



BLUE FOCUS

RENEWABLE FUELS



Market News of the Week

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Why Are U.S. Renewable Fuel Credits Surging?

U.S. renewable fuel credits, known as Renewable Identification Numbers (RINs), recently hit multi-month highs, catching traders off guard. The surge stems from increased demand from refiners aiming to meet federal blending mandates and rising soybean oil prices. The jump in RIN prices is a mixed blessing—beneficial for biofuel producers struggling with high production costs, but painful for petroleum refiners whose margins have already been squeezed by oversupply and weak demand this year.

On Friday, D4 RINs linked to biomass-based diesel and D6 RINs tied to ethanol rose to 79 cents—the highest levels since January. These RINs are crucial for compliance under U.S. mandates to blend low-carbon fuels into transportation fuel, and refiners unable to meet their targets must buy RINs or face fines.

Amid this uncertainty, some refiners are buying RINs now to hedge against potential shortages or stricter future regulations. Market expectations of fewer available RINs next year, combined with rising soybean oil prices, add further pressure. Higher feedstock costs reduce producer margins, driving up RIN prices and intensifying the challenge for both producers and refiners navigating this shifting market landscape.

How will evolving market dynamics and policy shifts impact the balance between renewable fuel growth and traditional refining?



Can the Biogas Market Outpace Competition and the Recent Shift in Federal Policies?

The biogas market has shown promising growth, driven by increasing energy demands, rapid industrialization, and a global push for renewable and sustainable energy solutions. Valued at \$59.0 billion in 2022, the market is projected to reach \$88.6 billion by 2032, growing at a 4.2% CAGR according to Allied Market Research. Biogas offers multiple benefits, including renewable electricity generation, heating, cooking, and vehicle fuel applications. Its versatility allows it to compete with conventional energy sources, providing a pathway for reduced carbon emissions and energy independence.

Despite these advantages, biogas faces stiff competition from entrenched fossil fuels like coal, oil, and natural gas, which benefit from established infrastructure and, in some regions, government subsidies.

Technological advancements in the biogas industry present further opportunities to outpace competition. Innovations such as high-rate digestion, co-digestion, fuel cells, and microturbines have improved the efficiency of biogas production and utilization.

Recent shifts in federal policies and regulatory environments may impact the biogas sector's trajectory. In regions where policies favor renewables and support decarbonization, the market can thrive. Conversely, competition from conventional energy sources, often heavily subsidized, poses challenges. Nonetheless, biogas offers environmental and economic benefits that align with long-term sustainability goals, positioning it as a viable contender in the evolving energy landscape.

Will ongoing technological advancements and favorable policies be enough for the biogas market to overcome entrenched fossil fuel competition and regulatory challenges?



Can Low Prices and High Demand Make U.S. Ethanol a Global Leader in Renewables?

The U.S. fuel ethanol market has seen a significant surge in exports during 2024, driven by strong international demand and lower U.S. prices. This rise in exports underscores the growing importance of renewable fuels in the global energy mix, even as traditional fossil fuels maintain their stronghold. U.S. fuel ethanol, produced primarily by fermenting corn, is a renewable fuel commonly blended with gasoline, offering a cleaner-burning option that reduces greenhouse gas emissions compared to conventional fuels.

From January to August 2024, U.S. fuel ethanol exports averaged 121,000 barrels per day (bpd), surpassing historical averages. The growth has been driven largely by demand from countries with biofuel blending mandates, including Canada, India, the United Kingdom, and Colombia.

Lower U.S. fuel ethanol prices have also been a major factor. The U.S. Gulf Coast's ethanol prices in 2024 have fallen by about 25% compared to 2023 due to high production capacity, low input costs, and large inventories. Corn prices, a key feedstock, have dropped from strong yields, while natural gas used in production has also remained low-priced amid record output.

While U.S. ethanol production has reached record highs, domestic consumption has not fully recovered to pre-pandemic levels due to changing gasoline consumption patterns, prompting producers to focus on international markets, leveraging low prices and strong production.

Will international demand and low prices be enough to secure the future of U.S. ethanol, or could shifting domestic consumption trends pose a greater challenge?



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