DIESEL FUEL NEWS
Expert Insight into Diesel & Distillate Fuels Policies, Technologies and Markets Worldwide
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U.S. Supreme Court Rejects NPRA/API Petition on Biofuels Rules

The International Energy Agency (IEA) warns in its latest *World Energy Outlook 2011* (WEO 2011) report that "the world is locking itself into an unsustainable energy future," although alternative technologies (including gas-to-liquids and coal-to-liquids with carbon mitigation) are emerging.

According to the IEA report, released November 9, "without a bold change of policy direction, the world will lock itself into an insecure, inefficient and high-carbon energy system.

"Growth, prosperity and rising population will inevitably push up energy needs over the coming decades. But we cannot continue to rely on insecure and environmentally unsustainable uses of energy," IEA executive director Maria van der Hoeven said.

"Governments need to introduce stronger measures to drive investment in efficient and low-carbon technologies. The Fukushima nuclear accident, the turmoil in parts of the Middle East and North Africa and a sharp rebound in energy demand in 2010, which pushed CO_2 [carbon-dioxide] emissions to a record high, highlight the urgency and the scale of the challenge."

The report's baseline "New Policies" scenario, which "assumes that recent government commitments are implemented in a cautious manner," concludes that global primary energy demand "increases by one-third between 2010 and 2035, with 90% of the growth in non-OECD [Organization for Economic Cooperation and Development] economies."

CTL/GTL Must Solve CO_2 Problem/ Source: Sasol

China: 70% More Energy Use than U.S.

As a result, "China consolidates its position as the world's largest energy consumer: it consumes nearly 70% more energy than the United States by 2035, even though, by then, per-capita demand in China is still less than half the level in the United States," according to the report.

In This Week's Edition of Diesel Fuel News

"The share of fossil fuels in global primary energy consumption falls from around 81% today to 75% in 2035. Renewables increase from 13% of the mix today to 18% in 2035; the growth in renewables is underpinned by subsidies that rise from US$64 billion in 2010 to $250 billion in 2035, support that in some cases cannot be taken for granted in this age of fiscal austerity. By contrast, subsidies for fossil fuels amounted to $409 billion in 2010."

According to this IEA forecast, "the average oil price remains high, approaching $120/barrel (in year-2010 dollars) in 2035. Reliance grows on a small number of producers: the increase in output from Middle East and North Africa (MENA) is over 90% of the required growth in world oil output to 2035.

"If, between 2011 and 2015, investment in the MENA [Middle East North Africa] region runs one-third lower than the $100 billion per year required, [then] consumers could face a near-term rise in the oil price to $150/barrel," according to the forecast.

99 Million Barrels/Day Oil, Big Jump in Coal

"Oil demand rises from 87 million barrels per day (b/d) in 2010 to 99 million b/d in 2035, with all the net growth coming from the transport sector in emerging economies.

"The passenger vehicle fleet doubles to almost 1.7 billion in 2035.

"Alternative technologies, such as hybrid and electric vehicles that use oil more efficiently or not at all, continue to advance, but they take time to penetrate markets.

"The use of coal – which met almost half of the increase in global energy demand over the last decade – rises 65% by 2035. Prospects for coal are especially sensitive to energy policies – notably in China, which today accounts for almost half of global demand.

"More efficient power plants and carbon-capture and storage (CCS) technology could boost prospects for coal, but the latter still faces significant regulatory, policy and technical barriers that make its deployment uncertain."

The Japan nuclear disaster earlier this year "has raised questions about the future role of nuclear power," according to the report.

"In the New Policies scenario, nuclear output rises by over 70% by 2035, only slightly less than projected last year, as most countries with nuclear programs have reaffirmed their commitment to them.

"But given the increased uncertainty, that could change. A special 'Low Nuclear' case examines what would happen if the anticipated contribution of nuclear to future energy supply were to be halved.

"While providing a boost to renewables, such a slowdown would increase import bills, heighten energy security concerns and make it harder and more expensive to combat climate change."

Natural Gas Jumps

As for natural gas, "its share in the energy mix rises and gas use almost catches up with coal consumption, underscoring key findings from a recent [IEA World Energy Outlook] special report, which examined whether the world is entering a 'Golden Age of Gas,'" according to IEA.

"One country set to benefit from increased demand for gas is Russia. Key challenges for Russia are to finance a new generation of higher-cost oil and gas fields and to improve its energy efficiency.

"While Russia remains an important supplier to its traditional markets in Europe, a shift in its fossil fuel exports towards China and the Asia-Pacific gathers momentum. If Russia improved its energy efficiency to the levels of comparable OECD countries,[then] it could reduce its primary energy use by almost one-third, an amount similar to the consumption of the United Kingdom.

"Potential savings of natural gas alone, at 180 billion cubic meters, are close to Russia's net exports in 2010."

CO_2 Rise Excessive

"In the New Policies scenario, cumulative CO_2 [carbon-dioxide] emissions over the next 25 years amount to three-quarters of the total from the past 110 years, leading to a long-term average temperature rise of 3.5°C (37°F). China's per-capita emissions match the OECD average in 2035. Were the new policies not implemented, we are on an even more dangerous track, to an increase of 6°C (42°F)."

"As each year passes without clear signals to drive investment in clean energy, the 'lock-in' of high-carbon infrastructure is making it harder and more expensive to meet our energy security and climate goals," said Fatih Birol, IEA chief economist.

"The WEO 2011 presents a '450 Scenario,' which traces an energy path consistent with meeting the globally agreed goal of limiting the temperature rise to 2°C (34°F). "Four-fifths of the total energy-related CO_2 emissions permitted to 2035 in the '450 Scenario' are already locked-in by existing capital stock, including power stations, buildings and factories. Without further action by 2017, the energy-related

infrastructure then in place would generate all the CO_2 emissions allowed in the '450 Scenario' up to 2035.

"Delaying action is a false economy: for every [US]$1 of investment in cleaner technology that is avoided in the power sector before 2020, an additional $4.30 would need to be spent after 2020 to compensate for the increased emissions."

GTL Growth in Russia, U.S.

The report also finds that gas-to-liquids (GTL) could gain more traction in big gas-producing countries including Russia and the U.S.

"GTL could be an attractive way for Russia to exploit gas fields located far from pipelines, while also hedging against decoupling of gas and oil prices," according to the report.

"Some projects have been proposed, for example in the Yakutia region, to produce either diesel and naphtha or methanol. However, no project seems to have passed the conceptual stage so far.

"Taking into account possible technological developments in small-scale GT, we project GTL production in Russia to start in the 2020s and to grow to close to 120,000 b/d (barrel-per-day) in 2035.

"A large project based on Arctic gas, as an alternative or in addition to some of the planned LNG plants, could be a viable way to extract value from some expensive Arctic gas fields; such a development is not included in our projections."

