

Oil price drop and its effect on the bioenergy industry

WBA survey summary

The global oil prices have dropped by 60% since summer of 2014. This has led to lower fuel costs globally. Although it is positive news for end consumers, this has serious environmental impacts. The increased use of fossil fuels may lead to lower investments in renewable energy technologies, higher carbon emissions and negative impact on global climate change negotiations.

This current oil price drop can have major impacts on the bioenergy industry. To assist policy makers in taking appropriate action to protect the interests of the bioenergy sector, WBA prepared a questionnaire to know the effect of the current situation on the bioenergy industry. This questionnaire included questions on effects (qualitative) of the oil price drop on the company turnover, employment and new investments etc. Also, expectations of the industry on the policy makers and the role of international agencies in this situation were requested. You can access the questionnaire archive [here](#) (Survey closed).

Summary:

WBA received answers from 25 countries (see map below) during January 2015. The number of employees in the companies surveyed varied from less than 10 to over 1 000 and the responses were from producers of bioenergy equipment, processed biomass, heat and electricity, biofuels and biogas etc.

The decline in oil prices from June 2014 to January 2015 has had a moderate to severe impact on 75% of the respondents while the remaining had no effect. The effect broken down into investment, employment and turnover can be seen in the following figure:

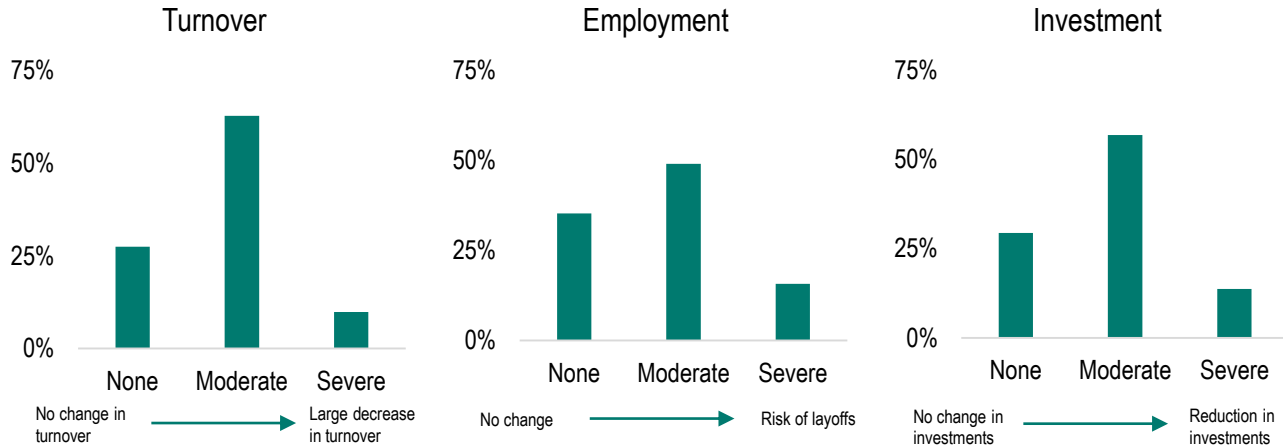


Figure 1. If the prices drop or stay at low levels in 2015, how will it affect your business? (Percentage of respondents on Y axis)

Overall, if the prices continue at the current level, 73% of the companies will face a moderate to severe decrease in turnover, 65% will have a risk of layoffs and 71% expect a reduction in future investments.

According to the survey, the decrease in the oil price has few positive impacts. The lower prices improve the economic conditions in agriculture as farmers can invest in improved machinery leading to increased farm productivity. For bioenergy producers, the transportation costs are lower leading to lower project costs. Some countries have increased the excise duty on fossil fuels leading to less than observable decline in pump costs for consumers. Also, markets with strong blending

mandates are less impacted. It also leads to easing of inflation in developing countries which are highly dependent on fossil imports. All these may lead to higher spending in infrastructure and renewables.

However, there are several negative impacts as well. Companies have responded that there is reduction in turnover with some reporting 30% less business during this period. Bioenergy projects have been suspended with layoffs and reduction in salaries. In the agriculture sector, people are shifting back to diesel generators which is reducing interest in renewable solutions. Biofuel producers are struggling to sell biofuels in competitive fuel market due to lower fossil fuel prices. The sales price is being reduced with virtually similar cost structure which is reducing the profits. A more serious implication is the reduction in research and development grants for the renewable industry.

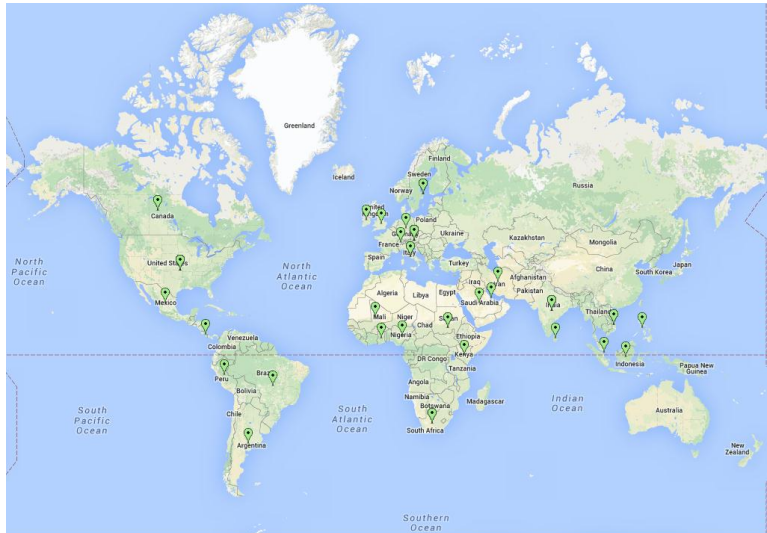


Figure 2 Answers were received from all over the world

As for the expectation of the companies towards policy makers in 2015, elimination of fossil fuels subsidies and increase in investment in renewables were the top priorities – each having 28% share in the survey results. The rest of the options included higher carbon prices, increasing demand by mandatory blending and higher excise duty on fossil fuels.

The role of international renewable energy organizations were also the focus of the survey. Comments were requested on what should associations do to promote the renewables industry in this scenario and many interesting suggestions were received:

- Higher involvement in EU energy policy
- Increasing public awareness on success stories of bioenergy and other renewables and the negative impacts of fossil fuels
- Putting the message across in a more aggressive tone, especially in mainstream media – TV, newspaper, radio etc.
- Lobbying for mandatory carbon tax
- Differentiating between fact and fiction in contentious issues like ILUC, sustainability, food and fuel debate etc.

WBA Conclusion:

In conclusion, the majority of the bioenergy producers are struggling with lower investments, lower profit margins and less financial resources available for bioenergy development. This survey confirms the necessity of the latest WBA initiative concerning the public call to introduce and increase carbon taxes. To read about the initiative, please click [here](#).

About WBA

The World Bioenergy Association (WBA) is a global association dedicated to supporting and representing the wide range of actors in the bioenergy industry. The purpose of WBA is to promote the increasing utilization of bioenergy globally in an efficient and sustainable way & support the business environment for bioenergy.

Disclaimer: This is not a representative poll, instead is a quick overview of the effects of the current oil price drop scenario in different countries globally.