

Escalating Biofuels Protectionism – in Europe and the World

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The Trumans Doctrine of Biofuels Trade Disputes



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The Rise of Biomass Protectionism?

- "Death of Distance": Falling transport costs have increased competition
- Technological advantage in many SE Asian and Latin America countries
- Climate change policies

EU Biomass Protectionism

- EU forest and forestation policy
- FLEGT
- Illegal logging prohibition
- Trade defence measures
- Consumer standards

EU Biofuels Protectionism: Tariffs

- 6.5% for biodiesel, 0-3.2 % for crude vegetable oils
- Zero tariffs for countries with GSP status (e.g. Indonesia)
- GSP reform under way (Malaysia, Argentina excluded – calls for Indonesia to be excluded, too)

EU Biomass Protectionism: Subsidies

	Units	Ethanol	Biodiesel
Total transfers	Mn EUR	1 290	2 436
Support per litre consumed	EUR/litre	0.74	0.5
Support per gigajoule (GJ)	EUR/GJ	35	15
Support per litre of petrol or diesel equivalent	EUR/litre equivalent	1.1	0.55

EU Biomass Protectionism: Subsidies

	Units	Ethanol		Biodiesel	
		<i>From sugarbeets</i>	<i>From grains</i>	<i>From used cooking oil</i>	<i>From rapeseed oil</i>
Support per litre equivalent of fossil fuels displaced	EUR per litre equivalent	1.7-2.2	3.5-5	0.6-0.7	0.9-1.2
Support per tonne of CO ₂ -equivalent emission avoided	EUR per tonne	575-800	2100-4400	210-220	600-800
<i>NB: Market price of a CO₂-equivalent offset*</i>	EUR per tonne			3.5-26	

Global Biofuels Protectionism

- Tariffs (other producers)
 - Subsidies (US)
 - Standards (US)
 - Labelling requirements (Australia)
-
- Conclusion: Focus on the EU
 - Market size and trail blazer

Renewable Energy Directive

- Overall targets for biofuels
 - Increase the use of renewable energy sources to 20 percent by 2020
 - Share of biofuels in transport (equal for all countries) 10 percent by 2020
 - Introduction of sustainability criteria

Sustainability criteria

- *Emissions-related criteria*: greenhouse gas emission savings at least 35%; 50% from 2017; 60% for new production after 2016.
 - NB: changes to be fast-forward in an "ILUC deal"
- *Land-related sustainability criteria*: biofuels must not have been made from raw materials obtained from 1) *land with high biodiversity value*; 2) *land with high carbon stock*; 3) *peatland*

GHG Savings in RED

Biofuel Production	Typical GHG saving	Default GHG saving
Rapeseed biodiesel	45	38
Palm oil biodiesel	36	19
Soybean biodiesel	40	31

Renewable Energy Directive

- Designed to qualify all EU-produced rapeseed biodiesel
- Especially difficult for foreign competitors to EU rapeseed biodiesel (soybean and palm oil)
 - Fail GHG default values
 - Land expansion difficult
- Will most likely lead to market access restrictions

Why EU Biofuels Protectionism?