Meanwhile, "current low gas prices in North America have triggered renewed interest in GTL there. For example, Sasol is pursuing feasibility studies into the economic viability of GTL plants fed by shale gas located in Louisiana and separately in British Columbia with Talisman, an independent Canadian exploration and production company.

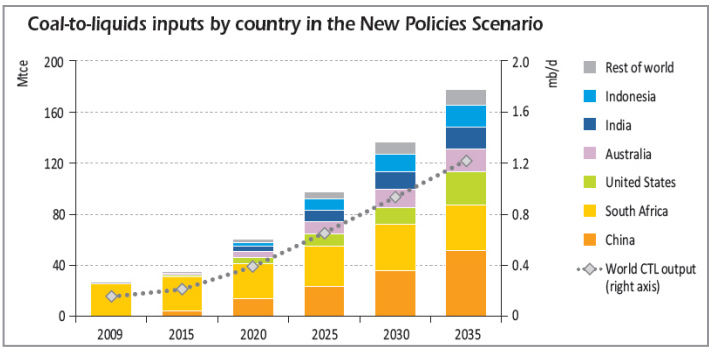
"Other companies are thought to be considering GTL projects too. Therefore, our GTL projections have been updated to include increased production in North America."

CTL: World Growth

"One new sub-sector that is expected to see significant growth in coal use is coal-to-liquids," according to the IEA (see chart).

"China recently brought on stream its first commercial CTL facility – the 24,000 b/d (barrel-per-day) Shenhua Group plant in Inner Mongolia, which uses the direct CTL route.

"Several other projects, including the joint-venture project between ExxonMobil and Jincheng Anthracite Mining Group



CTL Forecast to 2035/ Source: IEA

that uses the former's coal-based, methanol-to-gasoline technology, are in the start-up phase.

"Coal use for CTL is expected to reach around 5 mtce [metric tonnes carbon equivalent] in 2015 and 50 mtce in 2035, as higher oil prices make new investments in this technology more profitable. This sub-sector accounts for around 2% of China's total primary coal demand by the end of the outlook period."

Similarly, in India, CTL "is projected to consume around 20 mtce of coal by 2035, resulting in a production of 125,000 b/d of synthetic oil, 1.5% of India's oil demand," according to the IEA forecast.

As for the U.S., "lower demand for coal in power generation and in industry is partially offset by increased use of coal as a feedstock for liquids production in CTL plants (in some cases, blended with biomass feedstock), especially towards the end of the projection period," according to the IEA

"Around 10 CTL plants have been proposed [in the U.S.], though none has yet been given the green light, mainly because of uncertainties about oil prices and penalties for CO_2 [carbon-dioxide] emissions. Up from zero in 2009, coal inputs to CTL plants [in the U.S.] are projected to reach around 25 mtce in 2035 and result in an output of 180,000 b/d of oil products."

Elsewhere in the world, "the use of coal for CTL production in South Africa is also set to rise in the longer term. The country already has the two largest CTL plants in the world, with a combined output capacity of 160,000 b/d," according to the IEA.

"These plants account for about one-fifth of the country's total primary coal consumption. More capacity is expected to be added, boosting coal use in this sector to around 35 mtce in 2035 – an increase of 40% on current levels."

– Jack Peckham

REGULATION & LEGISLATION

CARB: Plenty of Low-Carbon Fuel Standard Credits Through 2017

The California Air Resources Board (CARB) on November 16 released a draft "discussion document" on compliance targets for its pioneering low-carbon fuel standard (LCFS), indicating that oil refiners and other "regulated parties" will have plenty of LCFS credits available for compliance through at least 2017.

According to the document, "CARB staff is confident that regulated parties can meet the near and mid-term (through 2017) targets required under the LCFS."

As CARB notes in the document, the LCFS regulation requires regulated parties (principally refiners of gasoline and diesel) to reduce the "carbon intensity" (CI) of their transportation fuel pools by at least 10% by 2020.

Under the rules, separate compliance schedules establish yearly CI targets through 2020 for gasoline, diesel, and their substitutes, such as ethanol (for gasoline blending) and bio-based diesel blendstocks.

"During the early years, the 'back-loaded' LCFS sets modest targets to allow for the long-term development of lower-CI fuels, needed to meet the standard later in the decade , and for increased market penetration by alternative fueled vehicles using such lower-CI fuels," according to CARB.

"Meeting the targets may be achieved through various means, including, but not limited to, purchasing low-CI biofuels, using credits previously generated, or acquiring credits from other parties to offset deficits."

Existing low-carbon fuel credits, along with credits expected to be generated in the next several years, "in which the program targets are fairly modest, will likely be banked by the credit owners for use in later years, or traded to other regulated parties under favorable market conditions," according to CARB.

"At first glance, the [diesel LCFS compliance] scenarios evaluated by staff seem to show a different [and relatively daunting] picture than that for the gasoline scenarios," according to CARB.

"These diesel scenarios conservatively assume a gradual increase in biodiesel use from B0 [no biodiesel] in 2011 to B20 [20% biodiesel or renewable diesel blend] by 2017.

"In general, these diesel scenarios suggest that, during the first two or three years of the LCFS program, annual deficits may be generated as biodiesel begins to be incorporated into the diesel pool. However, the scenarios may be misleading.

"[T]he diesel sector would not actually experience the ongoing cumulative deficits suggested by the diesel scenarios. The discrepancy arises because the regulation requires that deficits in one year be completely reconciled by the end of the following year.

"Therefore, to the extent cumulative deficits occur in 2011 deficits, the regulation requires those deficits to be completely reconciled by the end of the 2012. And because diesel regulated parties are generally the same fuel providers as the gasoline regulated parties, they will by necessity reconcile the 2011-2012 deficits by applying credits generated within their gasoline pools or credits purchased from other regulated parties.

"As the gasoline scenarios showed, there should be ample credits generated in the early years for that fuel sector. Thus, in reality, all the scenarios [both diesel and gasoline] should start with no deficits or positive credit balances in 2013 and continue to accrue credits, both annually and cumulatively, through 2020 as biodiesel and renewable diesel increase their penetration into the diesel fuel pool . . .

"The reconciliation requirement in the LCFS would ensure that the diesel sector would accrue credits annually. Given the above considerations, surplus credits should continue to accumulate up to and after 2020.

"Given the large difference in carbon intensities between various biodiesel feedstock sources (e.g., soy oil, used cooking oil, canola oil, corn oil and tallow renewable diesel), credit generation outcomes were highly sensitive to biodiesel feedstock choice.

"Further, the [gasoline and diesel credit-compliance] scenarios are based on a gradual penetration of biodiesel and renewable diesel. To the extent the use of biodiesel and renewable diesel is accelerated in the early years, along with alternative-fueled heavy duty vehicles (e.g., CNG/LNG vehicles), [then] the accumulation of credits shown in the scenarios may occur faster than indicated."

