

FAQ: Argus US Gulf Coast UCO prices



Used cooking oil (UCO) markets are growing at a rapid pace, as government and aviation industry mandates for renewable fuel use focus on fuels that are not made from food crops. As these mandates increase, UCO has emerged as the frontrunner for renewable feedstocks. As a result, the *Argus* global suite of UCO price assessments, for the US, Europe and Asia provide an independent and trusted reference for the value of used cooking oil for market participant in the biofuels industry. In response to this rapid growth, *Argus* global UCO prices will be listed by the major exchanges for use for risk management in their daily operations.

What is UCO and why is it important?

Used cooking oil is a renewable feedstock used to produce biofuels like biodiesel, renewable diesel, and sustainable aviation fuel. Since 2021, renewable diesel capacity in the US has tripled to almost 5bn USG/yr, boosting demand for feedstocks like UCO. UCO is a lower carbon intensity feedstock, which means it receives a higher credit value for state programs like the low-carbon fuel (LCFS) standard in California.

What is the impact of US state and federal policy?

US state and federal policies that encourage biofuel production have also boosted demand for UCO. More specifically, LCFS programs in California, Washington, and Oregon encourage biorefineries to source the lowest-carbon feedstocks, thus benefiting UCO over relatively higher-carbon feedstocks like first-generation vegetable oils. The Inflation Reduction Act's "45Z" credit, due to kick off in 2025, will also be more generous to fuels that produced lower greenhouse gas emissions – thereby incentivizing even more UCO use.

Basic Facts on UCO

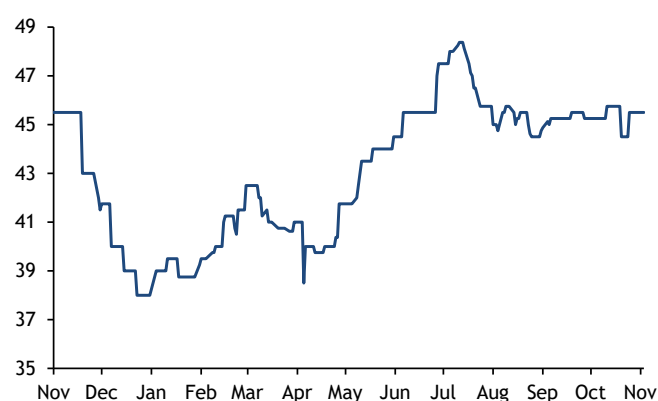
- **What is UCO comprised of?** UCO is comprised of fats and oils originating from commercial or industrial food processing operations, including restaurants, that have been used for cooking/frying.
- **Demand:** According to the Environmental Protection Agency (EPA), UCO consumption in the US, which includes yellow grease, was at 6.85bn lbs. in 2023.
- **Transport:** UCO is aggregated via trucks and can be transported via trucks, rail, barge, or vessels.

- **Specs:** What are the specs and who sets the standards? Assessments are of the price of product with a maximum free fatty acid (FFA) content of 15pc and a maximum moisture, impurities and unsaponifiable (MIU) content of 2pc. The American Fats and Oils Association is the main association that promotes uniformity in feedstocks specifications across the industry and sets trade guidelines.

How can these prices be used?

- **Contracts:** Companies can use this price in term contracts, spot contracts and in contract negotiations. The price can also be used for internal transfer within organizations.
- **Risk management:** Companies buying UCO can hedge their operating costs for improved profitability and manage the volatility in their feedstock costs more effectively.

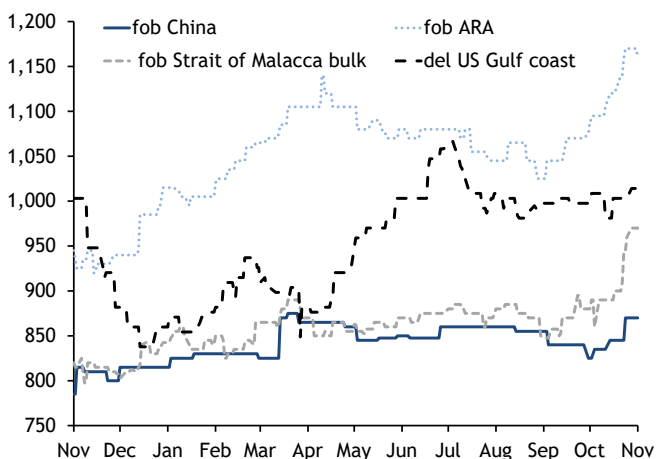
UCO (used cooking oil) del US Gulf coast USC/lb



What other UCO price assessments are in the Argus portfolio?

UCO price assessments		
Price assessment description	PA code	Futures contract available
UCO fob ARA range	PA0035121	✓
UCO ex-works ARA range	PA0027083	
UCO cif ARA	PA0024963	
UCO fob Chicago	PA0030683	
UCO del Chicago	PA0032387	
UCO del USGC	PA0030687 (Cts/lb)	✓
	PA0041460 (USD/t)	✓
UCO fob Iowa	PA0030682	
UCO fob Carolinas	PA0030685	
UCO del Georgia	PA0030686	
UCO del Northern and	PA0030688	
UCO del Northern California	PA0030689	
UCO del NY/NJ	PA0030684	
UCO RED bulk China fob	PA0024970	
UCO RED dap China	PA0035177	
Premium UCO RED bulk China fob	PA0035178	
UCO RED bulk fob Strait of Malacca	PA0037690	✓
UCO EPA-compliant fob China	PA0041721	
UCO EPA-compliant fob Strait of Malacca	PA0041723	
UCO fob China	PA0022733	✓
UCO RED fob Indonesia	PA0030578	
UCO RED fob Vietnam	PA0037692	
UCO 3.5pc FFA fob Sao Paulo	PA0044469	
UCO 5pc FFA fob Sao Paulo	PA0044470	

Global Argus UCO prices with futures contracts \$/t



Why is CME launching an Argus UCO-based contract now?

As demand for waste-based feedstocks increases due to low-carbon intensity policies in the US, market participants are purchasing UCO and looking for a way to hedge their feedstock risk. Argus has a global suite of UCO pricing and on December 15, 2024, we will have a risk management contract listed for the Argus US Gulf Coast UCO assessment.

When is CME launching an US Argus UCO—based contract?

Effective Sunday, December 15, for trade date Monday, December 16.

What is the CME contract size for the US UCO contract?

CME is listing two separate contracts - one contract size is 60,000lbs and the second one is the equivalent but 100 metric tons.

To view full details of the contract listing, visit www.cmegroup.com.

What is the Argus methodology behind the futures contract?

- Currency/unit: US Cts/lb and \$US/t
- Location: US Gulf Coast
- Delivery: rail or truck
- Size: 5 rail cars, 20 trucks
- Timing: 30-90 days
- PA codes : PA0030687 Cts/lb and PA0041460 USD/t

For more information

These prices are published in the **Argus Americas Biofuels** reports.

Please reach out with further questions at oil-products@argusmedia.com