

The Emerging Biofuels Market: Trade and Development Implications

Lakshmi Puri

Director

**Division on International Trade
and Commodities**

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Why Biofuels?

Reduce GHG emissions to mitigate climate change

Enhance energy security, energy diversification and energy access and reduce expenditure on energy

Provide new end-markets for agricultural products

Boost employment and growth for rural communities

Attract investments through the use of CDM

Accelerate technological innovation



Regulatory frameworks

- Around 50 developed and developing countries have set up regulatory frameworks on bio-energy, including biofuels
 - Blending targets, tax exemption, tax incentive, refund of VAT, subsidies, loans, government-sponsored R&D, government procurement preferences
- Induced demand → worldwide use will substantially increase
- Manufacturing and export opportunities for many developing countries will grow because of large areas potentially available to produce energy crops, suitable climate conditions, comparatively inexpensive farm labour

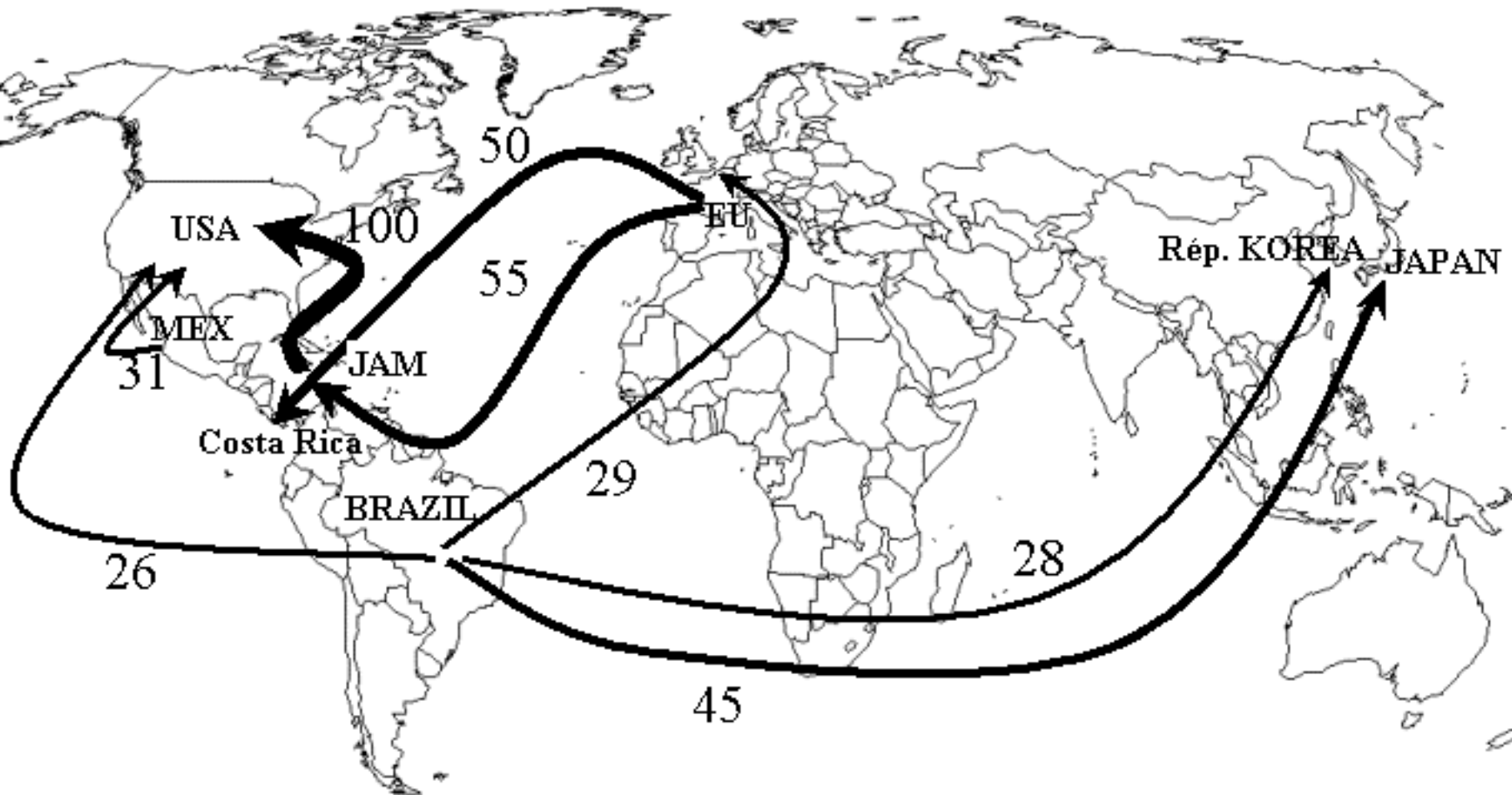


International Trade of Bioethanol

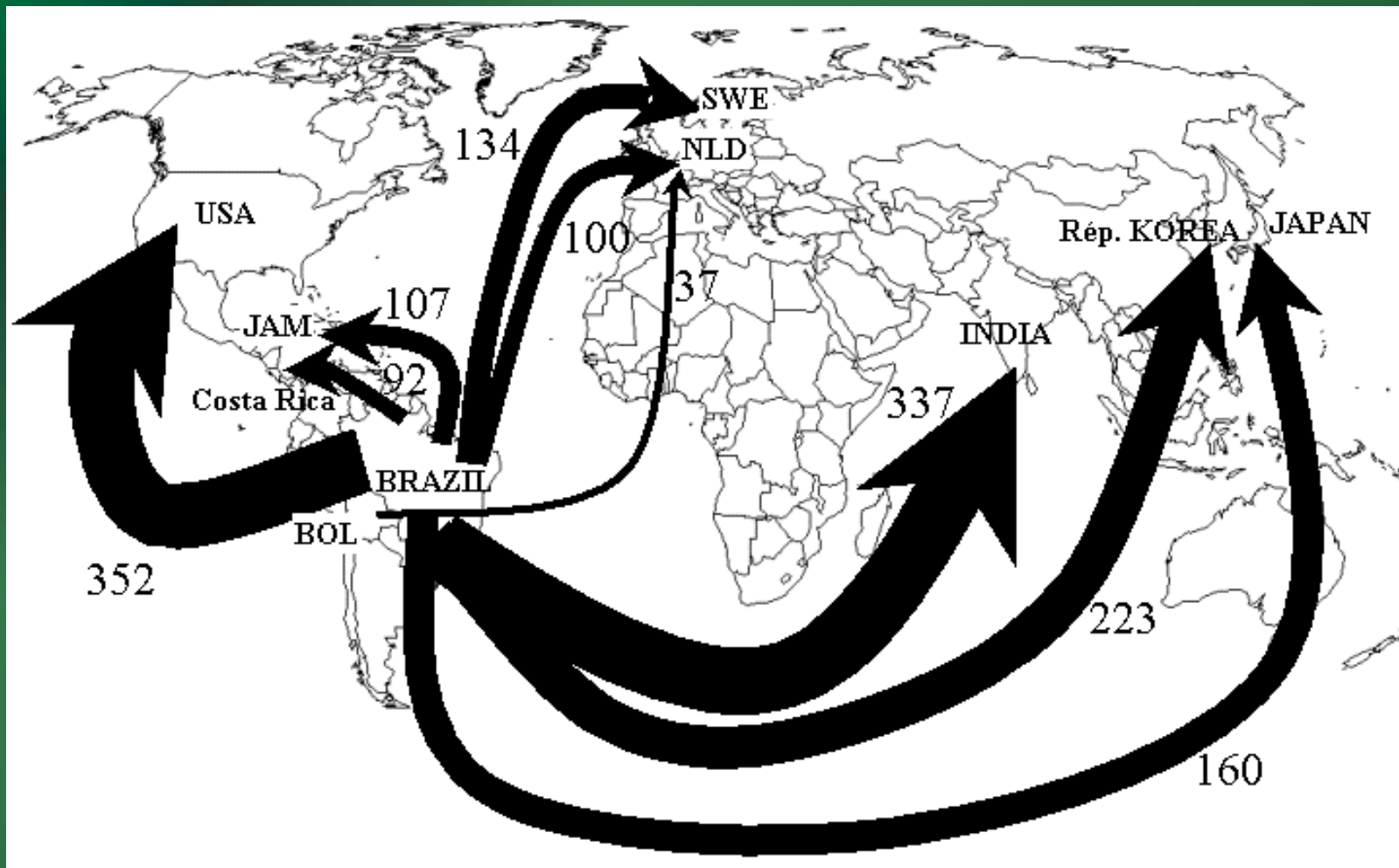
- **Strong expansion**
- **Brazil dominates exports, but other developing countries such as China, South Africa, Pakistan, Caribbean Basin Initiatives (CBI) – are becoming active exporters**
- **International trade in feedstocks did not register any relevant change between 2000 and 2004**
- **Producers are relying on domestically-produced feedstocks**



