drivers of spot ethanol values. Gasoline has retreated from spring highs as geopolitical risk premiums faded, capping ethanol upside. But firmer corn prices, rising from $4.18/bu in June to above $5.00/bu by 2027, will lift production costs and support ethanol values.

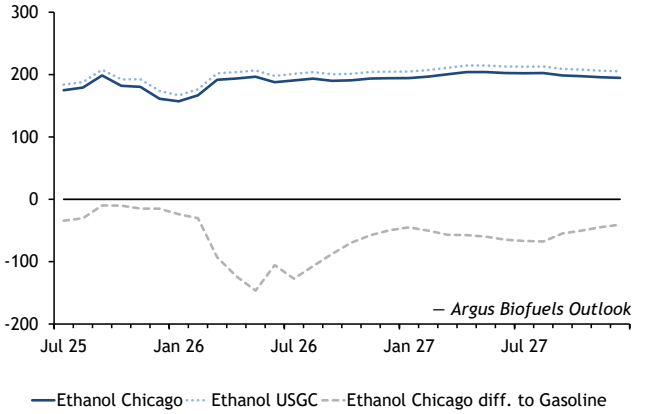
D6 RINs provide the strongest support, forecast to rise from $2.37/RIN in June to $2.53/RIN by the end of 2026 and almost $3.00/RIN by December 2027. Higher RIN values keep ethanol blending attractive even as gasoline weakens, offsetting bearish pressure from the wider fuel complex and supporting demand in an otherwise saturated E10 market. Nationwide E15 adoption, if approved, would gradually widen blending opportunities and temper gasoline demand growth, but infrastructure investment, retailer take-up and regulation will move slowly, limiting any near-term impact on ethanol consumption.

With domestic blend rates near practical limits, exports are increasingly important for balancing the market. Continued export demand and stronger RIN economics should absorb growing production and keep ethanol prices relatively stable despite record capacity and ample supply.

California LCFS prices *$/t*

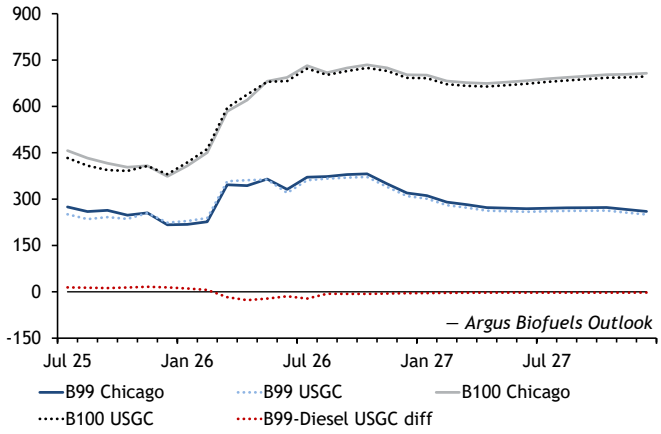


US ethanol prices *¢/USG*

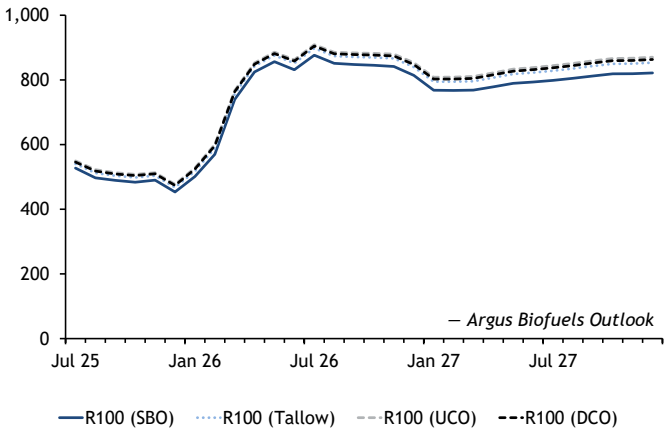


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US biodiesel prices ¢/USG



US renewable diesel prices ¢/USG



Biodiesel

D4 strength shields biodiesel from weaker diesel

US biodiesel prices should remain resilient through the second half of 2026 despite softer diesel fundamentals. Chicago B99 averaged $3.71/USG in July and is forecast to reach $3.82/USG by October as strong RIN values, firm feedstock costs and Midwest supply tightness support the market. Diesel has retreated from early highs, but biodiesel has stayed relatively insulated from the wider decline in the fuel complex.

D4 RIN prices remain historically strong, rising from $2.41/RIN in June 2026 to $2.55/RIN by year-end and nearly $3.00/RIN by December 2027. Higher D4 values should let B99 trade at deeper discounts to conventional diesel while preserving producer margins. But physical tightness, high feedstock costs and limited regional availability have constrained that adjustment, keeping Chicago B99 close to diesel prices through much of 2026.

Regional pricing also reflects a tighter market in the Midwest. Chicago B99 should hold a roughly $0.10/USG premium to US Gulf coast values, reversing the usual structure in which the Gulf coast trades at a premium as a major consumption and import hub. The spread reflects tighter inland supply and weaker pressure from imports than in coastal markets.

The outlook turns more bearish in 2027 as higher domestic operating rates improve biodiesel availability and diesel prices soften further. Strong D4 RINs should keep blending economics favourable, but rising supply and weaker diesel are expected to pull Chicago B99 down to about $2.60/USG by December 2027.

Renewable diesel

US R100 outlook declines before credit-led recovery

US R100 prices are projected to fall to $8.68/USG in August as weaker D4 RINs and conventional diesel weigh on accumulated values. The D4 RIN value on an RD basis should fall 7pc to $3.81/USG, while US west coast conventional diesel is forecast to slip 1pc to $3.88/USG.

The sharper correction in RIN prices should push the RIN value attached to a gallon of RD below conventional diesel, after the relationship inverted in July for the first time since 2021. The reversal should be short-lived, with RIN values returning to a premium over conventional diesel by October and widening beyond $1.00/USG by December, approaching the record high of $1.17/USG reached five years ago. That resurgence coincides with a normalisation in diesel pricing, driving a divergence between RIN and diesel values that reaches record levels in 2027.

The D4 RIN value is projected to contribute $3.55/USG to the credit stack in 2026, or 43pc of the total R100 value, down from $3.67/USG and 45pc. LCFS credits should add $0.39/USG on average, alongside $0.26/USG of diesel deficit costs, unchanged from last month's outlook. Combined with stronger conventional diesel prices, projected to average $3.64/USG, the full-year 2026 R100 forecast is revised slightly higher to $8.14/USG.

The first-half 2027 R100 forecast is raised 4pc to $8.16/USG as RIN strength outpaces diesel, lifting the full-year forecast to $8.29/USG, the highest annual average since 2022. Conventional diesel prices, forecast to average $2.73/USG in 2027, should cap R100 below $9.00/USG and well short of the all-time high of $9.30/USG reached in June 2022, despite

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record RIN pricing. The D4 RIN value is projected to account for 52pc of the total R100 value, up from an estimated 43pc in 2026, while diesel's share falls to 33pc from 45pc as global supply fundamentals soften.

SAF

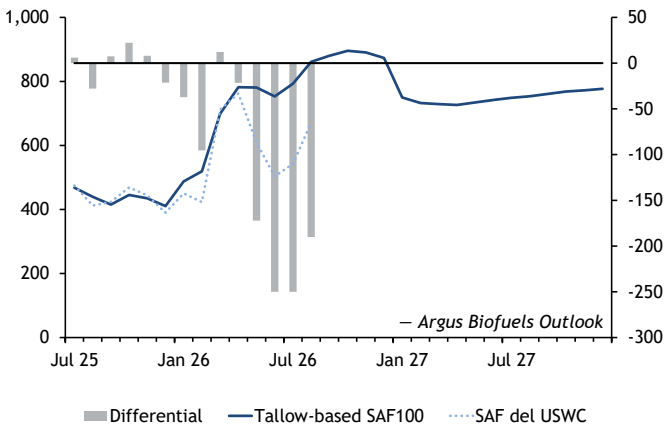
US SAF rises on jet strength, faces 2027 headwinds

SAF prices in the US should climb to $8.61/USG in August as gains in conventional jet fuel outweigh softer D4 values. The RIN value is projected to fall to $3.58/USG, or 52pc of the SAF credit stack, down from 59pc in July. D4 pricing is forecast to fall $0.27/USG month on month, while conventional Los Angeles jet fuel rises $0.94/USG to $4.65/USG.

