

## Press release

New episode of the #strohklug podcast:

### Verbio Board demands a national approval procedure to prevent climate fraud in the biofuels market

- Claus Sauter and Stefan Schreiber, members of the Management Board of Verbio, explain the consequences of climate fraud related to fake Chinese biodiesel and fake UER projects
- A national approval procedure can put a lasting stop to the fraud
- The Federal Government must prevent further fraud in the billions, and immediately establish fair conditions for competition

**Leipzig, December 18, 2024** – Verbio believes there is an urgent need for the German government to take immediate action to put a permanent stop to Chinese climate fraud and effectively prevent further attempts at similar schemes. This is not only in the interest of the biofuels industry; it is also of importance for all sectors participating in the energy transformation. Verbio is increasingly investing outside Germany, and is diversifying its product portfolio in order to remain competitive even in difficult framework conditions.

#### Climate fraud in the billions – not only for the biofuels industry

In the latest episode of the #strohklug podcast Claus Sauter and his guest, Stefan Schreiber, explain the serious consequences that the climate fraud is having on biofuel manufacturers and the renewable energy sector in Germany. Stefan Schreiber is an expert on regulatory issues and the associated coordination with regulatory authorities and politicians in his roles as a member of the Verbio Management Board, President of the German Biofuels Industry Association (Verband Deutscher Biokraftstoffhersteller – VDB), and one of three speakers for the “Stop Climate Fraud” (Initiative Klimabetrug stoppen) initiative.

The massive imports of fuel falsely declared as biodiesel and fraud related to Upstream Emission Reduction (UER) projects, with the associated price pressure and falling GHG quota prices, have caused significant damage to the German biofuels industry. Claus Sauter raises the issue of research published by ZDF Frontal, exclaiming in annoyance: “One of these UER offsetting projects was a mothballed chicken shed near Beijing!”

With a view to the economic damage caused, he uses the example of Verbio SE: “Two years ago a tonne of CO<sub>2</sub> savings cost 400 euros. At the moment we are looking at 50 euros. The fall is dramatic. In the last financial year our income has fallen successively. Although we produced significantly

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more biofuels than in the previous year, we generated around 30 percent less revenue due to this issue. Net earnings have been cut in half compared to the previous year.”

It is not only the biofuels industry that has been affected by these market disruptions. The fall in the prices paid for GHG quotas is also affecting other industries that are driving forward the energy transformation. Stefan Schreiber explains: “For example, if you are a municipal utility and you have purchased an electric bus, then around one third to one half of the additional costs of that bus could be recovered through the trading of GHG quotas, and the additional costs could be compensated for to a significant extent.” However, this is now no longer the case. Stefan Schreiber continues: “Today this has slipped to a fraction of that, because the price of each tonne of CO<sub>2</sub>, saved, the so-called GHG quota price, has plummeted.” He adds: “It is absolutely an existential problem, as the first bankruptcies have already shown. And not only in the biomethane sector, where there was a lot of press coverage, but in principle also on the electric side.”

In view of the potential damage, Claus Sauter is annoyed by the cautious reaction of the German government: “There was also fraud in the USA in the biofuels sector. Today those responsible are all sitting in gaol. Here we really are talking about damage in the billions, and nothing is being done about it.”

### Politicians are reacting much too late and not effectively enough

“For about two years now we have seen a significant increase in imports of advanced biofuels, especially from China. During this time, the amount has roughly doubled,” says Stefan Schreiber.

He continues: “Almost two years ago we started to draw the attention of the Ministry of the Environment to the ramp-up of these allegedly fraudulent imports. In the beginning there were constructive discussions about what could be done and how this issue could be brought under control. We submitted written proposals as a Company, and the industry did so too. But after that there was silence. By this I mean that requests for talks were no longer answered, or were dealt with dismissively. Meanwhile the pressure in the market grew and grew, and the problem got bigger and bigger.”

It took until 2024 for politicians to react. The EU imposed anti-dumping import duties, and the Federal Government have legislated an early winding-down of the UER offsetting projects. In November the amendment to the 38<sup>th</sup> Regulation on the Implementation of the Federal Emissions Protection Act (Verordnung zur Durchführung des Bundes-Immissionsschutzgesetzes – BImSchV) put a stop to surplus CO<sub>2</sub> savings being carried forward into 2025 and 2026. The Verbio Management Board expressly welcomes these measures, but the Board also emphasizes that

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although this should stabilise the market situation in 2025, it will not compensate for the billions in damage already incurred, or for the loss of climate protection.

Stefan Schreiber also wants a political solution for the damage done. "For example, a surcharge could be added to the GHG quotas to be met for 2025/26 or subsequent years, in order to make up for the climate protection that has not been achieved. This would not repair the damage already done, but from the consumer's point of view there would at least be a chance that they would actually get the climate protection they paid for."