While CARB's LCFS regulation is still in the early stages of implementation, "the data that have been reported to date strongly suggest that regulated parties are able to meet the targets at this point.

"The reported data also indicate that almost twice as many credits are being generated than are being expended [with the result that] many viable paths exist to attain compliance with the carbon intensity standards through 2020.

"Traditional [oil refining] fuel providers generally expressed belief that there were not enough low carbon fuels available to meet near-term goals, while biofuel providers generally expressed belief that there was opportunity to generate credits using fuels that are currently available, especially if the use of these fuels is expanded.

"Many panelists [participating in CARB's LCFS compliance discussions] have suggested that CARB evaluate a flexible compliance mechanism for regulated parties in the event that they may not be able to meet the targets due to a potential temporary future shortage in credits or supply of complying fuels.

"In consideration of this suggestion, staff determined that including a flexible compliance mechanism in the program is not appropriate at this time, but merits further evaluation.

"One of the goals for the upcoming December 2011 [LCFS] rulemaking is to help make credits more accessible in the marketplace. The upcoming proposed amendments would help establish a favorable market-trading framework that, in turn, should help make these credits more accessible for purchase by regulated parties who may need such credits to meet their obligations," CARB concludes.

– Jack Peckham

World Energy Council: Electrification Should Replace Combustion Engines

In the run-up to the 17th United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP-17) meeting in Durban, South Africa, the World Energy Council (WEC) on November 16 unveiled its third annual "Assessment of Country Energy and Climate Policies."

WEC, officially accredited by the United Nations, speaks on behalf of more than 3,000 organizations in some 90 countries including governments, private and state corporations, academia, non-government organizations and "energy-related stakeholders," according to the group.

One key to solving what WEC dubs as the "energy trilemma" – ensuring energy supplies are stable, affordable and "green" – is to move the transport sector away from today's internal combustion engines and replace them with electricity, according to the report.

"For the immediate future, the question for industry, governments, and local authorities is how to plan and implement the required changes – be they financial, infrastructural, technological, or user behavior – to support the shift away from internal combustion engines. A particular challenge is to make public transport more attractive than personal automobiles.

"Electric-powered land transport is expected to increase as it offers the most advantageous way to blend energy inputs to power the mobility levels desired by modern societies," according to the report.

The winners of this year's "energy sustainability index" were Switzerland, Sweden, France, Germany and Canada, according to the WEC report. However, no single country was the winner in all three categories comprising the energy "trilemma," according to the report.

According to WEC, "focusing exclusively on reducing greenhouse gas emissions is not sustainable" while "free-market solutions alone can't deliver sustainability." Instead, nations must take actions to solve all three problems simultaneously – making energy supplies stable, affordable and "green" – according to WEC.

"Over the past three years, this unique ranking has examined more than 60 data sets to provide a detailed analysis of 92 countries' energy and climate policies and sets out their ability to provide a stable, affordable and environmentally sensitive energy system," according to WEC."The report also highlights where policymakers can make a difference and helps them to create better policies to ensure that we have a chance of limiting global temperature rise to 2°C [34.5°F]," according to WEC.

Mark Robson, partner of management consulting firm Oliver Wyman, which organized the report, commented that "our index shows clearly that even countries with abundant energy resources, wealth and political stability struggle to provide stable, affordable and environmentally sensitive energy. The countries that tend to be the best at balancing the resulting trade-offs between these interests are those that have diversified their energy resources and actively manage demand for energy through well-established energy-efficiency programs."

Christoph Frei, secretary general of WEC, added: "Today, the overall transport sector represents one-quarter of total CO_2 [carbon-dioxide] emissions. We project that CO_2 emissions from transport could be 80% higher in 2050. However, with clear policies that empower governments, the public and private sector to intervene, we could limit this increase to 15%." – Jack Peckham

TECHNOLOGY

BLRT Inks Deal to Install Diesel Emissions Scrubbers for Wartsila-Equipped Ships

Estonia-based BLRT Grupp announced November 17 that it signed a three-year deal with marine diesel engine giant Wartsila to install stack emissions scrubbers on ships fitted with Wartsila power systems.

"All ship-repair yards of BLRT Grupp will cooperate – Tallinn Shipyard in Tallinn, Western Shiprepair in Klaipeda and Turku Repair Yard in Turku," according to BLRT.

BLRT's marketing director for Tallinn Shipyard, Gabriel Avanesov, added that the "combination of new technology developed at Wärtsilä and services provided by our specialists will allow us to offer our clients new product at reasonable prices which is especially important now when shipping companies have problems because of low freight rates."

The agreement covers installation of scrubbers on the ships that regularly operate in northern Europe's "sulfur emissions control area" (SECA) zones.

According to the company, the marine diesel scrubber market "may increase up to US$70 billion by the year 2025."

Under International Maritime Agency Marpol Annex-6 legislation, by 2015, the limit for sulfur content in bunker fuel for SECA zones (Baltic Sea and the North Sea) must fall to 0.1%, unless ship operators install emissions scrubbing systems achieving equivalent emissions reductions from switching to marine gasoil (MGO) or marine diesel oil (MDO).

"The most cost-effective and efficient way to achieve these goals is to purify exhaust gases. The equipment provided by Wärtsilä and installed by BLRT Grupp's yards reduces sulfur oxides by 99%" while enabling continued use of high-sulfur heavy fuel oil, according to BLRT.

Biofuels Net-CO_2 Impact Varies Wildly by Feedstock Type, Time Horizon

A new study at University of Gothenburg (Sweden) reveals huge differences in net carbon-dioxide (CO_2) impact of biofuels – based on the type of biomass used as biofuel feedstock, and the amount of time required for "carbon neutrality."

As noted in a summary of the study by *AlphaGalileo* science news wire (U.K.), "the use of bioenergy may affect ecosystem carbon stocks, and it can take anything from two to 100 years for different biofuels to achieve carbon dioxide neutrality."

Using ordinary trees for biofuel "creates a carbon dioxide debt that must be paid back before the fuel can be considered to be carbon dioxide neutral," according the study's lead author, Lars Zetterberg, researcher at the Department of Earth Sciences at the University of Gothenburg.

A dedicated energy forest using relatively CO_2-friendly biomass "is fully neutralized after three to five years, while other trees grow so slowly that it can take up to 100 years before they achieve carbon-dioxide neutrality," Zetterberg said.

The difference between slow and rapid CO_2 neutralization with biofuels "is rarely highlighted" in political debates about biofuels, the report noted.

"Emissions from bioenergy are, for example, not included in countries' commitments under the Kyoto Protocol," according to the report.

"The time perspective over which the [net-CO_2 impact] analysis is done is crucial for the result," Zetterberg added. "Over a 100 year perspective, the use of [forestry waste] stumps for energy has a significantly lower climate impact than coal, but over a 20 year time perspective, stumps have a higher climate impact than [replacing coal with] natural gas."