US SAF demand remains limited to incremental growth, with structured voluntary offtake agreements underpinning domestic consumption. Federal and state incentives are still too weak to drive organic demand growth, with spot SAF pricing more than $2.00/USG below levels achievable through offtake arrangements. To compete for the same hydrotreated esters and fatty acids capacity, SAF must also price $1.00-1.25/USG above RD to offset higher production costs and yield losses. That is harder in a strong RIN environment, as RD generates 1.7 RINs/USG against 1.6 for SAF. A record RIN bank drawdown in 2026, ending in insolvency by early 2027, should reinforce incentives to prioritise RD production, particularly as the RD equivalence value falls to 1.6 in 2027 against 1.5 for SAF.

Export markets remain critical for higher returns, supported by mandate-driven demand in Europe and Canada. US SAF faces lower barriers to entry in the UK and Norway than in much of continental Europe, where countervailing duties and competition from Asian imports weigh on trade flows and keep exports well below 2025 levels. The EU should remain a key export destination as US producers defend market share, while participants lobby for lower duty rates and watch for future EU trade measures targeting Asian SAF imports.

US SAF prices ***¢/USG***



The 2026 SAF100 forecast is raised 3pc to $7.68/USG as stronger jet fuel values more than offset a lower D4 outlook. The full-year 2027 forecast is cut to $7.50/USG on pronounced jet fuel weakness, with conventional jet projected to average $2.73/USG. D4 values should still contribute $4.15/USG, or 55pc of the SAF100 value, up from 43pc in 2026.

Feedstock

SBO weakens on lower US BBD demand, 2027 recovers

US SBO prices are forecast to fall 3pc month on month to 73¢/lb in August as planned turnaround maintenance weighs on demand, while a larger RIN bank draw cuts demand for physical feedstock in 2026 by a further 7pc, or 2.86bn lbs. That is the second consecutive monthly downward revision to feedstock demand. Growing reliance on discounted foreign feedstocks has also reshaped the US market, from elevated domestic valuations supported by protectionist measures to a lower-priced, more competitive global slate.

Our full-year 2026 SBO forecast is unchanged at 72¢/lb as stronger diesel pricing offsets weaker BBD demand. The 2027 forecast is raised to 78¢/lb as elevated BBD demand blunts the drag from weaker diesel pricing. SBO is increasingly linked to diesel and highly sensitive to shifts in energy markets — any renewed escalation of conflict in the Middle East could spark a sharp upward correction.

Waste premiums recover, but imports cap gains

Unrestricted import flows and the restoration of carbon intensity-driven premiums to SBO continue to shape the waste-based feedstock market. UCO prices are forecast to edge up to 77¢/lb in August as premiums recover to 4.5¢/lb after collapsing to 1.0¢/lb under the weight of heavy import volumes. Our full-year 2026 UCO forecast is little changed at 76¢/lb, as recovering premiums offset weaker SBO prices. The 2027 forecast is raised to 82¢/lb on stronger SBO pricing and higher BBD demand. The outlook assumes discounted imports from a diversified group of trading partners keep accounting for more than 70pc of US supply.

Tallow prices are forecast to hold at 76¢/lb in August, with sustained import flows limiting premiums to SBO to 3.5¢/lb. Premiums should recover to 4.5¢/lb by year end, leaving the full-year 2026 forecast little changed at 75¢/lb. The 2027

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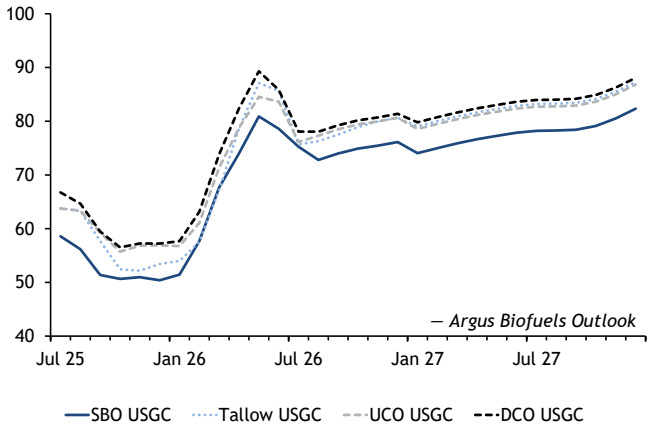
forecast is raised to 83¢/lb as premiums revert towards their 5¢/lb historical average, even though record RIN strength would typically favour CI-agnostic feedstocks.

DCO holds firm after premiums at 18-month low

DCO prices are forecast to hold at 78¢/lb in August as premiums recover to 5.25¢/lb after falling to an 18-month low of 2.8¢/lb. Demand is exceptionally strong, supported by a 14-17pc 45Z premium and broad domestic availability. Limited competition from imports underpins the highest carbon intensity premiums in the feedstock complex.

Our full-year 2026 DCO forecast is broadly unchanged at 78¢/lb, balancing sustained waste feedstock imports against DCO's premium position and unmatched 45Z economics. The 2027 forecast is raised to 84¢/lb, although average premiums are now expected to moderate to 5.75¢/lb from 7¢/lb in the previous outlook.

US biofuel feedstock prices *¢/lb*



US biofuel price outlook

Product	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	4Q26	1Q27	2Q27	3Q27	4Q27
Ethanol											¢/USG
Ethanol Chicago	191	194	190	191	194	194	193	197	204	201	196
Ethanol USGC	201	204	200	201	204	205	203	208	214	212	206
Biodiesel											¢/USG
B99 Chicago	371	373	380	382	350	320	350	295	271	271	266
B99 USGC	361	366	370	372	340	310	340	285	261	261	256
B100 Chicago	732	709	724	735	725	702	720	687	679	694	704
B100 USGC	722	702	714	725	715	692	710	677	669	684	694
Renewable diesel											¢/USG
R100 (soybean oil) del California	876	851	848	845	842	814	834	768	787	805	820
R100 (tallow) del California	898	874	871	869	866	840	858	795	816	835	851
R100 (UCO) del California	909	886	883	882	880	853	872	809	831	851	868
R100 (corn oil) del California	905	881	878	877	874	848	866	803	825	845	861
SAF											¢/USG
SAF100 (tallow) del California	793	861	880	896	891	873	887	737	734	754	772
Feedstocks (USGC)											¢/lb
Soybean oil crude degummed	75	73	74	75	75	76	75	75	77	78	81
Tallow bleached fancy (4pc FFA)	76	76	77	79	80	81	80	80	82	83	86
UCO	76	77	78	79	80	81	80	79	82	83	85
Distillers corn oil	78	78	79	80	81	81	81	81	83	84	86

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Fundamentals

Agricultural prices

US corn caught between big supply, weather risk

US corn is balanced on paper but exposed to weather ahead of harvest. Prices have drawn support from stronger import demand linked to EU production losses and continued uncertainty over Black Sea exports, although seasonal harvest pressure should weigh on near-term values.

Lower yield estimates and drought across parts of the western Corn Belt have already trimmed production expectations, and further deterioration in August would tighten the balance sheet materially — the main upside risk to US ethanol production costs into the fourth quarter.

Soybean oil keeps driving US bean demand

Soybean oil remains the engine of the US bean complex. Record crushing demand, expanding processing capacity and rising SBO consumption from the renewable fuels sector continue to support soybean values, while domestic crush and renewable diesel requirements tighten available oil supply. Brazilian export competition is the main cap on upside. Chinese purchases of new-crop US soybeans have improved the demand picture heading into the main export season.

