Used cooking oil prices are not picking up? Why and impacts on producers' margins?

April 2026

We are likely witnessing one of the longest plateau periods ever observed in UCO (used cooking oil) prices. For nearly 12 months, used cooking oil prices (CIF ARA / DDP NWE) have remained confined within a narrow range of approximately ±50 USD, showing little to no significant movement. This stability stands in stark contrast to market fundamentals: blending mandates are increasing, while HVO and SAF prices continue to reach record highs.

For the last ten years, everyone bet that feedstock will be missing, the prices will skyrocket but the reality is different…. We also belong to the companies that were always saying to our clients that the short will "at some point" arise. New events are always altering the short-term. The long-term stays of course valid where projected demand at its highest as close to 50M ton of HVO and SAF are projected to come live in the next five to ten years while UCO supply globally is about to be 15M ton.

UCO supply: an issue? - With 800$/T margin for certain SAF and HVO producers projected in Q1-2026, it is fair to say this margin is not shared with the collectors. And this is all the more true with UCOME producers which used to expect margin of 150 to 200 $/T are now facing 90 to 150 $/T or below margin, obliged to reduce their fill rate, switching to new feedstock (acid oils or SSAO, POME), or in some cases 1G, there is a question on why UCO prices are not more fluctuating depending the global biofuels market ….

GREENEA is trying to understand a few possible explanations:

UCO players are too far from the end markets: One of the key challenges for upstream players, such as farmers at the very beginning of the value chain, is that they are never market drivers. They remain price takers and are exposed to market fluctuations, especially in highly fragmented markets. The bargaining power of UCO collectors is therefore closely linked to market evolution and to buyers' benchmarks BID/ASK and broker reports. Even when buyers' margins can be significant — as in the case of HVO/SAF—the UCO seller does not have greater negotiating power than a UCOME producer. As a result, the only way to improve commercial positioning and margins is to provide additional value, either by shifting the offer toward BULK FOB terms or by delivering a more premium quality product.

UCOME – the historical big UCO driver and the current big looser - should be more expensive but blend walls are pushing UCOME down and therefore in its wake UCO: Historically, demand for UCO has been primarily driven by the UCOME market, which remains a key outlet for this feedstock today. As a result, UCO pricing structures have long been anchored to UCOME market dynamics. New demand segments, such as HVO and SAF, have entered the market but typically align their bid levels with the existing UCOME-based pricing framework, in order to avoid acting as price drivers. However, this balance could evolve in the coming years. The rapid expansion of HVO and SAF production capacities may progressively rebalance demand between UCOME and these newer pathways, potentially shifting the primary price-setting mechanism for UCO.

Arbitrage toward advanced feedstocks: Over the past two years, the advanced biofuels market has become more economically attractive than the traditional UCOME market. As a result, UCOME producers have increasingly adjusted their feedstock procurement strategies, shifting toward alternative inputs such as industrial waste, SBEO, acid oils, or refined POME. This trend is driven by stronger demand and improved margins in advanced pathways, which are more attractive, even if the margin went down than conventional UCOME production.

Competition between the EU and the US to secure UCO volumes from Asia has significantly eased, as the US has largely withdrawn from the import market. Previously a major buyer, the US has reduced its UCO imports—historically around 1.6 million tonnes—primarily due to the introduction of tariffs and a strategic shift toward domestic feedstocks such as animal fats and soybean oil. At the same time, collection rates continue to increase across most regions globally, notably in South America, India, and Southeast Asia.

UCO indirectly exposed to the paper market: UCOME while being challenged by HVO is driven by the paper market whose volume is 5x to 10x the volume of physical UCO, meaning a price out of control from players directly in the physical market

Horizon 2027–2030: what happens when all countries fully transition to GHG-based mandates?

In the past, UCOME pricing was relatively straightforward, largely driven by double-counting mechanisms. Today, the landscape is changing significantly: UCOME is now capped, FAME 1G is also capped, while advanced FAME remains subject to minimum incorporation requirements due to blend walls.

This structural shift implies that advanced FAME will consistently trade at a premium over FAME 1G. At the same time, Annex IX-B feedstocks (including UCO) remain under a cap, meaning there is no binding obligation to incorporate them beyond a certain level. In this context, we expect UCOME pricing to be increasingly driven by FAME 1G fundamentals.

This raises key questions for the market going forward: Will UCOME with a ~90% GHG reduction simply be compared to other biodiesel pathways offering similar GHG performance, with purchasing decisions primarily driven by relative production costs?

In other words, will UCOME compete directly with conventional FAME (e.g. RME) when adjusted for GHG performance (such as through ESCA mechanisms)?

However, another key dynamic could reshape the market: used cooking oil (UCO) may progressively be diverted away from the UCOME market toward higher-value outlets such as SAF or HVO production. Such a shift could significantly support higher prices for feedstock collectors.