

International Conference on Biofuels
Plenary Session V – Biofuels and the International Market

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Summary of the Discussions

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The establishment of a global market for biofuels

- Agro-energy, rather than bio-energy, would be a more adequate term to define energy production from agricultural sources, as part of an integrated approach.
- Climate change and energy security are both global challenges that require a global solution. The emergence of a global market for biofuels can contribute positively to this end.
- It is important that developing countries in formulation their biofuels strategies aim for triple win opportunities: for the environment, for development, and trade.
- As such, reduction of greenhouse gases emissions, income and job creation, particularly in rural areas, and energy security are the main drivers for a global biofuels market. Taking these factors into account, sugarcane is recognized as the most competitive low-carbon source of energy. However, full deployment of biofuels depends on overcoming social, environmental and trade challenges.
- With regard to energy security dimension, guarantee of supply is an important component. As such, there is an acute need for increased number of producers. Strict and unreasonable sustainability standards could prevent new producers entering the market.
- Although there is a restricted trade flow in biofuels (currently, only 10% of global production is traded internationally), a global market is yet to be established. This will only be achieved with more producers (supply), more consumers (demand), and less trade barriers, be it tariff and non-tariff barriers.
- Demand creation through government action and production incentives (mandates) is a critical condition for increasing supply and for the development of a global biofuels market.

- A robust global market will stimulate investments in sustainable biofuels, which could benefit from CDM opportunities, and eventually will pave the way for second generation biofuels.
- To boost the creation of a full-fledged global market for biofuels, there is a need for an enabling regulatory environment at national, regional, and global levels.
- The international community is facing a food, an energy, and a financial crisis, which have linkages both in terms of opportunities and challenges to biofuels. It will be important to ensure that biofuels strategies can contribute positively to resolving these crises.

Trade rules related to biofuels

- Biofuels can be a unique development opportunity, but one should keep in mind the challenges involved to ensure they can deliver their promise.
- One of the trade challenges is to achieve, within the framework of WTO, the classification of biofuels as environmental commodities.
- Trade in biofuels should be open, requiring the reduction of tariffs, taxes, and technical barriers to trade, and fair, through the elimination of agricultural subsidies and other non-tariff barriers.
- It is questionable whether social and environmental standards for biofuels are WTO compatible.
- Under WTO rules, developing countries have policy space in supporting their infant industries. As such, this could be applicable in the development of their national biofuels programs.

Social and environmental sustainability criteria for biofuels

- Sustainability has a social dimension. One should consider both the benefits of a free market for biofuels and the responsibility for ensuring an acceptable labor environment in the industry.
- There is a need for sustainability standards that sort out biofuels that can be considered sustainable from those that cannot. Carbon footprint and net energy and GHG balance are becoming the metrics of the future. However, it should be taken into account that no such sustainability standards are imposed on the oil industry.
- Comprehensive certification schemes, that is, those that attempt to encompass all social, environmental, and technical aspects of biofuels production, could lead to difficulties in their administration and enforcement. As a consequence, such schemes could amount to disguised and discriminatory restrictions to trade, preventing the

expansion of biofuels production into new countries. Moreover, it could bring about distortions in the multilateral trading system.

- Sustainability criteria should be inclusive, transparent, science based and multilaterally agreed. As a sustainability criterion, indirect effects of biofuels production, such as indirect land-use change, remain a contentious issue.
- Compliance costs to certification schemes are usually higher for developing countries.
- One should establish factual comparisons for greenhouse gases emissions reductions as well as cost-effectiveness among all energy sources: solar, wind, biofuels, hydro, fossil fuels, and nuclear when addressing sustainability aspects of energy production.

Economic opportunities for developing countries

- Biofuels can benefit both exporting and importing countries, the former by generating revenues, and the latter through savings from less oil imports and energy diversification.
- Potential of biofuels production in developing countries, particularly in Africa, is higher than in temperate countries. However, significant regulatory, economic and financial constraints need to be addressed for a viable biofuels strategy. Therefore, to become able to produce and use biofuels sustainably developing countries need access to credit, adequate technologies and human capital.
- Sugarcane based ethanol creates other benefits beyond the fuel production, allowing also for electricity generation, sugar and even plastics.
- International cooperation is essential to support developing countries in breaking the cycle of exporting raw materials and becoming exporters of more value added products, such as biofuels. South-South and triangular cooperation are especially suited modalities and are an important component of a global partnership for development, which could be supported by relevant international organizations.