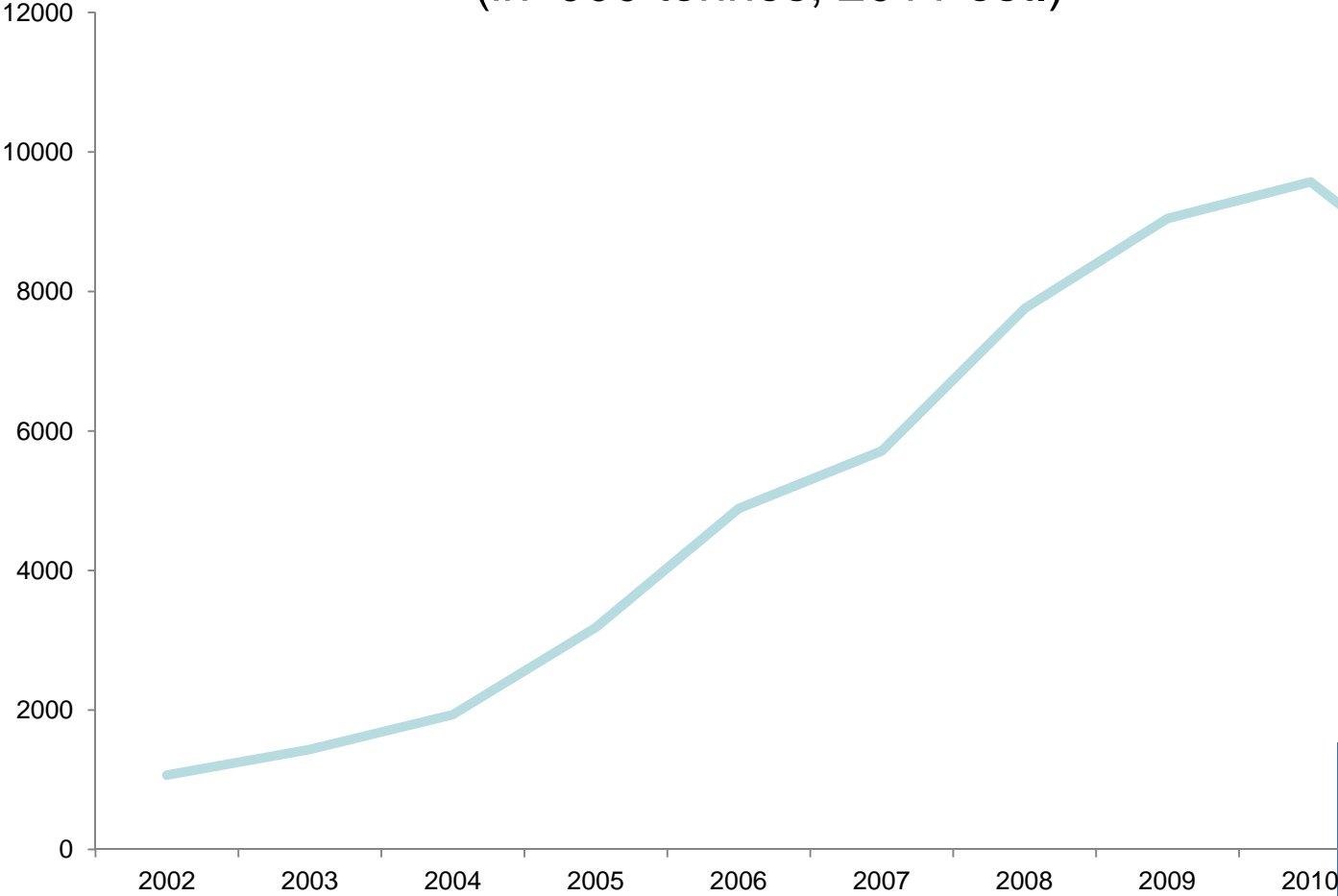
- Industrial policy ambitions
 - Agriculture
 - Central plank of subsidy reform
 - Incentivise production for market and shrink single farm payment
 - Foreign competition (crude and biodiesel) drives down prices
 - Government support to decline; expansion requires high prices

Why EU Biofuels Protectionism?

- Industrial policy ambitions
 - Industry
 - Speed of production increase declined – possibly reversed