On the other hand, "using logging residues in the form of branches and tops for energy reduces carbon dioxide emissions in both the short-term and the long-term," he added.

If the European Union renewables directive ultimately requires that climate benefits of biofuels must be calculated over a 20-year period, then biofuels that need a longer time to reach carbon neutrality may be regarded as "not renewable," according to the study.

"If we want to do reduce global carbon emissions quickly, [then] we should prioritize fuels that are beneficial on a short time scale, for instance 20 years," Zetterberg said. "In addition, over a longer time scale, it will be beneficial to replace coal with stumps, even if we will not see a result until after 20 years."

Zetterberg's study, *Instruments for Reaching Climate Objectives – Focusing on the Time Aspects of Bioenergy and Allocation Rules in the European Union's Emissions Trading System,* also addresses how the EU's carbon

emissions trading system should be designed to incentivize the use of CO_2-efficient fuels.

Asked for more details about the study, Zetterberg told Hart Energy the following:

Hart Energy: *Are there particular types of trees or plants that fall into the "energy forest" category where the CO_2 from the combusted biofuels made from these plants is neutralized within three to five years? Can you specify which types of trees and plants?*

Zetterberg: The type of energy forest that I refer to is willow (Salix), which in Sweden is mature for harvest after three to five years.

Hart Energy: *While forestry wastes such as stumps and branches might have a lower net-CO_2 impact than trees, isn't there an energy and CO_2 penalty for digging-up and removing such stumps, as well as gathering branches, for hauling to a biofuel production plant? Also, isn't there a practical limit on the availability of such biomass, such that there isn't much biofuel yield potential from these forestry wastes?*

Zetterberg: Yes, there is penalty for using forest harvest residues such as branches and stumps for energy. This leads to a loss of carbon in the forest.

But this effect is of transient character since most of the branches and stumps would have decomposed anyway.

Seen over a 20 year time perspective or more, the [negative] climate impact for these biofuels are lower than fossil alternatives. In addition, as you note, there is an impact from the use of fossil fuels when collecting, transporting and processing the logging residues.

However, this effect is less significant and corresponds to about 3 grams of CO_2 per megajoule [MJ] of biofuel, which can be compared to combustion related emissions from using oil (75 grams of CO_2 per MJ of oil). There is a practical limit for using forest residues for energy. However, in Sweden, in spite of a quite extensive use of these types of fuels, the potential for increased use is significant.

– Jack Peckham

Alfa Laval Launches Marine & Diesel Division; Includes Scrubber System

Sweden-based Alfa Laval announced November 22 the creation of a new "Marine & Diesel" division with the result that the company's various marine, offshore and diesel businesses of Alfa Laval and Aalborg Industries are now integrated.

Among the products offered by the new division is the Aalborg marine diesel emissions scrubbing system, designed to enable ship owners to use of heavy fuel oil (HFO) instead of costlier marine diesel oil (MDO) or marine gasoil (MGO) while still meeting upcoming International Maritime Organization Marpol Annex-6 limits on sulfur oxides (SO_x) as well as particulate matter emissions limits, according to the company.

"The new division will have a broad assortment of products with strong market positions," said Peter Leifland, the new head of the Marine & Diesel division. "Furthermore, the increase in seaborne trade contributes to creating a solid base for further growth."

More than one-third of the new division's order intake would relate to the aftermarket and more than 10% would be associated with the land-based diesel power market, according to the company.

In addition, environmental applications will account for a growing portion of the business, according to the company.

"Our environmental applications not solely rely on the development of new build [ships]. There are also large opportunities in the retrofit market for existing ships," Leifland added.

The new division includes global sales of Alfa Laval Aalborg's range of boilers, inert gas systems, waste heat recovery units and floating production systems to marine and offshore customers.

It also includes global new sales of Alfa Laval's traditional product range as well as the Alfa Laval Aalborg waste heat recovery units to diesel customers.

Alfa Laval's products are used in power plants, aboard ships, in the mechanical engineering industry, in the mining industry and for wastewater treatment, as well as for climate and refrigeration applications, according to the company.

DISTILLATE MARKETS

Shortage in Western Canada: Relief on the Way

Diesel shortages in western Canada are soon to be alleviated thanks to restart of a shut-down Air Products hydrogen plant supplying Suncor's 135,000 barrel-per-day oil refinery at Edmonton, Alberta.

Suncor told *Diesel Fuel News (DFN)* in a November 22 interview that the loss of hydrogen supply at the Air Products plant had forced a cutback in Suncor's diesel production. Now, however, thanks to the Air Products plant restart, Suncor has resumed full diesel production, with the result that its depleted distillate inventories will be restored within days.

Meanwhile, a diesel-hydrotreating unit fire last month at the Federated Co-Op refinery in Regina, Saskatchewan, caused that refinery's diesel capacity to drop to 80% of normal, according to various press reports cited by Canadian Petroleum Products Institute (CPPI).

With both Suncor and Federated suffering diesel output problems simultaneously, this explains why so many trucking fleets in Western Canada have been complaining of diesel supply shortages in recent weeks, CPPI spokesman Ted Stoner told *DFN*.

Exacerbating the supply tightness is strong demand growth for diesel in the region's robust oil sands, natural gas, timber, mining and farm industries, he said.

Western Canada's lack of access to water-borne distillate supply is another factor explaining shortages. "We're landlocked here, so it's very difficult to get imports from elsewhere," although some rail car shipments from Ontario have moved into the region in recent days, he added.

– Jack Peckham

LontohCoal Unveils 50,000-b/d CTL Diesel Project in Zimbabwe

South Africa-based coal mining company LontohCoal announced November 22 a plan to build a 50,000 barrel-per-day coal-to-liquids (CLT) plant in Zimbabwe, focusing on diesel fuel production.

According to a report from Bulawayo24 News (Zimbabwe), LontohCoal CEO Tshepo Kgadima said that plant would cost about US$5.5 billion and would tap thermal coal from the Lubimbi coal project in Zimbabwe, where LontohCoal owns a 51% stake.

"We've just completed a scoping study on the coal-to-liquids plant and [following] our IPO [stock initial public offering] will start spending money on the design and engineering phase," Kgadima was quoted as saying in the report. "It's a long-term project, but 2017 is our target commissioning date," he added.

"We believe by then demand for liquid fuels from the region, especially for diesel, will be big. For Zimbabwe alone, it will be more than 2,000 barrels per day, but there is also increased demand from other landlocked countries in the region."

The report added that Kgadima doesn't foresee any difficulties in raising money for the project, "even if it is to be based in Zimbabwe," where "political risk in the country was likely to ease."

LontohCoal "plans to raise up to $500 million when it lists in Hong Kong in early 2012," according to the report.