Flows of ethanol in 2000 (thousand tons)



Flows of ethanol in 2004 (thousand tons)



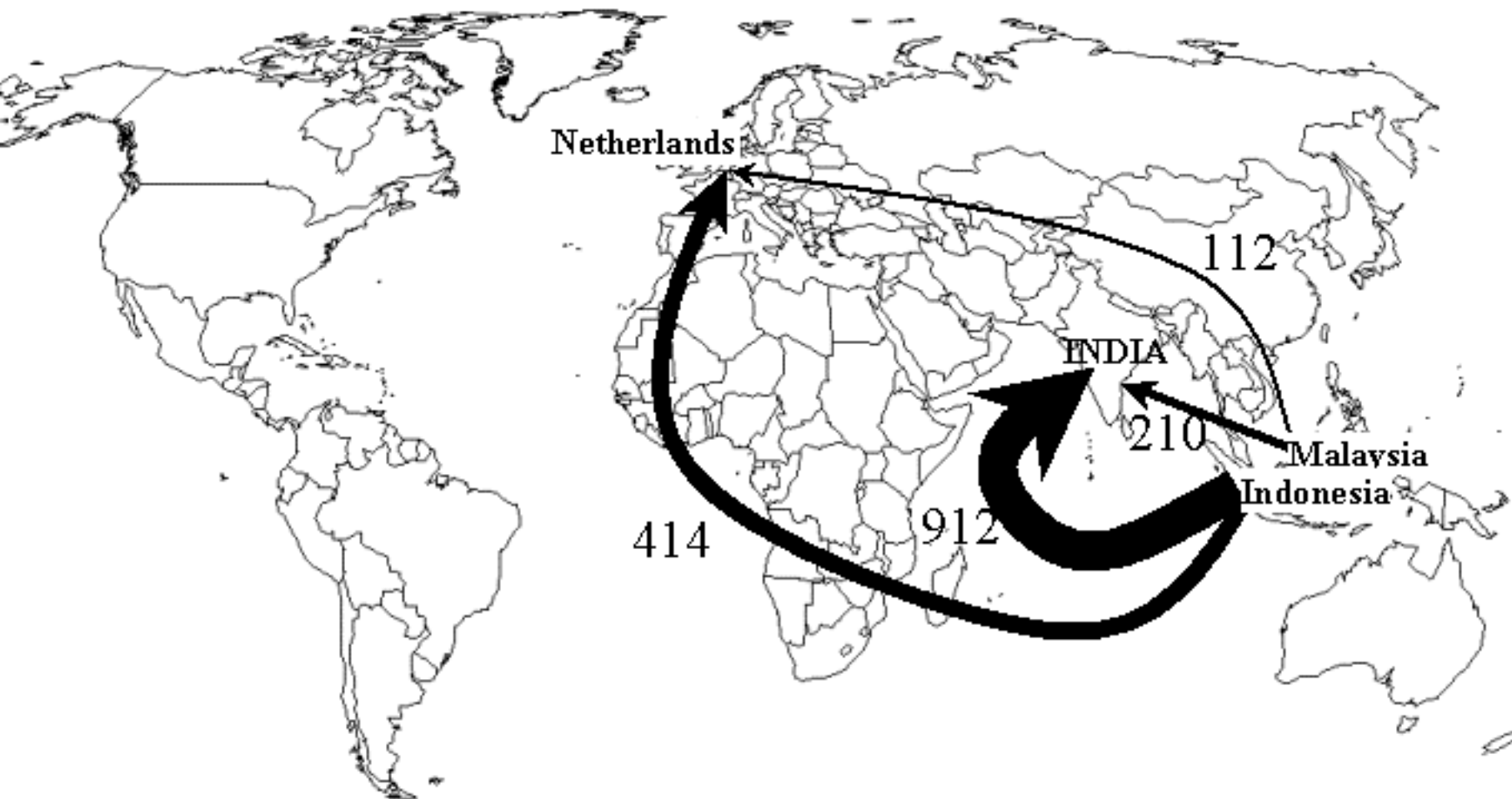
Total trade of ethanol: 3 billion liters.

