

Abstract

World effort to reduce climate changes drives demand for more environmentally friendly alternative fuels, since transport emits quarter of total greenhouse gas emissions. For many years biofuels were main mean for achieving more green transport. Nevertheless, there are rising concerns that some of biofuels have negative environmental and social impacts sometimes worse than fossil fuels. This work links European Union's biofuels development with expansion of natural gas caused by exploitation from shale formations. We examine relationship between biodiesel, natural gas and relevant commodities by using the price transmission framework. Results indicate weak slowly increasing negative price relation between biodiesel and natural gas. Our work finds favourable legislation for future application of natural gas vehicles. Nonetheless, we conclude that the expansion will not be driven by exploitation of shale gas at European Union territory.