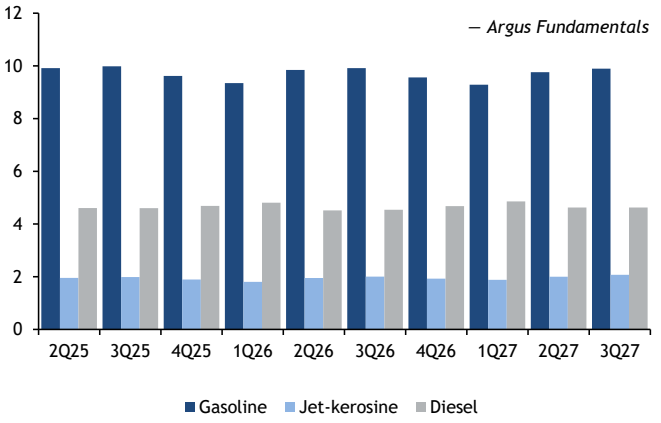
Fossil fuel demand and prices

US gasoline tightness lifts naphtha

North American gasoline and naphtha prices are expected to remain supported in the near term as US refiners prioritise middle distillates and jet fuel over gasoline production despite firm gasoline cracks. Strong RVO costs make jet fuel relatively attractive because it is exempt from biofuel blending obligations, limiting the incentive to maximise gasoline yields. This has left the US Atlantic coast more reliant on imports, with Padd 1 gasoline inventories ending July below the five-year range after consecutive monthly draws and encouraging stronger transatlantic inflows from northwest Europe.

Gasoline price support has also fed through into naphtha, particularly as seasonal weakness in petrochemical demand leaves naphtha more dependent on blending economics. But this support is likely to ease as the summer driving season winds down and gasoline cracks soften from July highs, reducing upside for North American gasoline-linked naphtha values into late 2026.

North America fuel demand *mn b/d*

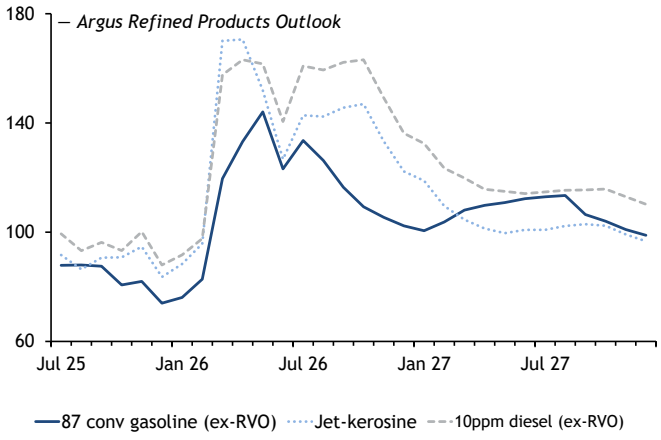


Europe pull supports North American diesel

North American diesel balances are expected to remain firm through the second half of 2026 as strong export pull collides with only moderate domestic demand. US diesel shipments to Europe have stepped up as European buyers seek alternatives to constrained Russian and Middle Eastern supply, tightening the Atlantic basin supply picture and redirecting more US distillate barrels. This has supported regional diesel values even as North American road freight and industrial demand remain softer than historical norms.

Supply has been supported by high refinery runs, but inventories remain vulnerable to further draws if export economics stay open and domestic seasonal demand recovers later in the year. That should keep North American diesel cracks and outright prices well supported, particularly on the US Gulf coast and Atlantic coast, where arbitrage into Europe is most visible. But the strength may ease if European refinery output improves.

North America (USGC) fuel prices *$/bl*



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SOUTH AMERICA

Regulation

Brazil moves ahead with E32 blend increase

Brazil confirmed that its mandatory anhydrous ethanol blend in gasoline will temporarily rise to 32pc from 30pc from 1 August, despite legal efforts to suspend the measure. The mandate will apply for 180 days, with an option for extension, and should support domestic ethanol demand. Legal challenges continue, with critics questioning whether the technical assessment fully considered effects on vehicle performance.

Paraguay eases biodiesel blending mandate

Paraguay has temporarily cut its mandatory biodiesel blend to 7pc from 8pc, citing economic, environmental and fuel quality considerations. The requirement will apply until the end of 2026, before returning to 8pc in 2027. The decision follows concerns from fuel distributors that higher blends could create technical issues in parts of the diesel vehicle fleet.

US tariffs raise pressure on Brazil biofuels

The US has imposed an additional 25pc tariff on selected Brazilian exports, including ethanol and beef tallow. The tariff could reduce Brazilian ethanol's competitiveness in the US and disrupt tallow trade flows for renewable fuels producers. Brazilian biodiesel was excluded. Brazil has unveiled 18.5bn reals ($3.65bn) in financing for companies affected by the new US import tariffs. The package will use state-backed lending and Treasury resources to support liquidity and investment.

Brazil keeps biodiesel import restrictions

Brazil has retained restrictions on biodiesel imports for its mandatory blending programme, after concluding that domestic production capacity is sufficient to meet demand. The decision supports local producers, which are operating with spare capacity. Some market participants argued that imports could increase competition and reduce costs, but policy makers prioritised domestic supply security and industry development, limiting competitive pressure from foreign suppliers.

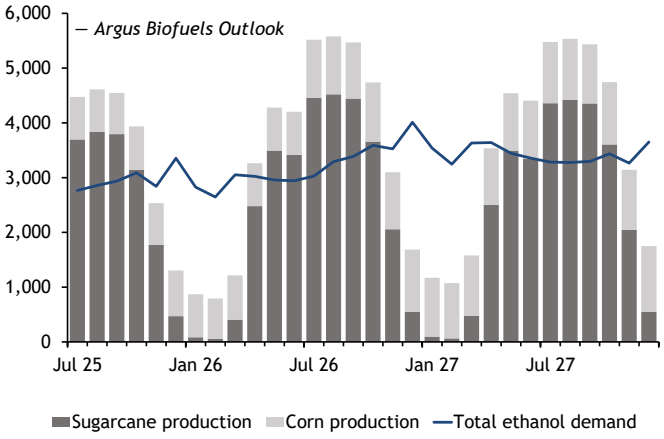
Demand

Ethanol

Record output rebuilds Brazil ethanol inventories

Concerns over tight ethanol availability at the start of the 2026-27 harvest have eased as production accelerates from more available feedstocks. Total ethanol output is forecast to reach a record 40.7bn l in 2026, supported by improving sugarcane yields, expanding corn ethanol capacity and a production mix that continues to favour ethanol over sugar. Output exceeds 5.5bn l in both July and August as sugarcane production peaks, while corn ethanol provides a stable supply base throughout the year.

Brazilian ethanol production *mn litres*



Strong production growth is expected to rebuild inventories after low carryout stocks at the end of the previous crop year, although stronger domestic demand following the E32 mandate will limit stock accumulation. Total ethanol inventories are forecast to increase from 4.9bn l in June 2026 to around 12.4bn l by October, before easing to 9.7bn l by year-end. Corn ethanol remains an increasingly important contributor to supply growth, with annual production exceeding 12bn l and helping to maintain availability outside the main sugarcane harvest season. Continued expansion across both feedstocks is expected to keep inventories at comfortable levels through 2027.

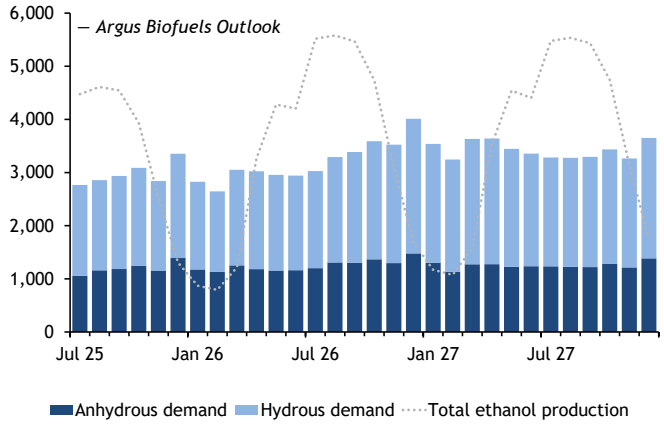
E32 and pump economics lift demand

Brazil's ethanol demand outlook has increased following the implementation of the temporary E32 blending mandate on 1 August. The increase from E30 to E32 is expected to add around 1bn l/yr of anhydrous ethanol demand, providing a significant source of consumption growth. Anhydrous demand is therefore forecast to strengthen in the second half, rising from around 1.16bn l in June to nearly 1.48bn l by December.