EU Biodiesel Production 2010

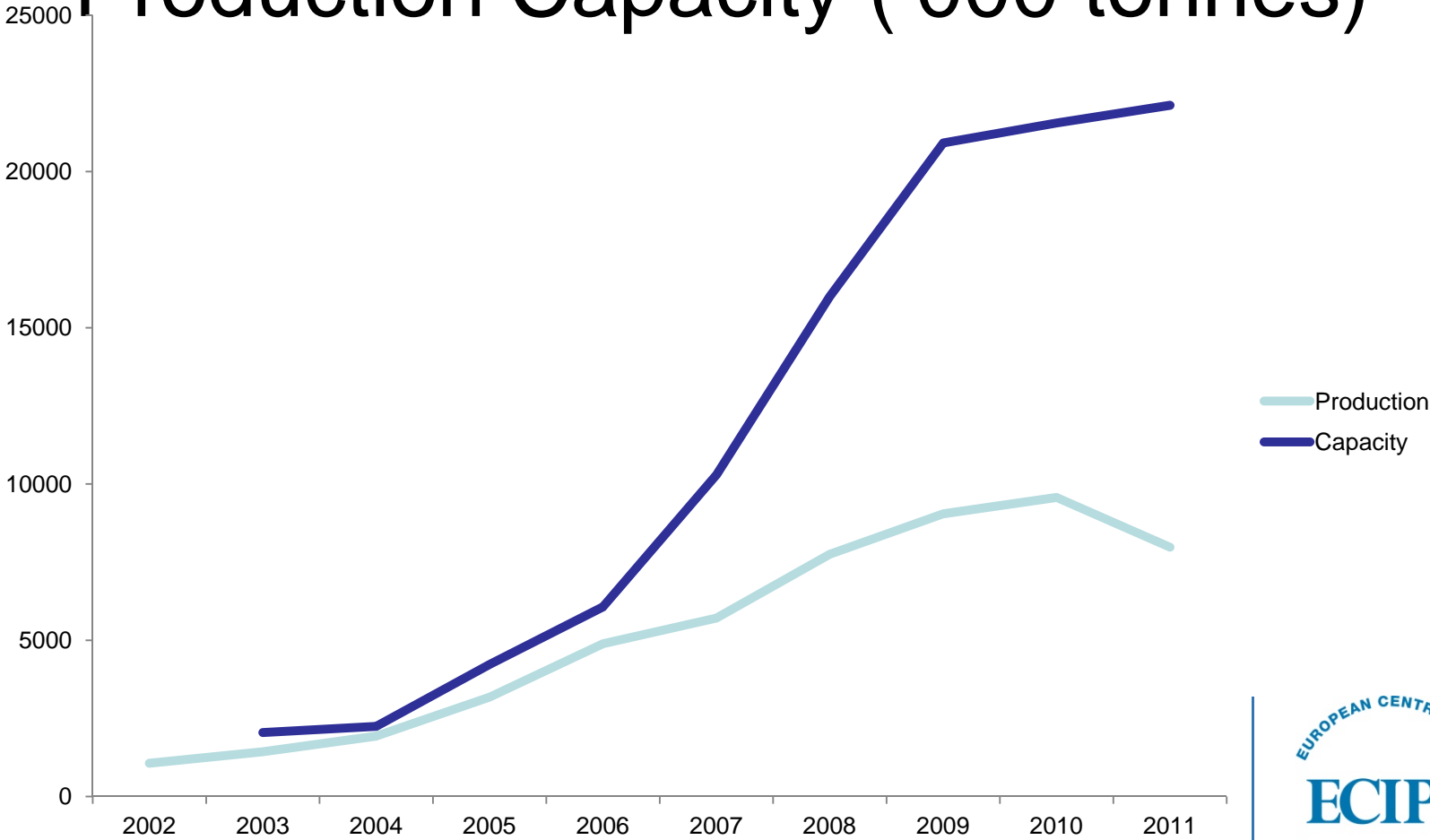
(in '000 tonnes, 2011 est.)



Why EU Biofuels Protectionism?

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 - EU industry over-invested – huge unutilized capacities

EU Biodiesel Production and Production Capacity ('000 tonnes)

