

## INSIGHTS – MARKET COMMENTARY

# EUROPEAN BIOFUEL MANDATES AND TRADE FLOW IMPACTS

*RED III transposition shifts competitive landscape as anti-dumping duties reshape global supply*

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## Executive Summary

The European Union's RED III transposition in 2025-2026 is fundamentally restructuring biofuel market dynamics. Member states including Germany, the Netherlands, and France are eliminating double-counting mechanisms for advanced biofuels, shifting from volume-based mandates to emissions-intensity requirements. Simultaneously, anti-dumping duties on Chinese biodiesel and HVO imports—ranging from 11% to 36%—have constrained Asian supply flows. The combined effect creates structural supply deficits in feedstock categories while elevating compliance costs and margin pressure across the refining ecosystem.

## RED III Transposition and Member State Shifts

The Renewable Energy Directive III, adopted in November 2023 and operative since May 2025, targets 42.5% renewable energy in gross final EU consumption by 2030, with transport mandates requiring either 29% renewable fuels or 14.5% emissions intensity reduction. The critical structural change is elimination of double-counting mechanisms that have allowed member states to reach targets with lower physical blending volumes. This benefit, in place since 2009, is being systematically withdrawn across major markets.

Germany's 2026 transposition will eliminate double-counting for advanced biofuels, fundamentally restructuring its THG-Quota system. The Netherlands has already acted, ruling in October 2025 that only undenatured ethanol qualifies for compliance, effectively imposing a 192 euros-per-cubic-metre tariff on all incoming fuel-grade ethanol beginning January 2026. France has adopted digital registry systems for feedstock tracking, prioritising traceability over volume mandates and aligning with RED III sustainability criteria.

*"The elimination of double-counting for advanced biofuels represents a structural shift that will require European refiners to source substantially higher volumes of physical feedstock to meet equivalent compliance obligations—a transition that will persist across the entire 2026-2030 compliance cycle."*

## Anti-Dumping Measures and Trade Disruption

In February 2025, the European Commission formalised definitive anti-dumping duties on Chinese biodiesel and HVO imports, ranging from 11.1% to 36.6% depending on producer, with most Chinese exporters facing 21.7%-35.5% rates. The measures apply to biodiesel in pure and blended form for five years, creating durable protection for EU domestic producers protecting 6,000 jobs across 60+ producers in 18 member states.

The impact on trade flows has been severe. Chinese customs data shows biodiesel exports to the EU at 98,822 tonnes during August-October 2025, representing a 73% decline versus the same 2023 period. This reflects the prohibitive cost structure imposed by duties, rendering Chinese suppliers uncompetitive in EU markets. Prior to the measures, Chinese biodiesel held significant cost advantages anchored in lower feedstock acquisition and manufacturing overhead in Asia.

## Feedstock Stress and HVO Transition

The European biofuel market valued USD 43.7 billion in 2025 will expand at 9.4% compound annual growth through 2035. Biodiesel held 72% market share in 2025 but is being displaced by hydrotreated vegetable oil (HVO), which offers superior cold-flow properties, lower emissions, and compatibility with existing diesel infrastructure. European HVO demand is expected to exceed sustainable aviation fuel (SAF) demand throughout 2026-2030, despite SAF mandates rising from 2% to 6% by 2030.

The elimination of double-counting creates a material physical feedstock shortage. Previously, 1 litre of waste-derived advanced biofuel satisfied 2 litres of mandate obligation; now it satisfies only 1 litre. This structural change forces EU refiners to substantially increase feedstock sourcing. Given constraints on waste material availability and competing demand from food, oleochemical, and polymer sectors, feedstock prices will remain elevated. High 2025 HVO demand supported strong production margins, but anticipated crude vegetable oil imports from the United States may compress margins and threaten higher-cost European production capacity in 2026.

## Trade Restructuring and Capital Allocation

RED III transposition combined with anti-dumping measures is fundamentally restructuring biofuel trade patterns. Chinese supply has been effectively priced out by duties ranging from 11% to 36.6%, with Chinese exports to the EU falling 73% year-on-year during August-October 2025. Indonesian and Malaysian HVO now commands premium pricing relative to domestic European production. Brazilian sugarcane ethanol faces reduced demand as member states transition away from volume-based mandates.

The shift toward emissions-intensity compliance creates asymmetric advantages for refineries capable of producing HVO from advanced feedstocks. A facility converting used cooking oil into HVO generates higher compliance value per feedstock unit than a FAME biodiesel producer using virgin vegetable oil. This structural shift will drive capital allocation toward HVO capacity and away from traditional biodiesel processing, while refineries positioned to utilise constrained waste materials strengthen competitive positioning.

Metric	2024 Baseline	2026 Projection	Direction
EU Biofuel Market Value	USD 39.8bn	<b>USD 47.2bn</b>	+18.6%
Biodiesel Market Share	74%	<b>71%</b>	- 3pp

Metric	2024 Baseline	2026 Projection	Direction
HVO Market Share	19%	<b>23%</b>	+4pp
Chinese Biodiesel to EU (Q3:Aug-Oct)	359,453t	<b>98,822t</b>	- 72.5%
EU Advanced Biofuel Feedstock Requirement	Volume-based	<b>Emissions-intensity</b>	Structural shift

Source: USDA Foreign Agricultural Service, Fastmarkets, GM Insights. Projections reflect RED III transposition across major member states and anti-dumping duty impacts through Q4 2025.

## Market Outlook: 2026-2030

The European biofuel market will experience material stress during 2026-2027 as member states transition to emissions-intensity compliance. The structural supply deficit in advanced feedstocks—particularly used cooking oil and animal fats—cannot be resolved through short-term sourcing adjustments. Prices for waste feedstocks will remain elevated, rendering virgin vegetable oil less competitive for biofuel production.

Chinese supply remains effectively foreclosed by anti-dumping duties. Indonesian and Malaysian producers will capture displaced Chinese volume at higher relative cost. European capacity utilisation will improve, though margin enhancement will be constrained by feedstock inflation. The transition to HVO-dominant product mix will accelerate, with SAF mandates met through low-volume blending and high-value waste-derived credits. The investment thesis for physical biofuel trading is constructive but narrow, centred on long-term feedstock supply contracts, geographic arbitrage between Asian and European markets, and managing basis risk in the emissions-intensity transition. Generic biodiesel spread trading becomes less attractive; specialisation in advanced feedstocks drives returns.

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