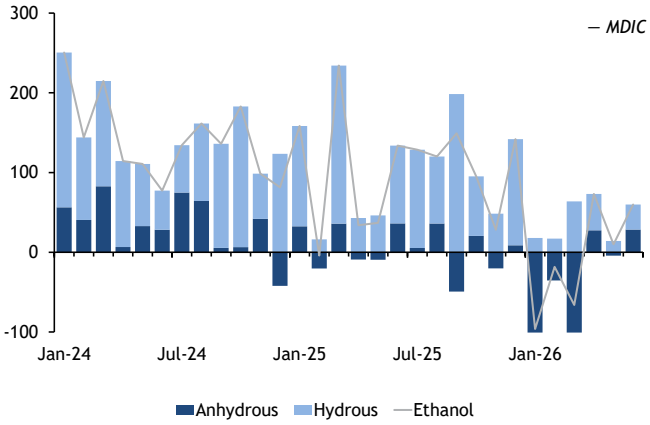
Hydrous ethanol demand is also supported by favourable pump economics. Expanding harvest supplies and weak

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Brazilian ethanol demand *mn litres*



Brazilian net ethanol exports *mn litres*



export demand have pressured domestic ethanol prices, pushing the national hydrous ethanol-to-gasoline parity ratio to around 61pc by late July, down from more than 73pc in March. With parity well below the 70pc competitiveness threshold, ethanol continues to trade at an attractive discount to gasoline across major flex-fuel markets. Hydrous consumption is expected to remain above 2bn l/month through the rest of 2026, peaking at more than 2.5bn l in December.

Total ethanol demand is forecast to reach 38.3bn l in 2026 and 41.1bn l in 2027. The forecast assumes E32 remains in place for its initial six-month implementation period before reverting to E30 from February 2027. Although Brazilian authorities retain the option to extend the programme once, the outlook assumes no extension because regulatory support remains uncertain.

Brazil surplus returns as exports lag

Brazil's ethanol market has shifted back into surplus as rising domestic production reduces import requirements and creates additional exportable supply. Imports fell sharply from nearly 140mn l in January to around 5mn l in both May and June, as the sugarcane harvest improved domestic availability. Expanding corn ethanol production has largely closed the import arbitrage that attracted substantial inflows during the 2025-26 off-season.

Exports recovered to 65mn l in June from 15mn l in May but remained well below year-earlier levels. Elevated freight rates, compounded by disruptions linked to the US-Iran conflict, continued to undermine export competitiveness, while uncertainty around implementation of the EU-Mercosur interim trade agreement limited shipments to Europe. South Korea and the Netherlands accounted for more than 80pc of Brazilian ethanol exports in June.

Despite these challenges, the medium-term trade outlook remains constructive. Record ethanol production and growing corn ethanol output should increase exportable volumes over time, while the EU-Mercosur agreement could provide an additional outlet for Brazilian supplies. But administrative hurdles and uncertainty over quota utilisation suggest any export recovery is likely to be gradual in the near term.

Biodiesel

B15 drives growth in Brazil as B16 remains delayed

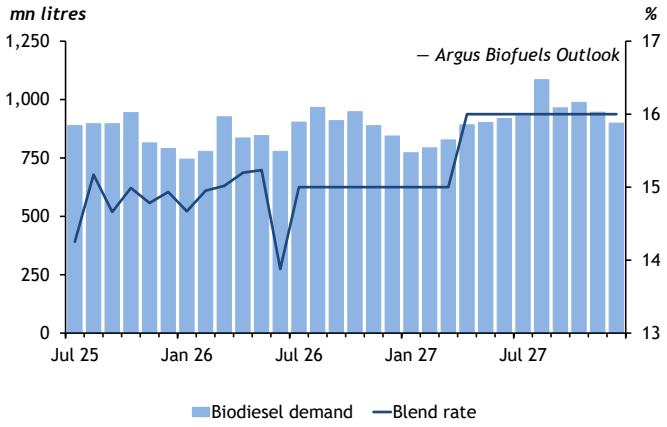
Brazil's biodiesel demand is expected to continue growing despite delays to the planned increase in the blending mandate. Consumption is forecast at 10.4bn l in 2026 and 10.9bn l in 2027, supported primarily by rising diesel consumption rather than regulatory expansion. Demand is expected to reach almost 1.9bn l across July and August, reflecting seasonal increases in agricultural activity and freight transport that typically strengthen diesel use in the second half of the year.

The recent approval of the temporary E32 ethanol mandate has raised expectations that higher biodiesel blends could follow. But E32 does not materially increase the likelihood of a near-term move to B16. Unlike ethanol, which benefits from Brazil's large flex-fuel light-duty vehicle fleet, higher biodiesel blends require compatibility across a broad diesel fleet that includes ageing heavy-duty trucks, agricultural machinery and industrial equipment. Concerns around engine durability, fuel quality and feedstock specifications remain central to ongoing technical evaluations under the Fuel of the Future framework.

Economic considerations also favour caution. Rising soybean oil values have increased biodiesel production costs, and a

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Brazilian biodiesel demand



move to B16 would probably raise blending costs that could ultimately be passed on to diesel consumers. With inflation remaining a sensitive political issue ahead of Brazil's presidential election later this year, policy makers have limited incentives to accelerate mandate increases before technical studies are completed. As a result, the increase from B15 to B16 remains unlikely before the second quarter of 2027. Biodiesel demand is therefore expected to remain driven primarily by diesel consumption, while mandate expansion remains the key catalyst for a more significant step change in growth.

Feedstock

US tallow tariffs accelerate feedstock diversification

Brazil's biodiesel feedstock slate is expected to become increasingly diversified following the implementation of a combined 37.5pc US tariff on Brazilian beef tallow in late July. The US has historically been the dominant destination for Brazilian tallow exports, and reduced access to that market is expected to leave more product available domestically. With alternative export outlets constrained by freight costs, veterinary approvals and regulatory hurdles, a larger share of Brazilian tallow is likely to be absorbed by the domestic biodiesel sector.

The impact is already reflected in our feedstock assumptions. Tallow consumption is forecast to increase from 39,000t in June to 70,000-77,000 t/month in the second half of 2026, while total animal fat consumption rises from 7pc of the feedstock slate to 11pc. At the same time, SBO prices are expected to strengthen on robust export demand and firmer Paranagua basis levels, increasing the incentive for biodiesel producers to substitute lower-cost animal fats when operationally possible.

Although SBO is expected to remain the dominant feedstock, accounting for around 70pc of total biodiesel feedstocks

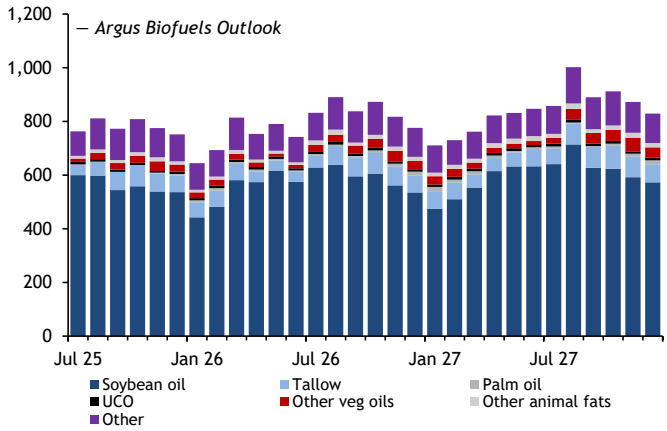
Brazilian biofuel demand outlook

Product	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	4Q26	1Q27	2Q27	3Q27	4Q27
Ethanol demand											*mn litres*
Anhydrous	1,200	1,309	1,304	1,367	1,297	1,479	4,144	3,707	3,737	3,681	3,880
Hydrous	1,827	1,983	2,082	2,223	2,229	2,532	6,983	6,711	6,705	6,173	6,471
Total demand	3,027	3,292	3,386	3,590	3,526	4,011	11,127	10,418	10,442	9,854	10,352
Ethanol production											*mn litres*
Sugarcane	4,455	4,522	4,445	3,658	2,057	546	6,261	636	9,344	13,134	6,199
Corn	1,063	1,057	1,025	1,081	1,041	1,140	3,262	3,187	3,137	3,314	3,437
Total production	5,518	5,579	5,470	4,739	3,098	1,687	9,523	3,823	12,481	16,448	9,636
Biodiesel demand											*mn litres*
Biodiesel	904	967	910	948	888	844	2,680	2,393	2,713	2,980	2,834
Feedstock demand											*'000t*
Soybean oil	628	638	595	605	562	535	1,702	1,539	1,880	1,982	1,789
Tallow	43	70	71	77	71	63	210	176	165	215	228
Palm oil	7	5	5	10	11	15	35	39	22	13	35
UCO	10	10	8	10	8	9	27	30	28	32	28
Other vegetable oils	24	27	30	33	39	32	104	82	51	98	131
Other animal fats	17	19	12	16	16	15	46	43	54	51	51
Other	103	121	116	123	111	108	342	294	301	358	351
Total	**832**	**890**	**838**	**873**	**817**	**776**	**2,466**	**2,203**	**2,501**	**2,750**	**2,614**