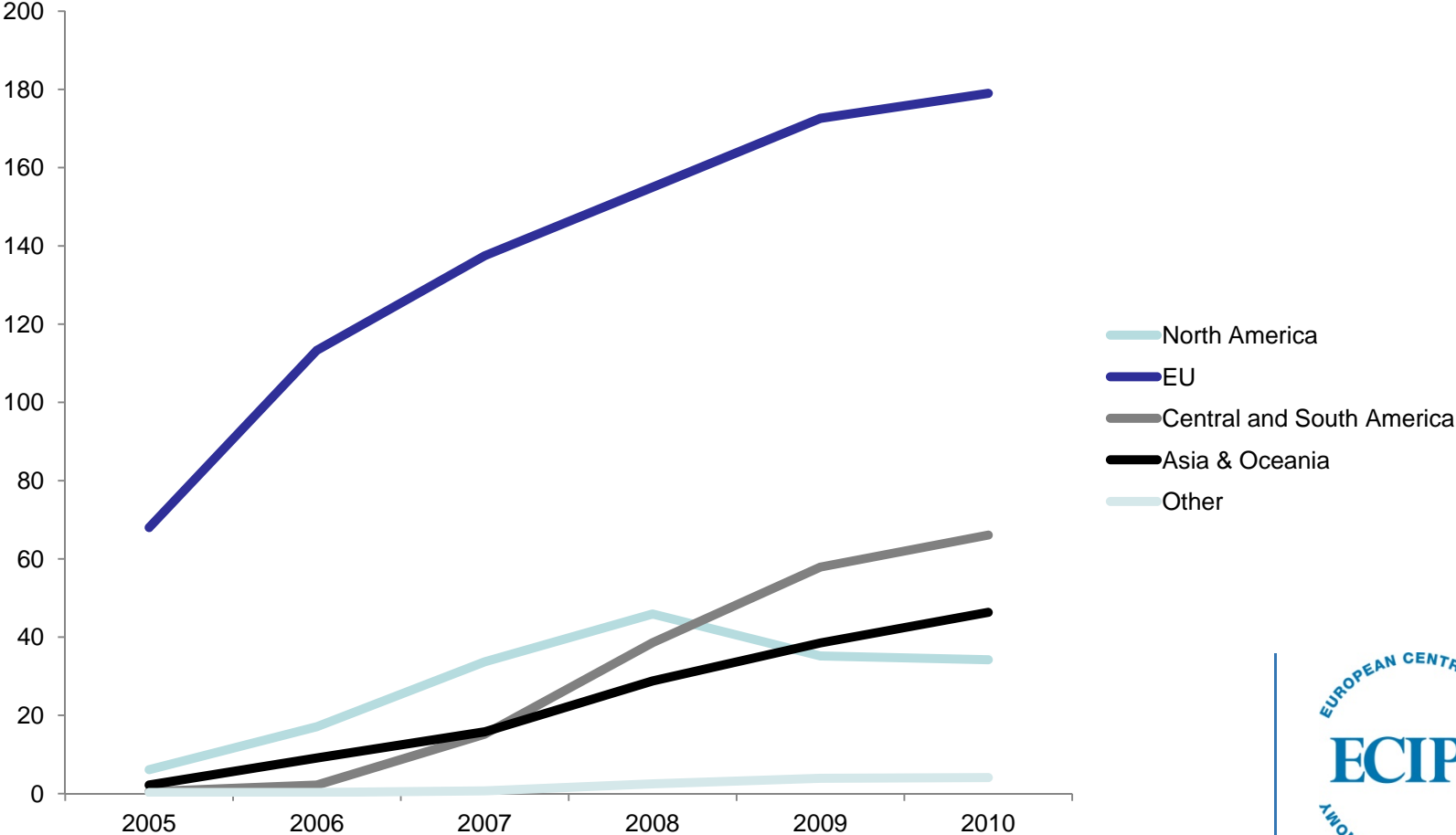


Why EU Biofuels Protectionism?

- Industrial policy ambitions
 - Industry
 - Speed of production increase declined – possibly reversed
 - EU industry over-invested – huge unutilized capacities
 - Significant downward risks: loosing existing production

World Biodiesel Production

('000 barrels/day)



Consequences for Indonesian Palm Oil

- Demand increase to moderate
- EU trade defence probe of biodiesel likely in 2012
- Market access restriction for Indonesian crude and biodiesel likely in 2012/13
- EU biofuels policy may collapse and tax incentives will be eliminated – with consequences for general increase in market demand