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Argus Consulting Due diligence on HVO plant investment



Challenge faced

An international integrated energy company with an extensive retail network and facing increasing mandates for biofuels blending planned to invest in a new hydrotreated vegetable oil (HVO) plant in Europe.

HVO is a compelling product for retailers as it is not limited by the vehicle engine limitations of conventional biofuels, known as the “blend wall”. Market prices of HVO have been attractive and the product is gaining popularity, with an increasing number of companies investing in this production technology.

Our client had been in discussion with a potential investment partner, but was seeking stronger intelligence on which to base a final investment decision. This led to the company commissioning Argus Consulting to undertake a due diligence and feasibility study.

Solution provided by Argus Consulting

In order to provide advice on the economic feasibility of a new facility, the Argus Consulting team carried out a detailed analysis of the outlook for HVO in Europe.

Combining insight from technology suppliers, details of the legislation, feedstock databases and Argus’ proprietary market insight, we modelled supply and demand for all biocomponents in countries across Europe, to forecast the size of HVO’s long/short position.

Our analysis covered:

- The European legislative environment
- Feedstock availability and price outlook
- Competitive advantage of hydroprocessing compared with other biofuels technologies — present and future
- Demand for green diesel in Europe
- HVO forecast pricing and differentials to key feedstocks and competing fuels

Outcome

The market due diligence study we delivered enabled this integrated energy company to make a considered decision on its potential HVO investment. Our experienced consultants worked closely with the client’s project team throughout, incorporating their assumptions into the analysis, explaining and discussing the methodology step by step at each stage. Our analysis covered every area required for a full assessment, including the outlook for demand, pricing, feedstock availability, and the upside and downside risks. This culminated with a presentation to the company’s executive board with recommendations, on which an investment decision was made.

For more information:

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Bioenergy
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