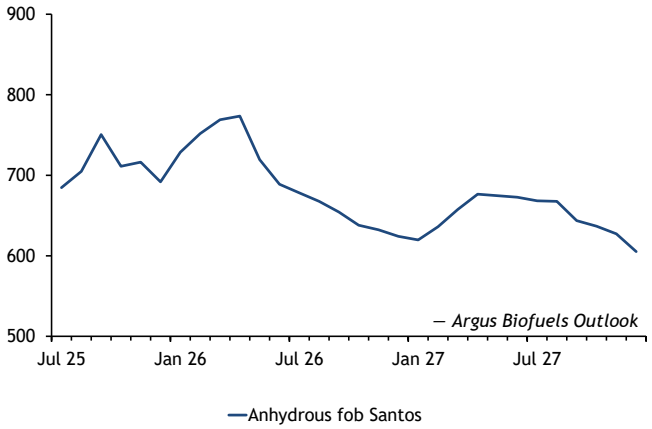
Anhydrous ethanol: free of water and at least 99pc pure, and used in gasoline blends, currently set at 32pc. Anhydrous fuel meets all the requirements of the ASTM D4806.
Hydrous ethanol: contains water and has a purity of 96pc. Can be used in Brazil as a 100pc gasoline substitute in flex-fuel vehicles.

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Brazilian biodiesel feedstock demand *'000t*



Brazilian ethanol prices *$/t*



through 2027, the recent US tariffs are likely to accelerate a gradual shift toward tallow and other animal fats. Greater feedstock diversification should help moderate biodiesel production costs and reduce exposure to increasingly expensive SBO markets.

Prices

Ethanol

Record harvest and US tariffs pressure Brazil prices

Brazilian anhydrous ethanol prices are expected to remain under pressure through late 2026 despite the temporary E32 blending mandate. Anhydrous ethanol fob Santos prices fell from a peak of $773/t in April to $678/t in July, as rapidly expanding sugarcane production transformed the market from one characterised by tight inventories and imports into one facing a growing supply surplus.

The increase to E32 from E30 is expected to lift anhydrous ethanol consumption from August 2026 to January 2027, but the measure coincides with the peak of the sugarcane harvest, limiting its price impact. Ethanol production exceeds 5.4bn l/month from July to September, substantially outpacing incremental demand from the higher blend requirement. As a result, inventories are forecast to rise to more than 12bn l by October from 4.9bn l in June, keeping the market well supplied even as domestic consumption strengthens.

Export conditions have also become less supportive. The recently implemented 37.5pc US tariff on Brazilian ethanol is expected to reduce export competitiveness, while restrictive quotas and licensing requirements under the EU-Mercosur agreement continue to limit Europe's ability to absorb additional Brazilian volumes. Export flows have remained well below available quota volumes since the agreement entered into force, highlighting the practical barriers facing suppliers.

Anhydrous ethanol prices are forecast to decline to around $624/t by December from $678/t in July. A modest recovery is expected in 2027 as inventories gradually normalise, although ample supply and constrained export opportunities should keep prices below the highs reached at the start of the 2026-27 crop cycle.

Biodiesel

Alternative feedstocks limit biodiesel price gains

Brazilian biodiesel prices are expected to trend higher through the second half of 2026, as strengthening soybean oil markets lift production costs. Robust export demand and firm Paranagua basis levels continue to support SBO values, with Brazilian fob SBO prices forecast to rise to $1,273/t by December from $1,174/t in August. As a result, Araucaria ex-

South American biofuel price outlook

Product	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	4Q26	1Q27	2Q27	3Q27	4Q27
Brazilian ethanol											*$/t*
Anhydrous fob Santos	678	668	654	638	632	624	631	638	675	660	623
Brazilian biodiesel											*$/t*
BD Araucaria ex-terminal	1,165	1,164	1,196	1,194	1,219	1,224	1,212	1,214	1,215	1,228	1,241

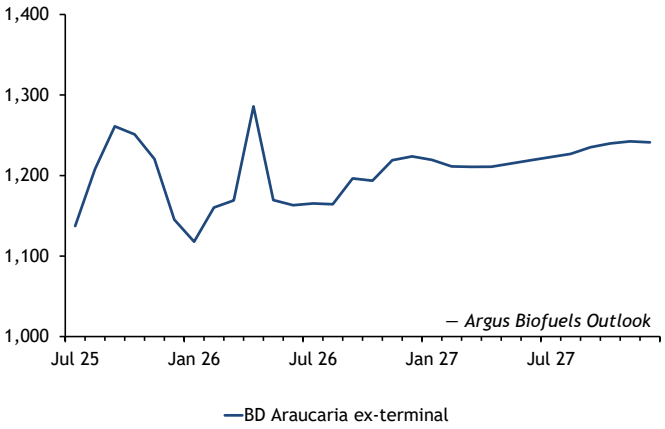
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terminal biodiesel prices are projected to increase to $1,224/t from $1,164/t over the same period.

But biodiesel prices are likely to rise less sharply than SBO. The implementation of a 37.5pc US tariff on Brazilian beef tallow is expected to reduce export opportunities and leave more tallow available domestically. With alternative export markets constrained, biodiesel producers are expected to increase tallow consumption in place of increasingly expensive SBO.

This shift should moderate feedstock cost inflation and temper biodiesel price gains even as SBO markets tighten. The expected increase to B16 from B15 in 2027 should provide some support, but greater availability of lower-cost animal fats is likely to limit the upside. Biodiesel prices are therefore forecast to rise gradually to around $1,313/t by December 2027.

Brazil biodiesel prices *$/t*



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ASIA-PACIFIC

Regulation

Japan proposes 1pc SAF blend mandate for 2030-31

Japan's trade and industry ministry task force has proposed introducing a 1pc SAF blending mandate for international flights from the 2030-31 fiscal year. The mandate would require a blend ratio of at least 1pc in 2030-31, rising to 3pc in 2031-32 and 5pc for 2032-35.

Japan also announced it will maintain its target of replacing 10pc of domestic airlines' jet fuel consumption with SAF by 2030, which can also be met by purchasing SAF overseas.

Indonesia sets B50 production volumes

Indonesia's energy and mineral resources ministry (ESDM) has set production volume targets for domestic biodiesel producers to implement the B50 mandate.

ESDM has allocated 16.7mn kl across 26 biodiesel producers for 2026 to fulfil the B50 mandate, up from the 15.6mn kl allocated at the start of the year for the original B40 target. Of the total, producers have been instructed to supply 8.2mn kl of subsidised biodiesel to the public service obligation (PSO) sector, while the remaining 8.5mn kl must be supplied to the non-PSO sector.

Philippines proposes ethanol specification revisions

The Philippines' department of energy (DOE) has proposed changes to the country's bioethanol fuel specifications, aiming to bring them closer to Vietnam's standards and improve regional trade flexibility.

The revised requirements would lower the minimum ethanol content to 99pc by volume, a reduction of 0.3pc, and raise the maximum water content to 1pc, an increase of 0.5pc from current levels. The DOE has also published draft specifications for a new E15 fuel, which could support increased ethanol use in the domestic transport sector.

Nigeria plans pilot E10 gasoline trials in third quarter

Nigeria is preparing to launch pilot trials of E10 gasoline in Abuja and Lagos this quarter, using fuel containing up to 10pc ethanol.