"The listing had been delayed slightly as the company sought to secure an offtake agreement for a big part of its coal, which Kgadima said would make it more attractive to investors," according to the report.

EU's Marine Fuels Rapporteur Pushing SECA Expansion, Acceleration

The European Parliament's official rapporteur for the marine fuels and emissions directive – Greens Party member of Parliament, Satu Hassi (Finland) – this month unveiled draft legislation that would compel the European Commission to expand the reach of proposed "sulfur-emissions control area" (SECA) regulation.

In the draft legislation, Hassi argues that the Commission's proposed 0.1%-sulfur limit on marine bunker fuel "should apply to all territorial waters of EU [European Union] Member States up to 12 nautical miles from their coasts. In other words, the limit currently applicable in EU ports would be extended to territorial waters."

The legislation also would accelerate the Commission's proposed 2020 deadline for passenger ships operating in the SECA area to switch to 0.1%-sulfur bunker fuel – or else adopt emissions scrubbing achieving equivalent reductions – to 2015, the same deadline for all other ocean vessels hit by SECA limits.

What's more, Sassi proposes that "the Commission should explore, by the end of 2013, the establishment of new emission restriction areas in European sea areas as well as methods for further reducing emissions."

Following this study, the Commission "should report on this to Parliament and the [European] Council and should make proposals for possible new sulfur and nitrogen oxide emission control areas," Hassi argues.

"Because during the transition period [to low-sulfur bunker fuel] some operators will have to bear significant additional costs, particularly in the case of journeys undertaken mainly or largely in SECAs, the rapporteur proposes that the use of state aid for investment should be facilitated. Normally the upper limit on state aid is 10% for environmental investments made less than three years before the measures become compulsory.

"The rapporteur proposes that in this case, more state aid should be permitted until the end of 2013. This is justified because reducing marine emissions is a major economic benefit for the public sector owing to the accompanying reduction in health expenditure. This would also help to set in motion the market in flue gas scrubbers," she argues.

– Jack Peckham

NRC: Ethanol Push 'Counterproductive;' Refocus on Renewable Diesel, Jet

A just-issued U.S. National Research Council (NRC) report on the industry/government "21st-Century Truck Partnership" concludes that U.S. government policies pushing cellulosic and corn ethanol seem "counterproductive" given the ever-shrinking demand for gasoline and the ever-growing demand for diesel fuel.

"Continuing to add ethanol to gasoline for use in light-duty vehicles, be it from corn or cellulosic materials as prescribed by the Renewable Fuels Standards (RFS) in the Energy Policy Act of 2005, might not contribute to reducing petroleum imports, if increasing diesel fuel demand must be met," according to the NRC report.

"The major efforts in the United States to develop and commercialize cellulosic ethanol, many supported by the DOE [U.S. Department of Energy], may be counterproductive. It may be wise to redirect the DOE biofuels programs to the development of hydrocarbons for use in distillate fuels (diesel fuel and jet fuel) and away from oxygenated fuels for use in gasoline."

The NRC review panel included former General Motors fuels research director Joe Colucci; diesel emissions and combustion expert John Johnson (Michigan Tech); advanced combustion researcher David Foster (University of Wisconsin); former Detroit Diesel Corp. (DDC) combustion researcher Dave Merrion; former Chrysler powertrain researcher Bernie Robertson; former Ford Motor researcher Wallace Wade; and Massachusetts Institute of Technology researcher John Kassakian.

The 21st-Century Truck Partnership (21CTP) includes the U.S. DOE, U.S. Department of Transportation, U.S. Department of Defense and the U.S. Environmental Protection Agency, as well as 15 private industry partners: Allison Transmission, ArvinMeritor, BAE Systems, Caterpillar, Cummins, Daimler Trucks North America, DDC, Eaton Corporation, Honeywell International, Navistar, Mack Trucks, NovaBUS, Oshkosh Truck, Paccar and Volvo Trucks North America.

However, the 21CTP program lacks any "central, overall control over budgets and accountability," the report notes.

Despite this relatively chaotic structure, the program aims to "reduce fuel consumption and emissions while increasing heavy-vehicle safety by supporting research, development, and demonstration that can lead to commercially viable products and systems.

"The strategic approach of the partnership includes the following: (1) develop and implement an integrated vehicle systems R&D [research and development] approach that validates and deploys advanced technology; (2) promote research for engine, combustion, exhaust aftertreatment, fuels, and advanced materials; (3) promote research focused on advanced heavy-duty hybrid propulsion systems; (4) promote research to reduce parasitic losses (now called vehicle power demands); (5) promote the development of technologies to improve truck safety; (6) promote the development and deployment of technologies that substantially reduce energy consumption and exhaust emissions during idling; and (7) promote the validation, demonstration, and deployment of advanced truck and bus technologies, and grow their reliability sufficient for adoption in the commercial marketplace," the report notes.

Among report highlights:

- "Efforts to achieve 55% BTE [brake-thermal efficiency] are going to require complex and expensive technologies. It will be some time before it becomes clear whether there is a production-feasible and cost-effective way to achieve the 55% BTE target. The committee believes that this target [for heavy-duty diesel engine efficiency]

carries considerable risk, even at the test cell demonstration stage;"

- A recent decision by the DOE to slash the federal research budget for petroleum-based and non-petroleum-based fuels under the 21CTP program is "disappointing."

"It is surprising and disappointing that the DOE efforts on petroleum-based fuels have been eliminated from the FY [fiscal year] 2011 budget," according to the report. "For FY 2011, the DOE Fuels Technology Budget request was $11 million, down from the $24-million appropriation for FY 2010, with none of it for petroleum fuels;"

- While conventional, crop-based biofuels face big problems including food-versus-fuel and land-use conflicts, unconventional biofuels such as those from algae also face huge hurdles, according to the report.

"A study from Wageningen University in the Netherlands concluded that the cost of producing biodiesel from algae is three and a half times more than the cost of producing biodiesel from crude oil, and twice as much as producing it from rapeseed," according to the NRC report. "The study also stated that it would be 10 to 15 years before commercial production would be feasible, and the cost would have to go down by a factor of 10.

"Even the DOE's National Algae Biofuels Technology Roadmap concluded that the technology is at an early stage and will require years of development to reach commercialization," the NRC panel found; and

- Given relatively bleak near-term prospects for biofuels as cost-competitive replacements for oil-based fuel, "DOE should reinstate its program for advanced petroleum-derived fuels – they will be transportation's primary fuels for many years to come – with the objective of maximizing the efficiency of their use," according to the report.

Other sections of the report cover diesel emissions aftertreatment, truck safety, aerodynamics, parasitic loads and vehicle-management schemes that could improve efficiency.

