Experiences with the international trade of biofuels in Europe

Malgorzata PEKSA - ETA Renewable Energies, Florence (Italy)

Biofuel Marketplace
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Drivers for biofuels production and international trade

1. Tackling climate change – cost effective GHG emission reduction

2. Socio-economic development – (diversification of agricultural production, job creation)

3. Fuel supply security

4. Sustainable management of natural resources
EU biodiesel production and trade

- The EU, which is the world’s leading producer and consumer of biodiesel, used slightly more than 20 percent of its oilseeds production in 2004 to turn into almost 2 million tonnes of the biofuel.

<table>
<thead>
<tr>
<th>Country</th>
<th>2002 (in 1000 t)</th>
<th>2003 (in 1000 t)</th>
<th>2004 (in 1000 t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>25</td>
<td>32</td>
<td>57</td>
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<tr>
<td>Czech Republic</td>
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<td>70</td>
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</tr>
<tr>
<td>Denmark</td>
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<tr>
<td>France</td>
<td>366</td>
<td>357</td>
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</tr>
<tr>
<td>Germany</td>
<td>450</td>
<td>715</td>
<td>1035</td>
</tr>
<tr>
<td>Italy</td>
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<td>Slovak Republic</td>
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<tr>
<td>Spain</td>
<td></td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>Sweden</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>1134</td>
<td>1504</td>
<td>1933</td>
</tr>
</tbody>
</table>
EU Biodiesel production and trade

- **Germany** - the leading biodiesel producer and consumer. The rapid development due to favorable legislation, the absence of quotas and a low price for vegetable oil associated with a high price for biodiesel fuel.

- **France** - unfavorable national legislation. However the French Government recently announced that 4 new biofuel processing plants of 200,000 Mt production capacity each will be built by 2007.

- **Italy** - biodiesel production expanding rapidly - an annual growth of more than 30 percent the last two years.

- **Denmark** - no tax exemptions. This makes the biodiesel non-competitive in Denmark, explaining why almost all of it is exported, principally to Germany.

- **The New Member States** - only the Czech Republic has developed a significant biodiesel production.

- **Austria** - about 90% of the production is exported to neighbouring countries (Germany, Italy)
EU Biodiesel production and trade

Main characteristics of the EU biodiesel trade:

• Biodiesel imports into the EU are subject to an ad valorem duty of 6.5%

• No significant external trade since the EU is by far the world’s biggest producer

• Although technical traits are reported to be less favourable than for rapeseed oil, biodiesel generated from imported soya and palm oil can be mixed in low percentages with rapeseed biodiesel without major problems.
The EU makes 10 percent of the world’s ethanol, using around 1.2 million tonnes of cereals and 1.0 million of sugar beet in 2004: the equivalent of 0.4 and 0.8 percent of the bloc’s overall cereals and sugar output respectively.

<table>
<thead>
<tr>
<th>Country</th>
<th>2002 (in 1000 t)</th>
<th>2003 (in 1000 t)</th>
<th>2004 (in 1000 t)</th>
</tr>
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<tbody>
<tr>
<td>Czech Republic</td>
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<td>Spain</td>
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<tr>
<td>Sweden</td>
<td>50</td>
<td>52</td>
<td>52</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>388</strong></td>
<td><strong>355</strong></td>
<td><strong>404</strong></td>
</tr>
</tbody>
</table>
Spain, France and Sweden are the biggest ethanol producers in the EU.

The success of ethanol production in Spain can be explained by the fact that the government does not collect any tax on ethanol. In addition there is an increasing number of plant projects.

In Sweden bioethanol consumption is much higher than production. Therefore it is imported from Norway, Spain, Italy, France and Brazil. The most expensive imported ethanol is wine ethanol from France, and the cheapest is sugar-cane ethanol from Brazil.

Of the EU New Member States only Poland has developed the bioethanol sector in a significant way.
The principal bioethanol trade trends

- Italy and the Netherlands are the biggest importers of ethanol in EU

- There is currently no specific customs classification for bioethanol for biofuel production. It is traded under code 2207, which covers both denatured - subject to an import duty €10.2 per hectoliter and undenatured alcohol - subject to an import duty €19.2 per hectoliter

- Average imports of bioethanol increased by 77% over 2002-2004 compared to the previous three-year, when they totalled 1 450 000 hl

- Over that period 70% of these imports were traded under preferential conditions, of which almost 61% were duty-free, while 9% benefited from some type of duty reduction
The principal bioethanol trade trends

- 30% of EU trade under code 2207 takes place under MFN (most favoured nation) conditions.

- Over the 2002–2004 period, Pakistan was the largest duty-free exporter with an average of 502 000 hl, followed, at a distance, by Guatemala with 230 000 hl;

- Brazil is the only country capable of exporting large quantities as MFN, with an average of 650 000 hl over the same period, with the second MFN exporter, the USA, on only 20 000 hl;

- Ukraine accounts for the vast majority of imports at reduced duty, with 108 000 hl over the 2002–04 period. Egypt came second with over 43 000 hl.
Increasing amounts of imports take place under headings other than 2207 (for instance under heading 3824 when bioethanol is blended with petrol, attracting a normal customs duty of around 6%)
Biofuels trade barriers

- Lack of international harmonization for the cross-border trade guarantee
- The EC Auto Oil Directive forbids higher blending rates than 5%
- Dependence on local producers (even in countries not naturally endowed for the growth of biomass)
- R&D support directed preferentially to “clean fossil fuels”, which will maintain unsustainable consumption patterns.
Biofuels trade barriers

Two camps of EU countries represent different approach to boost EU biofuels use: those happy to see a reasonably high level of imports, and those that wanted to encourage domestic biofuels production

- Several states, including France, Belgium and Italy, are keen to see high import tariffs. France additionally suggests redefining the technical specifications of some of the EU’s customs product codes to specify the agricultural origin of products like ethanol.

- Other countries like Spain and Portugal have voiced concern over the impact that higher EU production of biofuels might have on market prices for cereals and oilseeds.

- EU New Member States cannot benefit from a special subsidy for energy crops that only the countries in the old EU-15 get at present, since it was agreed as part of the EU’s mammoth farm reform in 2003.
Key issues for the future

- Feedstocks
- Standards
- Technological development
- International trade chains
Key issues for the future

IEA Bioenergy TASK 40: Sustainable International Bio Energy Trade: securing supply and demand
www.fairbiotrade.org

The objective: to investigate what is needed to create a “commodity market” for bio-energy

A reliable supply of biomass and a reliable demand for bioenergy is vital to develop stable market activities, aimed at biomass trade.

Participating countries:
- Brazil, Canada, Finland, Italy, Netherlands, Norway, Sweden, UK.
- In addition two international institutions, FAO and the World Bank
Thank you for your attention!

Malgorzata Peksa
ETA Renewable Energies
Piazza Savonarola 10
I 50132 Florence, Italy
Tel.: + 39 055 5002174
Fax: + 39 055 573425
e-mail: gosia.peksa@etaflorence.it
Website: www.etaflorence.it