The National Automotive Design and Development Council has selected 135 vehicles for the first phase, which will assess fuel efficiency and emissions before and after the trial. The US Grains and Bioproducts Council will supply 60,000 l of ethanol for the initial stage.

Malaysia maintains 10pc export duty

Malaysia's CPO exports will remain subject to the highest export duty rate of 10pc in August 2026, after the country's CPO reference price rose for the month. The CPO reference price that set the duty rose to 4,412.19 ringgit/t ($1,083/t) in August, from 4,346.79 ringgit/t in July, according to the country's palm oil board.

Indonesia's CPO exports will be subject to a $123.54/t levy and a $148/t duty in August under the current export levy structure. The Indonesian CPO reference price fell to $996.52/t in August from $1,000.90/t the previous month.

Prices

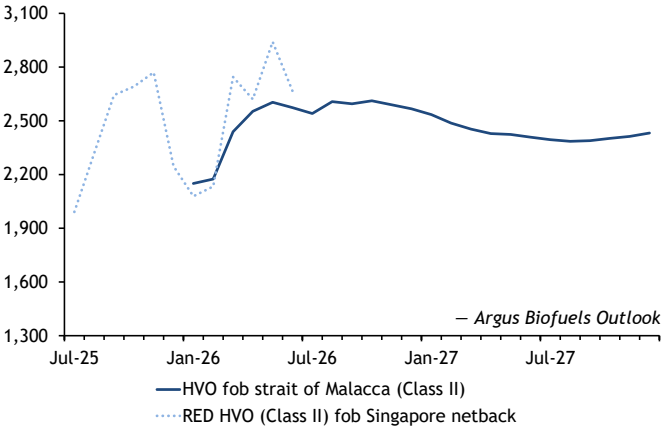
HVO and SAF

Straits HVO firms as EU discount narrows

HVO fob strait of Malacca averaged $2,541/t in July, down from $2,574/t in June. The July softness was demand led rather than a change in the regional supply story. The suspension at EcoCeres' Johor plant in Malaysia temporarily removed a key export source and tightened regional balances, but weaker European buying, low Rhine water levels and softer compliance demand cut the pull from the other end of the voyage.

The more interesting development is the spread to ARA. Straits values are largely derived from what a cargo can

Asia-Pacific HVO prices *$/t*



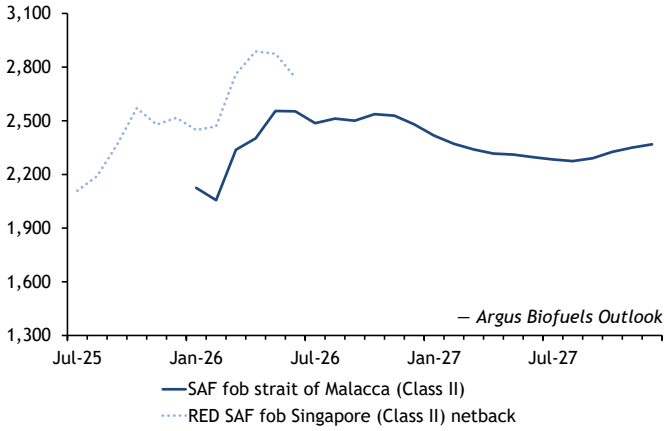
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achieve in northwest Europe after freight rather than from local fundamentals. The launch of local straits assessments was met initially with thin spot liquidity. But as interest has increased, that discount to ARA HVO Class II has narrowed from $205/t in July to a forecast $148/t in August and $141/t by December. Asian producers unaffected by European HVO anti-dumping duties are expected to keep prioritising HVO production for export to Europe, and confirmed fourth-quarter maintenance at European plants further supports that. The HVO fob straits price is forecast to average $2,589/t across the fourth quarter before easing to $2,429/t in 2027.

SAF to stay below HVO while duty gap holds

SAF fob strait of Malacca averaged $2,486/t in July, a $55/t discount to straits HVO, and is forecast at $2,512/t in August as the discount widens to $94/t. The discount holds through the forecast, averaging $74/t in the fourth quarter and $100/t across 2027, even though SAF is the more expensive product to make. The structure is set in ARA, not Asia. Chinese HVO faces duties of 10-35.6pc while SAF remains exempt, so duty-free Chinese SAF undercuts European producers and sets the level European buyers anchor to. Straits sellers are price takers into that same lane, and the initial illiquidity in the straits assessment follows the ARA SAF-HVO relationship rather than local economics.

Asia-Pacific SAF prices *$/t*



Monthly European SAF demand is sparsely reported, so the balance has to be inferred from trade data. Spread evenly across the year, arriving volumes look sufficient to cover European needs, which removes the need for European refiners to switch output from HVO to SAF and therefore removes the roughly $150/t premium floor over HVO that would make switching worthwhile. Taken as a combined HVO and SAF pool, the picture is tighter, particularly into a fourth quarter of confirmed European maintenance. The clearest way the discount reverses is if Europe extends anti-dumping measures to Chinese SAF, which would flip the spread and drag straits SAF back above HVO. No formal action has been announced, and any short-term change seems unlikely.

Diesel is main risk to outright values

Conventional fuel prices remain the clearest uncertainty in the HVO and SAF forecast. Our base case still assumes a gradual reopening of the strait of Hormuz, but much of the recent movement in conventional values has been sentiment rather than balance, and the main change since last month is that renewed conflict risk has reignited the fossil rally underpinning outright biofuel prices. Premiums should firm into a year-end we already view as tighter, with fourth-quarter European maintenance now confirmed. A sizeable retreat in diesel would still pull outright straits values lower, even with those premiums intact. That is not our base view, but it is the scenario that could upset the forecast.

Biodiesel

Asian Ucome lags European rally

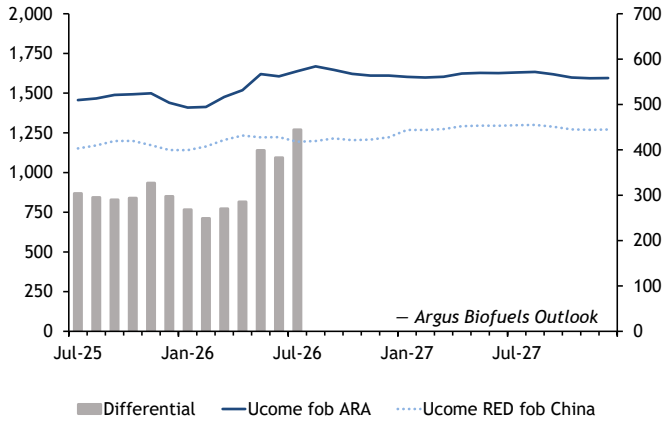
The European biodiesel rally has not carried across to Asia. Ucome fob ARA is forecast at $1,669/t in August against $1,198/t fob China, a spread of $470/t, the widest of the year, having been $268/t in January. Chinese values have moved

Asia-Pacific biofuel price outlook *$/t*

Product	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26	4Q26	1Q27	2Q27	3Q27	4Q27
Biodiesel											
RED Ucome fob China	1,194	1,198	1,215	1,204	1,207	1,222	1,211	1,270	1,294	1,295	1,270
HVO											
RED HVO fob strait of Malacca	2,541	2,607	2,595	2,612	2,589	2,567	2,589	2,492	2,420	2,390	2,415
SAF											
RED SAF fob strait of Malacca	2,486	2,512	2,501	2,537	2,529	2,480	2,515	2,376	2,308	2,283	2,348
Feedstock											
RED UCO bulk fob China	1,162	1,243	1,219	1,197	1,199	1,207	1,201	1,208	1,236	1,247	1,226

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Ucome prices *$/t*



little by comparison, averaging $1,194/t in July and $1,198/t in August against $1,141/t in January. Landed Chinese material, subject to duties, is approaching breakeven against European values, while those facing a 10pc rate have had the arbitrage open since the start of July.

Within the region, softer bio-bunkering demand and a slower pick-up in marine biodiesel has weighed on sentiment through late June and July, leaving the market without a directional driver while spot liquidity stayed thin. Recent market reports suggest August has brought stabilisation, with firmer feedstock costs and renewed regional enquiries lending modest support. Ucome fob China is forecast to peak at $1,215/t in September and average $1,211/t across the fourth quarter and $1,282/t in 2027.