### Inadequate controls enable fraud and undermine climate protection

In Germany, advanced biofuels from waste and residual materials count double towards meeting the legally prescribed CO<sub>2</sub> savings (the GHG quota). Conventional biofuels count only once. That means that when conventional biofuels are relabelled as advanced biofuels it is not only extremely lucrative for the fraudster, it also puts enormous pressure on the prices for GHG quotas. As the double-counting only applies here in Germany, the incentive for fraud here is the greatest. Given the inadequate controls, over the past two years the German market has been flooded with falsely declared advanced biodiesel from China.

Claus Sauter fears that the problems in the German biofuel market could also affect other green industries and technologies if similar lax controls are applied there. "Look at the decarbonisation of the steel industry, of chemicals and many other industries. If you stop using coal to manufacture steel in the future, and replace it with renewable hydrogen, sooner or later cheaper steel with the right certification will start coming from China. Then the manufacturers here will have no chance."

To stop the fraud permanently, Claus Sauter and Stefan Schreiber demand that the Federal Government must implement strict and effective controls on biofuel imports and CO<sub>2</sub> projects. In addition, effective fraud prevention needs to be introduced.

### National approval procedure needed as an effective measure to stop fraud

The current measures taken by the Federal Government, implementing an early cessation of credits for UER projects and changes to the 38<sup>th</sup> BImSchV which suspend the carry-forward of excess GHG quotas into 2025/2026, should provide for a temporary stabilisation of the market. However, this will not address the source of the problem on a long-term basis.

To prevent future fraud Claus Sauter and Stefan Schreiber are calling for the introduction of a national authorisation procedure for biofuels, in which, according to Stefan Schreiber, "everyone who wants to supply advanced biofuels to the German market must first have to register." This

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procedure would then need to be expanded to include an on-site access right. Stefan Schreiber explains: "That means that it must be possible to make an on-site visit if any doubts remain after an examination of the documents."

It would be possible for the BMUV to implement this procedure before the upcoming federal elections. "This authorisation or registration procedure could be adopted by use of a decree instrument," explains Stefan Schreiber.

The industry cannot wait for a European solution, he continues. "Europe is the right solution, but it would take at least one to two years to implement such an initiative at that level. As an industry we cannot wait that long. Many companies would not survive."

### Verbio intends to continue to grow outside Germany, and to invest in the chemical industry

In view of the repeated market distortions in the German biofuel market, Verbio feels that its strategy of investing more abroad has been validated. Claus Sauter summarises: "We as a Company have reacted. We have established ourselves internationally, and we are now active in the USA and India."

Despite this, Claus Sauter would also like to invest in Germany: "We made the decision to invest outside Germany years ago, but of course we are always looking to see if there are any opportunities at home, because the regulatory framework and the targets that have been set for 2030, which are already in law, are actually all very, very promising. This is about the rules of the game, how it is implemented, and these need to be upheld. And of course the legislator, and above all the Federal Ministry for the Environment, has a duty to monitor these rules."

Verbio is opening up new potential outside the biofuels sector in order to establish itself broadly and robustly. At the Bitterfeld location Verbio is constructing a new production plant to manufacture bio-based speciality chemicals. In future the green molecules produced there may be used to manufacture high-performance lubricants, bio-based solvents and plastics. In doing so Verbio wants to contribute to the defossilisation of the chemical industry.

"We are breaking new ground, moving out of the transportation sector, and in future we will no longer only recycle our products to create energy, but also to manufacture materials," promised Claus Sauter, summarising Verbio's growth strategy.

**Picture download:** [http://bit.ly/VERBIO\\_claus\\_sauter](http://bit.ly/VERBIO_claus_sauter)

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**Picture:** Claus Sauter, Chief Executive Officer of Verbio SE, © David Pinzer and Stefan Schreiber, Member of the Management Board of Verbio SE, © David Pinzer

**The latest episode of the #StrawClever podcast with Claus Sauter and Stefan Schreiber, members of the Management Board of Verbio SE, can be downloaded immediately using Apple Podcast, Deezer, Google Podcast, Spotify, and from the [www.StrawClever.de](http://www.StrawClever.de) website.**

### About Verbio

At Verbio we make more from biomass. In our biorefineries we convert raw materials and residues from regional agriculture into climate-friendly fuels, green energy and renewable products for chemicals and agriculture. In addition, we create high-value components from sustainably-generated biomass for the animal feed and food industries. We employ approximately 1,400 people at our locations in Europe, Asia and North America. Our motto "Pioneering green solutions" sums up what drives our international team; with innovative technologies and green solutions, we are shaping the social and industrial transformation toward climate neutrality and ecological production. We contribute to preserving natural resources and to leaving the Earth in a habitable state for the generations that will follow us. In doing so we combine global growth with economic success, social responsibility and security of supply. Verbio shares (ISIN DE000A0JL9W6/WKN A0JL9W) have been listed in the prime standard segment of the Frankfurt Stock Exchange since October 2006. Our headquarters are in Zörbig, Germany.

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