Total production of ethanol: 32 billion liters

International Trade of Biodiesel

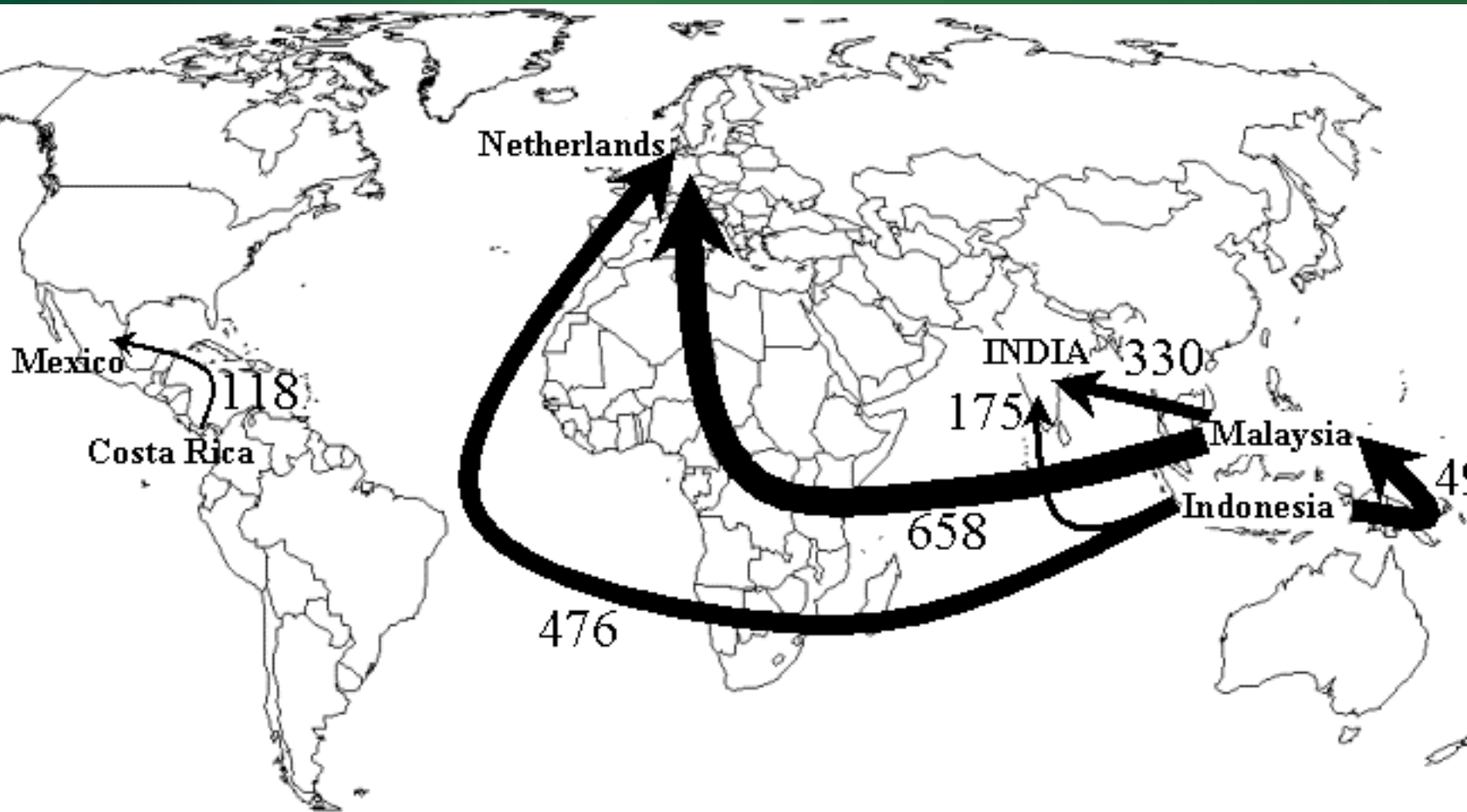
- No significant international trade
- Production concentrated in the European Union. But heavy flow of ongoing investments in several developed and developing countries --- future exporters
- International trade in feedstocks is expanding
- For the time being, feedstocks (and not **biodiesel**) are traded internationally