Feedstock

UCO fob China holds near multi-year highs

RED-certified bulk UCO fob China averaged $1,162/t in July and is forecast to jump to $1,243/t in August. Support continues to come from the US more so than from regional buying, with record mandates and firm hydrotreating economics keeping the US netback competitive for the same cargoes. European interest has become more selective and suppliers have adjusted offers down from earlier peaks, but the correction has been shallow for that reason. Prices are forecast to ease to $1,197/t in October before firming to $1,207/t in December and averaging $1,229/t across 2027. The key point for buyers is that hydrotreating demand, not the traditional biodiesel pull, is now setting the clearing price, and that keeps the floor high even when European enquiries thin out.

Trade

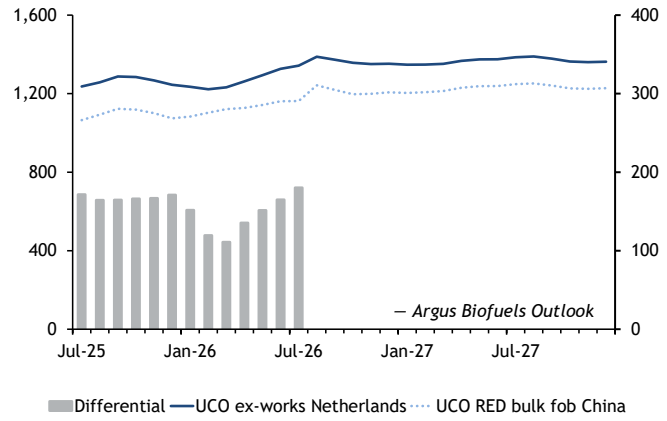
HVO and SAF

China HVO exports rebound as SAF economics soften

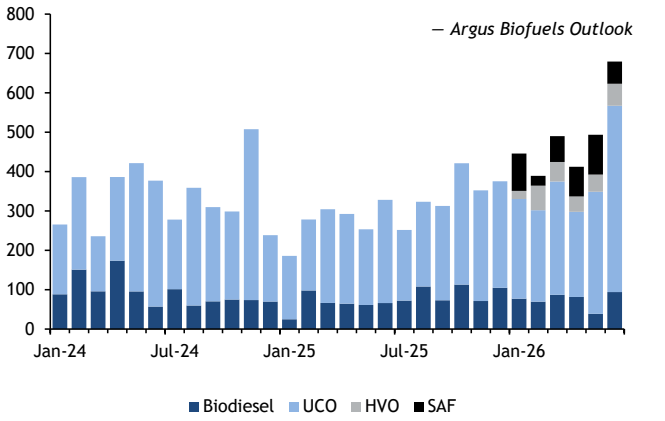
China's June exports suggest producers shifted back towards HVO as SAF economics weakened. China exported around 56,000t each of HVO and SAF in June, but the monthly trends moved in opposite directions. HVO exports rose by 28pc, while SAF exports fell by 44pc, partly reversing the previous three-month pattern when SAF exports had exceeded HVO because European anti-dumping duties apply only to Chinese HVO.

The shift reflects an improving arbitrage for HVO from China to Europe, which has steadily opened across different duty levels in 2026. A year earlier in June 2025, the HVO arbitrage was closed for plants subject to the 21.7pc "co-operating rate" and the higher 35.6pc rate, and was only marginally open for plants subject to the lowest 10pc duty. By June 2026, these arbitrages had opened for plants on the 21.7pc rate and appeared open even for plants subject to the higher 35.6pc rate, although only on the basis of a full 40,000t cargo to Europe.

UCO prices *$/t*



China biofuels and feedstock net exports *'000t*



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By contrast, the arbitrage for Chinese SAF into Europe deteriorated materially in June, after the SAF fob ARA price fell from $2,915/t at the start of the month to $2,681/t by the end. HVO maintained a premium to SAF, with the relative arbitrages diverging enough to probably encourage Chinese hydrotreaters holding SAF export licences to consider switching some output to HVO.

Beyond customs data, ship-tracking data for July showed a 15,000t cargo of Chinese HVO heading to Vancouver on Canada's west coast, marking the first shipment of Chinese HVO to Canada. The arbitrage has flipped between being open and closed, but this shipment points to the possibility of more consistent Chinese HVO exports to Canada.

Singapore also continued to ship strong volumes to Europe in June, exporting around 120,000t of HVO compared with 17,000t of SAF. Europe remained the destination for all Singaporean HVO and SAF exports, underscoring its role as the main outlet for the major Asian exporting markets. As with China, European price conditions in June favoured HVO over SAF, helping to explain the much larger volume of HVO shipments from Singapore given that neither HVO nor SAF from Singapore is subject to anti-dumping duties.

Biodiesel

China exports rebound as India shipments persist

China's biodiesel exports more than doubled between May and June to 94,000t, the highest monthly total so far in 2026 and up by 43pc from June 2025. The rebound followed relatively low exports in May and was probably partly caused by delayed shipments being recorded in June trade data. Exports remained heavily oriented towards Europe, which accounted for at least 70pc of Chinese biodiesel shipments. Customs data also show around 16pc of exports heading to Hong Kong, likely for transhipment to final consumption centres in Europe or for marine biodiesel demand.

Despite a nominal ban on finished biodiesel exports, India exported 22,000t of biodiesel in June, up from 8,000t in May. The restriction includes an exemption for biodiesel produced in special economic zones from imported feedstock. Most of India's biodiesel exports originate from the New Mangalore Refinery in Karnataka, which is in one of these special economic zones. Its use of imported feedstock is also evident in import flows, with the refinery routinely importing UCO and palm fatty acid distillate (Pfad) for processing into finished biodiesel. India has routinely exported small biodiesel volumes since July 2025 using this exemption, and we expect flows to continue but remain limited by the various restrictions that are in place.

UCO

China UCO exports hit record high as US demand jumps

China's UCO exports jumped by 52pc on the month in June to a record 473,000t, up by 80pc from a year earlier. The US was the largest destination, taking 168,000t, a 125pc increase from May. Singapore received 69,000t, up by 121pc, while shipments to India rose to 52,000t from 3,100t in May. Most major destinations took more Chinese UCO than in previous months, with tight biodiesel and feedstock markets worldwide supporting record trade.

Chinese UCO exports to the US have been steady over the past year, averaging 44,000 t/month, despite an arbitrage that appears closed at first glance because of tariffs. Trade flows have continued because US biofuel producers can claim a duty drawback if they export the finished product, with US HVO exports to Europe one example of this arrangement. But record-high renewable volume obligations (RVOs) announced in the US have tightened biofuel and feedstock markets. UCO delivered to the US Gulf coast rose from 55¢/lb at the start of the year to 87.5¢/lb in June. The US biofuels market had previously relied mainly on domestic supply, but these UCO prices have opened the door to imports. This has opened the China-US Gulf coast UCO arbitrage even after duties are included, with record Renewable Identification Number (RIN) values absorbing additional tariff costs and drawing Chinese imports sharply higher.

We expect this flow to continue while UCO and RIN prices remain strong in the US, although July volumes could ease from June's record high.

Palm oil

Malaysia palm oil stocks rise as export outlook weakens

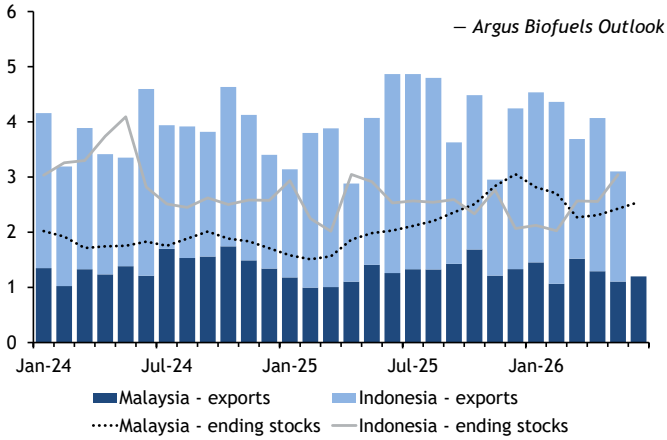
Malaysia's June palm oil data show exports rising by 8.4pc on the month, while ending stocks increased by 4.8pc. This marked the third consecutive monthly rise in stocks, with some market reports indicating that June inventories came in above expectations despite higher exports. Stocks were 25pc higher on the year, while exports were down by 5pc. Global vegetable oil demand has shifted towards soybean oil, supported by record soybean production in Brazil, one of the world's largest producers. This could weigh on further growth in Malaysian palm oil exports over the next few months.

