

INTERVIEW: STX bullish on biofuels, renewables while VCM stalls



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The chief executive of one of the largest environmental trading firms sees renewable energy and biofuels gaining momentum, while the voluntary carbon market (VCM) remains constrained by structural problems and weak buyer sentiment.

Netherlands-based STX CEO, Marijn van Diessen, told Quantum during New York Climate Week that the company sees compliance markets and biofuels as “exciting”, buoyed by regulatory clarity and long-term procurement activity, even as the VCM faces an overhang of credits, hesitant buyers, and slow policy convergence.

“In compliance [biofuels] markets, I think there’s a lot of excitement. There’s a lot of things happening,” he said, pointing to a wave of new legislation and the implementation of initiatives such as ReFuelEU Aviation and the EU’s updated Renewable Energy Directive (RED III) across Europe.

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ReFuelEU requires fuel suppliers at EU airports to blend increasing amounts of sustainable aviation fuel into jet fuel — starting at 2% in 2025 and rising to 70% by 2050 — along with a specific e-SAF sub-mandate and rules to limit airline tankering.

While, RED III sets broad EU renewable energy requirements, including a 2030 transport target, sub-targets for advanced biofuels and renewable fuels of non-biological origin, and higher overall renewable energy goals across the EU energy system.

Crucially, the new European rules are being rolled out as expected. “It’s being implemented in the way that people expected it to be,” he noted, adding that this predictability “gives a lot of comfort to the market.”

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Market participants are hedging and procuring further out on the curve, in some cases through 2030. “It’s very positive to see the power of when you have less uncertainty, what that actually does to the market,” van Diessen said.

STX sees these biofuels markets “in good shape” with substantial potential ahead, he said, adding that the company is particularly bullish on renewable natural gas (RNG).

New mandates have created multi-year clarity, giving both traders and producers confidence to invest, he said.

“Our fundamental belief is that the RNG market will grow very rapidly and that could also spread to other parts of the world as well.”

“There is quite a lot of feedstock potential still in Europe, but also if you look at countries like India, there’s a huge amount of RNG potential there and [hasn’t been] unlocked,” he said.

“We see a lot of producers that are now starting to get excited and are thinking about”.

VCM

However, the VCM presents a stark contrast. “It’s obviously tougher,” he said, noting that major buyers, including tech giant Microsoft, have stepped back.

Hopes that voluntary markets would more closely align with compliance schemes have not yet materialised, and the slow pace of policy convergence is making investment decisions difficult.

"There's an overhang of credits," he added. Many market participants still carry inventory purchased at levels that now leave unrealised losses on their balance sheets, making them reluctant to sell and crystallise those losses. "It's a tough market."

The VCM's difficulties extend beyond excess supply and slow policy convergence. Broader economic conditions are also shaping market dynamics, according to Van Diessen.

Global crises, including the ongoing conflict in the Middle East, have underscored the vulnerabilities of fossil fuels and accelerated the energy transition, but they have also heightened cost sensitivity for consumers and companies, adding further uncertainty to the VCM.

"Life is getting expensive as a result of these supply disruptions," he said. Any additional cost policymakers is now heavily scrutinised.

Inside companies, sustainability teams may be enthusiastic, but "then something must be approved by the CFO, and they start to say, 'well this is a lot of money' — so, it's hard," he added.

This cost pressure makes voluntary offsetting an easy item to postpone.

"They can always justify postponing — it's just easier to kick the can down the road [compared with Scope 2 markets cutting electricity use]."

'Glimmer of hope'

Despite the challenges, STX sees resilience in the Scope 2 space, with steady growth in global environmental attribute certificates (EACs) and data centres demonstrating strong commitment to renewable power.

"The one glimmer of hope that I see is on the Scope 2 side, you do see a lot of continued momentum."

Renewable energy certificates and global EACs continue to grow steadily year over year, driven in part by the data centres that view renewable power procurement as a license to operate.

"In pockets you really see that renewable energy is very competitive, which means that companies tend to also move where there's no mandate or compliance needs — that's a glimmer of hope," Van Diessen said.

Long-term strategic thinking — especially among hyperscalers building infrastructure meant to last decades — is sustaining demand.

"If you're a hyperscaler investing heavily in multiple facilities, you recognise that those assets will probably remain in place for the next 30 years," he said.

"If you want to build it in a resilient way, you're going to think about

it differently and you're going to actually make the additional investments to make sure that in 30 years you can still be competitive or you can still have the right to play," he added. Looking ahead, Van Diessen said the debate over offsetting will eventually resurface.

With such a large share of global emissions needing to be reduced, and with rising costs associated with Scope 1 (direct emissions) and 2 decarbonisation, the question of whether offsetting mechanisms are still needed to stabilise systems and avoid excessive price impacts is likely to re-emerge, he said.

"Are we really going to be able to do that through Scope 1 and Scope 2 reductions only, or do we actually need some form of offsetting mechanisms to make these systems function better and avoid prices going up too high?"

The Quantum View:

STX's outlook highlights a widening divide between compliance-driven renewable and biofuel markets, where clear policy signals are unlocking investment, and the VCM, which remains mired in weak demand, excess supply, and policy uncertainty. A US-based carbon broker put it bluntly to Quantum earlier this week. "Everywhere you go [biofuels markets] is what everyone wants to talk about or get into." The result is a market landscape where regulated decarbonisation pathways are accelerating, while voluntary offsetting risks losing relevance unless corporates re-engage and overall market sentiment improves.

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