Main flows of palm oil in 2000 (thousand tons)





Main flows of palm oil in 2004 (thousand tons)





Tariff regime

- **Limited duty-free, quota-free treatment in EU and US**
- **Otherwise, biofuels face tariffs and non-tariff measures which offset lower production costs in producing countries and represent significant barriers to imports**



Labelling and certification

- **Criteria and certification systems in the making → to prove overall sustainability**
- **Precedents in forestry, agriculture and electricity sectors**
- **Concerns**
 - **Criteria/certification may become trade barriers**
- **Questions**
 - **What should be done to avoid it?**
 - **Producers involved in the development of criteria; TA to improve certification capacity & credibility, transparency**

Development challenges

- **Enough land for all purposes?**
 - Probably yes, especially when the new technology becomes available. Some biofuels crops can be grown in poor land (e.g. jatropha).
- **Possible negative impacts on food import bills?**
 - Probably yes in the short terms. But positive effects possible in the longer term
- **Will small producers benefit from emerging feedstock/ biofuels markets?**
 - Probably only if supporting mechanisms and arrangements are in place

UNCTAD Biofuels Initiative

- Launched in June 2005 in Paris/IEA
- Serves as a “meeting point” for existing initiatives/activities on biofuels
- Provides developing countries with:
 - Economic, legal and trade policy analysis
 - Capacity building activities
 - Consensus building tools



New challenges and UNCTAD's role

- **Certification/labelling** How suitable would be to establish a system of coordination among the different initiatives to ensure overall coherence and transparency? Could UNCTAD be called upon to play such a coordinating role?
- **Assessment** Specific country-based assessments may facilitate the task of singling out those countries which are best placed to engage in the biofuel industry. UNCTAD could be called upon, along with other relevant international organizations, to conduct such assessments.

- **CDM** Using the Kyoto Protocol mechanisms to leverage additional financing for biofuels is still lagging. Could UNCTAD play a role, along with other relevant international organizations, in making the CDM a real drive for sustainable development investments in developing countries?
- **Knowledge gaps** A dedicated web site which collects and makes available information and analysis on the biofuels industry and market may contribute to overcoming some of the existing gaps. Could UNCTAD be called upon to set up such an instrument?



THANK YOU

Lakshmi.Puri@unctad.org

www.unctad.org/biofuels