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Latest Indonesia palm oil data are available for May, when exports fell by 28pc and ending stocks rose by 19pc, extending the volatility seen since the start of the year. Three factors have weighed on Indonesian palm oil exports. First, the government raised the export levy on crude palm oil (CPO) to 12.5pc from 10pc in March, reducing export revenues. Second, plans to route all key commodity exports through a state-owned firm created uncertainty for Indonesian exporters and international buyers. Third, Indonesia's planned 50pc biodiesel blend mandate from July is expected to increase domestic palm oil demand, with industry associations estimating that it could divert around 13mn-20mn t of CPO from the export market to the domestic market.

Taken together, these factors point to a weaker outlook for Indonesia's palm oil exports. Seasonal harvest patterns may still produce monthly increases, but export volumes could begin to trend lower on the year.

Asia-Pacific palm oil trade ***mn t***



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GLOBAL SUPPLY

Production

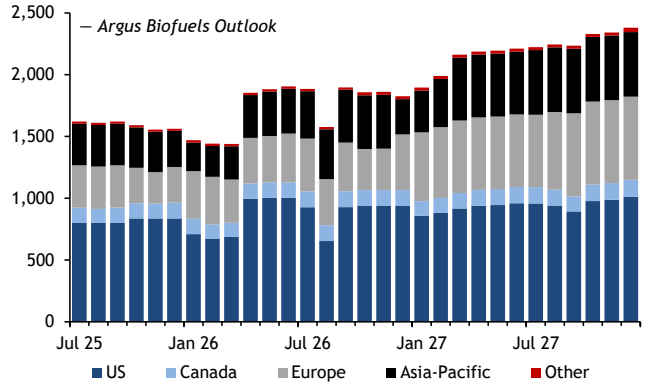
Global renewable diesel and sustainable aviation fuel production reached 5.6mn t in the second quarter of 2026, up by 24pc from a year earlier.

North American RD and SAF output reached 3mn t with plants running at 75-80pc utilisation. Most of that output came from Diamond Green Diesel (DGD) and Phillips 66, which ran at full utilisation and produced a combined 520mn USG (1.5mn) of RD during the quarter. PBF Energy and Eni's Louisiana RD plant ran at 76pc utilisation. Output is expected to fall in August, with regional production forecast to fall to 800,000t, down by 27pc from July, as DGD's Norco facility and Marathon's Martinez refinery undergo four-week turnarounds. HF Sinclair's planned 30-day maintenance at its 92mn USG/yr Cheyenne plant in Wyoming could also add further pressure.

Europe also recorded stronger output in the second quarter. RD and SAF production reached 1.1mn t, up by 5-10pc from the previous quarter, with utilisation broadly in line with North America at around 75-80pc. The increase is unlikely to be sustained through August, as output is expected to fall by 13pc, mainly because of turnaround work at Neste's Porvoo RD and SAF refinery in Finland. Market participants said another European plant could also be preparing maintenance over the same period. Further supply pressure could emerge in the fourth quarter, when Neste plans a 7-8-week turnaround at its Rotterdam RD plant, potentially tightening regional RD and SAF balances further.

Supply risks are also building in Asia. Ecoceres has resumed operations at its Johor RD plant in Malaysia after it being off line throughout June, although market participants said the plant could suspend operations again later in the month for scheduled maintenance. Availability from the wider region could tighten later in the year, when Neste's Singapore refinery is scheduled for 11 weeks of maintenance from December. The outage could curb exports to Europe at a time when buyers are likely to be securing RD and SAF volumes for year-end compliance.

Global RD and SAF production *'000t*



Global RD and SAF output is expected to continue rising as new capacity starts up. Production is forecast to reach 20.7mn t in 2026 and 26.3mn t in 2027, supported by a pipeline of 35 RD and SAF projects scheduled to start between now and the end of next year. Of these, 25 are progressing through construction or commercial trials, while 10 are expected to begin operations before the end of 2026. Assuming new and existing plants operate at an average utilisation rate of 80-85pc, global output could approach 2mn t/month. Monthly output could reach about 500,000t in Asia-Pacific and 900,000t in Europe under normal operating conditions.

Capacity

Europe

Ludoil Group has started operations at its co-processing sustainable aviation fuel and bio-gasoline facility within the fluid catalytic cracking unit at Priolo in Sicily, Italy. Production will rise gradually to 500,000 t/yr at full capacity.

French tech firm Axens plans to develop a 50,000 t/yr alcohol-to-jet SAF plant in France. The project is in the front-end engineering and design stage and is targeting start-up in 2030.

Renewable energy firm LanzaTech has confirmed it will not proceed with its 100mn l/yr (76,000 t/yr) SAF project in Port Talbot, Wales.

Moeve has agreed with DHL to deliver 6,000t of SAF to Madrid airport over mid-2026-27 from its Spanish facility.

The Eco2Fly project has signed an agreement with Spanish airline Volotea to supply SAF from its 100,000 t/yr e-SAF project in Toledo, Spain, with deliveries to Madrid airport rising from 5,070 t/yr in 2032 to 24,960 t/yr in 2035.

ET Fuels has chosen Immingham in northeast England for its 35,000 t/yr Project Kings Road e-SAF plant, previously known

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as Project SkyFuel. The project is in the FEED stage and targets a final investment decision in 2027.

UK developer Carbon Neutral Fuels plans to raise the capacity of its e-SAF plant at the port of Workington, northwest England, from 25,000 t/yr to 31,000 t/yr. The project has entered formal pre-planning, secured a grid connection and aims to start operations in 2031.

North America

US biofuel startup XCF Global has partnered with Continual Renewable Ventures to provide technical, development and project support for its 175mn l/yr (134,727 t/yr) renewable diesel/SAF plant in Kwinana, Western Australia.

Canadian SAF developer Sustaero has entered a licensing agreement with Danish Topsoe and South Africa's Sasol to produce 50mn USG/yr (144,000 t/yr) of SAF. The project is in the pre-FEED stage and is expected to take FID in 2027, with operations to start in 2030.

Shell Aviation has extended its supply agreement with Delta Air Lines to 2030 to deliver 15mn USG of SAF to Minneapolis-St Paul, Portland, Los Angeles, JFK and Boston Logan airports. The SAF will be sourced from Montana Renewables and Diamond Green Diesel.

Latin America

Brazilian firm Energis8 plans to build a 17,340 b/d (764,746 t/yr) SAF plant in Paulinia city, Sao Paulo, near Guarulhos and Viracopos Campinas airports. The project is estimated to bring in $1.3bn of investment and begin operations in 2031.

Grupo Potencial has secured 96.2mn reals ($18.9mn) from Brazil's national development bank Bndes to build an 8,950 b/d biodiesel plant in Lapa, Parana state. The plant's total cost is estimated at R230mn.

Asia-Pacific

Australia's HAMR Energy has secured A$32mn from the Australian Renewable Energy Agency to begin FEED for its 140mn l/yr (106,400 t/yr) SAF project in Port Adelaide, South Australia, with operations to start in 2031.

Malaysian waste oil aggregator FatHopes Energy has signed a deal with Chinese renewable fuel consultancy and feedstock brokerage MotionECO to secure more than 200,000 t/yr of UCO for its 300,000 t/yr SAF and RD project at Port Klang in Malaysia, which will start operations in 2030.

Thailand's Bangchak has delivered SAF to refuel Thai Airways at Suvarnabhumi airport from its 277,400 t/yr SAF plant at the Phra Khanong refinery in Thailand.

UAE-headquartered Allied Biofuels has appointed Pro Logistic Services to support transportation of SAF and e-SAF from its 422,440 t/yr Uzbekistan project to Europe and the UAE. The company has signed agreements to supply 117,000 t/yr of SAF to state-owned Uzbekistan Airports by 2030, and supply SAF to Dubai's state-owned Enoc.

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