– Jack Peckham

Europe's Business Lobby Raps Commission Proposal Snagging Oil-Sands Diesel

BusinessEurope – the general business lobby representing some 20 million companies in 35 countries – on November 15 unveiled a letter to the European Commission urging reconsideration of a proposed directive that potentially could thwart import of diesel fuel or other products made from allegedly "high-carbon" Canadian oil-sand crudes into the European Union (EU).

The letter, obtained by Diesel Fuel News, argues that Europe's business community could be harmed by the Commission's proposed calculation methods for the carbon intensity of certain crude oils and products.

"From a competitiveness perspective, the proposed [Commission] Directive could undermine future EU security of supply of energy as producers of non-conventional sources of oil will consider exports to the EU as high risk," according to the letter.

"In addition, EU-only specific default values for feedstock will impose significant administrative burdens on the EU fuels industry, which in turn will create a price premium for fuels on the European market. This will put EU industry at a competitive disadvantage compared to other industries in the world.

"From a trade impact perspective, we consider the draft Directive to be out of line with the EU policy of promoting regulatory cooperation, openness and progressive trade liberalization. For example, the proposal discriminates (de facto) against fuels derived from oil sands. If adopted, this measure will create trade disruptions with the United States, which is the main consumer of oil sands petroleum and which exports the derived fuels to the EU.

"Furthermore it is by no means clear that the proposal is compatible with the European Union's obligations under the World Trade Organization (WTO).

"The aim of the proposal is to distinguish between fuels produced from 'conventional crude oil' and oil produced from 'natural bitumen' (or oil sands) on the basis of the CO_2 [carbon dioxide] emissions during the production process of the feedstock for the fuels.

"The WTO has very strict rules regarding the discriminatory treatment of like products on the basis of non-product related process and production methods and even stricter rules with respect to the so-called general exceptions. In addition, we do not want to encourage other WTO members to adopt similar trade distorting measures against our exporters.

"As currently written, it is unlikely that the Directive will lead to a net reduction in global emissions. We anticipate that crude will simply be shipped further to countries outside the EU for processing, increasing total lifecycle emissions.

"In addition, very few countries accurately track emissions from extraction and processing and by discriminating against

natural bitumen, the Commission is essentially providing a disincentive for others to increase the transparency of their production processes.

"In light of these concerns, we urge the Commission to undertake a full impact assessment of this proposed Directive in close cooperation with EU member state authorities, industry representatives from the sector concerned and those industries with a big stake in promoting the EU's export interests," according to the letter.

– Jack Peckham

Port of Rotterdam Taps Neste for First Test of 'NExBTL' in Marine Vessel

Neste Oil announced November 21 that Port of Rotterdam and the Rotterdam Climate Initiative jointly launched a trial of a running the "NExBTL" all-hydrocarbon renewable diesel fuel in a Port Authority diesel-patrol boat.

"This will be the first time that 'NExBTL' renewable diesel has been used in a marine environment," according to Neste.

"The pioneering trial, which is due to last a total of 1,000 hours, will measure the patrol boat's exhaust emissions and engine performance, and gather operational experience," according to the company.

Kaisa Hietala, Neste Oil vice president-marketing, commented: "our 'NExBTL' fuels have already shown what they are capable of in terms of performance and lower emissions on the road and in the air, and now we will have the opportunity to see how our renewable diesel performs in marine use as well."

India Government Seen Likely to Hike Diesel Car Excise Tax

India's government is likely to boost the excise tax imposed on sales of new diesel cars in the next federal budget, according to a November 20 report from *Business Line* (India).

"Despite frantic lobbying by the automobile industry, the government is likely to hike the excise duty on diesel cars in the next budget," according to the report.

"While the Petroleum Ministry has been asking for some sort of check on diesel cars with a view to capping the burgeoning demand for diesel, the Heavy Industries Ministry has been opposing this. Now, the Heavy Industries Ministry, the nodal ministry for the automobile sector, is learnt to have indicated its support for increasing the excise duty.

"This will be bad news for the automobile sector, as the soaring demand for diesel cars has been helping to prop up sales volumes, even as sales of petrol variants have taken a hit after the recent surge in fuel prices."

Auto industry calls for cutting excise tax on bigger cars "is also unlikely to be accepted" in the next budget, according to the report.

"The Petroleum Ministry has been pitching for higher excise duty on diesel cars in order to reduce the subsidy on diesel. As diesel is cheaper by over Rs 25 [US$0.48] a liter, the rising demand for diesel driven by higher diesel car sales has been pushing up losses for the petroleum marketing firms," the report noted.

"At present, oil marketing companies [India's refiner-marketers] are selling diesel Rs 10.17 [US$0.19] cheaper than its cost. The loss on diesel for these companies in the first half of the year is estimated at Rs 37,719 crore [US$7.2 billion]," according to the report.

TravelCenters/Petro Touts 'Performance Plus' Winterized Diesel for N. America

TravelCenters of America (TA) and its Petro affiliate announced November 17 the annual launch of "Performance Plus" winterized diesel fuel for diesel truck stops in the colder winter portions of North America.

"'Performance Plus' helps to eliminate winter month breakdowns due to fuel line and filter freezing and corrosion," according to the company.

"TravelCenters does not charge extra for fuel containing 'Performance Plus.' Drivers will know that 'TA' or 'Petro' sites are carrying the additized fuel through notices clipped onto the pump handles at these locations."

According to the company, the additized diesel fuel:

- Lowers cold-filter plug point and diesel pour point "by as much as 30 degrees and 40 degrees Fahrenheit, respectively;"
- Enhances fuel lubricity;
- Utilizes de-icer chemistry "to help prevent fuel-filter and fuel-line plugging;"
- Contains cetane improver "for better cold-weather starting and reduced emissions;" and
- Disperses water, and "helps prevents corrosion and sludge."

Market Report: ULSD Spot, Futures Prices Fall

Ultra low sulfur diesel (ULSD) spot and futures prices in major markets fell across-the-board last week on relatively ample supply and thin trading.

New York spot ULSD fell to US$3.01/gallon (/gal), down $0.05/gal from the prior week, while NYMEX December ULSD likewise fell $0.05, to $2.97.

In Europe, Rotterdam spot ULSD fell to $3.06 thanks to relatively soft demand, while ICE gasoil futures also lost ground, to $2.99.

In Asia, Singapore spot 0.5% gasoil closed around $2.95, while Singapore ULSD spots were trading around $3.05.

U.S. ULSD Output, Stocks Rise

On another front, the latest EIA weekly distillate survey showed that U.S. refiner ULSD output and stocks both rose slightly (see chart).

As for current price trends, EIA's latest fuel price survey showed that the average U.S. nationwide retail diesel fuel price last week topped $4/gal for first time since the end of May, gaining $0.02, to $4.01.

The U.S. Rocky Mountain region tallied the largest diesel retail increase (more than a nickel) to $4.14/gal. All other U.S. regional diesel retail averages increased about $0.02/gal.

U.S. Distillate Fuel Oil (Diesel) Production, Stocks, Imports, Downgrades						
Production (x 1,000 barrels/day)	10/14/11	10/21/11	10/28/11	11//04/11	11/11/11	11/18/11
<=15-ppm sulfur ULSD	3,876	3,927	4,038	3,849	4,154	4,213
>15 to 500-ppm sulfur	193	186	247	217	222	189
>500-ppm sulfur	310	290	368	245	373	369
Stocks (x 1,000 barrels)						
<=15-ppm sulfur ULSD	98,180	94,586	94,125	90,351	87,149	87,868
>15 to 500-ppm	13,243	12,810	9,135	8,812	9,104	8,498
>500-ppm	38,317	38,068	38,629	36,706	37,480	36,597
Imports (x 1,000 barrels/day)						
<=15-ppm sulfur ULSD	95	84	73	74	57	77
>15 to 500-ppm sulfur	0	0	0	0	0	0
>500 to 2,000-ppm	12	64	49	28	25	59
Exports (x 1,000 barrels/day)	912	912	912	912	948	948

Source: U.S. EIA

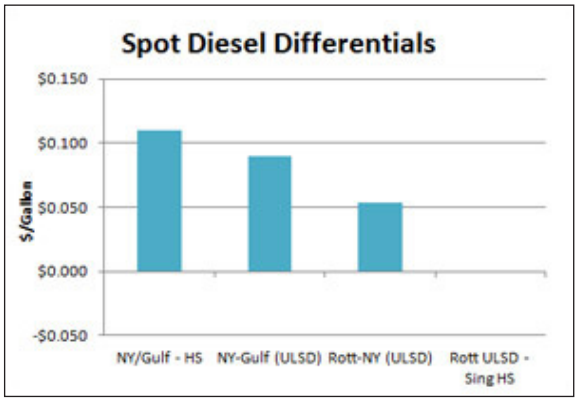
The U.S. West Coast diesel retail average was the highest in the country at $4.19, while the U.S. Gulf Coast was the least expensive at $3.90/gal.

– Jack Peckham

Distillate Watch

Key Distillate Prices ($/Gal) November 25, 2011		
New York	ULSD	High Sulfur
Spot	3.010	2.980
Houston		
Spot	2.920	2.870
Chicago		
Spot	2.930	--
Los Angeles	EPA ULSD	CARB ULSD
Spot	3.020	3.03
Rotterdam	10 ppm	50 ppm
Spot	3.063	#VALUE!
Singapore		High Sulfur
Spot		2.956
Futures	ULSD	High Sulfur
NYMEX	2.974	2.949
ICE		2.998
US Retail	4.01	3.37

Pricing Sources: Dow-Jones, EIA, Hart Publications



Source: EIA Oil Market Report

TRANSPORT NEWS

Car Dieselization Could Aid China's Energy, Greenhouse Goals: Bosch Tour

Automotive supplier Bosch this month kicked off a nationwide tour in China promoting expansion of diesel passenger car technology, arguing that dieselization is a way for China to meet its energy and emission-reduction goals.

Like the U.S., China is heavily dependent upon oil imports to supply its rapidly growing vehicle fleet, as noted in a November 21 report from China Daily.

So, spotting an opportunity, Bosch "believes that promoting diesel engines in passenger cars will benefit the low-carbon movement and expedite energy-conservation and emission-reduction goals during the [China government] 12th Five-Year Plan period (2011-2015)," according to the report.

Bosch is partnering with local manufacturer, Weifu High-Technology Group, to bring more diesel car technology to China, according to the report.

"Clean diesel technology, which has already proven its maturity in many different markets, is a practical and immediately available solution for the sustainable growth of mobility in China," the report quoted Bosch general manager Stephan Hoelzl as saying.

Under the slogan "Experience Clean Diesel Now," the Bosch tour will cover around 20 Chinese cities in six months, according to the report.

"With a higher share of diesel cars on Chinese roads, a much bigger contribution to the reduction of emissions and fuel consumption could be made," Hoelzl said.

"Although we agree that the electric vehicle is one of the best ways to solve the challenges of the future, a diesel engine is the most feasible and efficient solution in the current situation among existing energy mixtures," he added.

Today, the number of private cars on China's roads has topped 100 million, surpassing Japan to become second-only to the U.S. in the world, the report noted.

"This figure is expected to reach 150 million to 200 million by 2020, of which nearly 95% will own cars with a traditional internal combustion engine," according to the report.

"In China, [less] than 1% of cars are powered by diesel," according to the report.

However, based on the current auto population, if clean diesel cars market share increases by another 1%, then "180 million liters of fuel can be saved every year, reducing carbon-dioxide emissions by 400,000 tons," said Hoelzl.

Port of Los Angeles Developing 'ESI' Incentives for Cleaner Ship Fuels, Technologies

The giant Port of Los Angeles (POLA) announced November 22 that it's working with the International Association of Ports and Harbors (IAPH) to develop ship emissions-reduction incentive programs – tied to an international Environmental Ship Index (ESI) program – starting in 2012.

"ESI is an international web-based ship-rating system ports can use to promote clean ships by rewarding operators whose vessels exceed current environmental performance standards and regulations," according to POLA. "The ESI identifies voluntary engine, fuel and technology enhancements ships can use to exceed current environmental performance standards.

"The ESI targets primary pollutants, which include nitrogen oxides (NO_X), sulfur oxides (SO_X), and diesel particulate matter (DPM). The program also contains a component to help reduce greenhouse gases.

"The index was developed by some of the world's major ports collaborating under the World Ports Climate Initiative, a project of the IAPH.

"Nine European ports in the Netherlands, Norway, Germany, Belgium and Italy have signed on to participate in the ESI and either have current programs or are in the process of developing programs to offer financial incentives to reward operators whose ships outperform environmental standards."

Port staff presented an outline of the program to the Board of Harbor Commissioners earlier this month week and "expects to submit recommendations for participation in the program to the Board by early 2012," according to POLA.

The push for ESI participation came on the fifth anniversary of the Port's adoption of the Clean Air Action Plan (CAAP), which has slashed emissions from mostly diesel-powered shipping, trucking, rail and yard equipment.

India Greens Push 300% Tax on Diesel Cars, SUVs

India-based Centre for Science & Environment (CSE) – which earlier helped lead a campaign that forced the conversion of diesel buses and taxis to compressed natural gas (CNG) in major Indian cities – is now pushing for a 300% tax that effectively would triple the retail price of diesel cars and sport-utility vehicles (SUVs).

In a column published in the November 14 edition of *Business Standard* (India), CSE director Sunita Narain argues that the current Indian government subsidy on diesel fuel (compared with gasoline) is triggering a huge increase in purchases of diesel cars and SUVs.

The subsidy initially was devised as a sop to low-income farmers and public transport, but the farm sector accounts for only 12% of India's diesel use, Narain points out in her column.

"Keeping diesel price low but allowing its use in the private [car] transport sector is clearly a deliberate attempt to use the poor person's fuel to subsidize the rich," she said.

Meanwhile, India's refiner-markets "say that under-recoveries on diesel are now costing them big time. It is estimated that Rs 67,500 crore [US$13 billion] annually is lost to under-recoveries on account of diesel alone – roughly 60% of the companies' total losses," she explained.

"Assuming that private cars consume 15% of the diesel, [then] the direct subsidy to such car owners is over Rs 10,000 crore [US$1.9 billion]. Clearly, this is Indian-style socialism: taxing the poor to pay the rich. With every increase in the price of petrol, this gap widens. It is currently Rs 30 [US$0.59] per liter or more. And each time this happens, it leads to increased dieselization – bad for oil companies; worse for the environment.

"The car companies' claim that modern diesel vehicle is clean is far from the truth. Data on emission show that current diesel cars on average emit seven times more particulates and three to five times more nitrogen oxides than petrol cars.

"There is sufficient evidence that tiny particulates – PM [particulate matter] 2.5 – emitted from a diesel vehicle are toxic and carcinogenic. This toxin is firmly associated with a significant increase in cases of asthma, lung diseases, chronic bronchitis and heart damage. Long-term exposure can even cause lung cancer. The increased level of nitrogen dioxide contributes to the formation of deadly ozone, which hurts and damages our lungs. So, diesel vehicles, however fancy, are costing us our health.

"Today, Europe, which promoted diesel vehicles, is paying a heavy price. It is struggling to meet air quality standards, even though it has invested heavily in the cleanest of fuels and has fitted vehicles with every kind of anti-pollution gizmo like particulate traps and de-NO_x [nitrogen-oxide] catalysts.

"Diesel also has higher levels of black carbon, which is today understood to be a key contributor to climate change. In the U.S., the world's car Mecca, where emission standards and prices do not differentiate between fuels, there is no market for diesel cars.

"So why does Indian policy continue to provide this perverse incentive to pollute? Ironically, no policy allows this. It is simply a loophole: car manufacturers struck gold when they realized that they could sell more vehicles if they ran them on cheaper and subsidized fuel.

"They have exploited the fact that diesel price is kept low because of its use for transportation of essential goods and for public transport — trucks use some 37% of the diesel consumed and buses use another 12%. They also know that dual pricing of fuel – different diesel prices for buses or tractors and cars – cannot be operated. So they merrily hide behind the helplessness of policy to fix this distortion.

"Government agencies know this is wrong. They make all the right noises about the need to fix this price distortion. Market analysts glibly talk about the need to deregulate diesel and free it from government control.

"They say this because they know that even though they sit in power, they cannot change the price control on this fuel, which is also essential for railways, public good transport and agriculture.

"But they use this convenient cover to do nothing about the most glaring of distortions — its use by the rich and for private transport. But given the rising economic cost and pollution, this option of doing nothing cannot be acceptable any more.

"The options [are]: either equate the price and emission standards or ban production of personal diesel vehicles. If that is not possible, then the government should tax diesel vehicles – 200% to 300% of the price of the vehicle – to remove the existing fiscal distortion in price and policy. Again, even government committees say this should be done.

"Clearly, the lobby for big diesel is powerful. It sits in glitzy chambers of commerce, which can bend policy to suit purse and purpose. Sad and deadly."

Wärtsilä, Yuchai Marine Relaunch Small-Bore, Two-Stroke Marine Diesel Engines

Wärtsilä announced November 21 the relaunch of its small-bore, marine diesel engine business with an "X35" low-speed engine built via a license deal with China-based Yuchai Marine Power.

"The Wärtsilä 'X35' is a completely new Wärtsilä engine that, together with the Wärtsilä 'X40,' will cover the small-bore end of the market. It is a segment where Wärtsilä has not been present for a number of years," according to the company.

Wärtsilä first launched its "X-generation" marine diesel engine series in May 2011. The series employs common-rail "RT-flex" fuel injection technology, along with "an extra-long stroke that achieves excellent fuel economy," according to the company.

The new engine "meets the requirements set by coastal and river transportation vessels," according to Martin Wernli, vice president of the company's two-stroke engine product center.

MAN Absorbs India Joint Venture

MAN Truck & Bus announced November 21 that it is taking 100% control of its India joint venture, "MAN Force Trucks," from former partner, Force Ltd.

The joint venture was founded in 2006 and produces heavy MAN trucks of the "CLA" type for the Indian market and for export to countries in Asia and Africa.

"After some initial difficulties in the starting phase, the production has been ramped up stepwise," according to MAN. "The products range from chassis to tippers for the construction industry and semitrailer tractors for long-haul transport."

Three years ago, MAN Truck & Bus increased its holding in MAN Force Trucks from 30% to 50%.

"In purchasing the shares held by Force Motors Ltd., MAN Truck & Bus is assuming sole responsibility for production and sale of the MAN 'CLA' inside and outside India," according to the company. "With this strategic investment, which is conceived as a long-term commitment, MAN Truck & Bus is underlining the great significance of the Indian market in the context of its BRIC [Brazil, Russia, India, China] strategy."

"In the last few years we have greatly benefited from the experience of our partner, Force Motors," said Georg Pachta-Reyhofen, CEO of MAN. The Force Motors "knowledge of the Indian market and its long-standing links to local suppliers have been a great help to us as we built up our activities in India. Now we want to and will expand this business on our own."

Meanwhile, Force Motors will continue to supply parts and components for production of the MAN 'CLA,' according to the company.

Nissan Unveils Diesel Engine Plant at India Facility

Nissan announced November 17 that it will establish a diesel engine plant inside its existing car manufacturing facility at Oragadam, India.

According to a report from The Hindu (India), the plant initially will produce 200,000 diesel engines, but that output potentially could double.

At a press conference, Sunil Rekhi, chief financial officer of Nissan Motor India, said Nissan would come out with the diesel version of its just-launched "Sunny" sedan at the Auto Expo 2012 in January in Delhi. The diesel engine plant is being established with its strategic partner, Renault, he added.

"It is a joint-investment plant and flexible enough to produce both petrol and diesel versions," the report quoted Rekhi as saying. "We can produce 200,000 engines initially. This can be scaled up to 400,000 units going forward, matching our total production capacity in the car facility," he added.

"We seek to drive all our diesel cars in India with 'made-in-India' diesel engines," he said.

Until the diesel engine plant starts-up, Nissan would launch marketing the "Sunny" diesel version with imported engines, he added.

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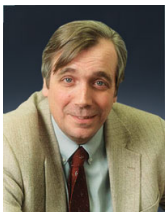

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