

# An Examination of U.S. and EU Government Support to Biofuels: Early Lessons

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# **US and EU Government Support**

- Drivers
- Policies
- Implications
- Recommendations

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#### **Drivers**

- Integrate easily into transportation infrastructure
- Energy security
- Environmental sustainability
- New market for agricultural commodities



#### **Policies – US Mandates**

#### Renewable Fuels Standard

- 4 billion gallons 2006
- 7.5 billion gallons 2012 (likely to meet this in 2009)
- 36 billion gallons by 2022?



#### **Policies – EU Mandates**

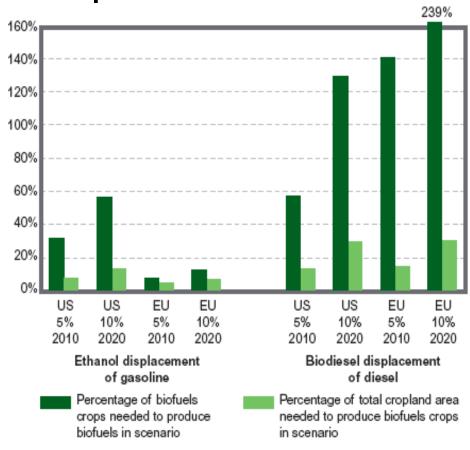
- 2003 Biofuels Directive: 2% by 2005; 5.75% by 2010
- European Council March 2007: endorse goal of 10% by 2020

# Estimated Required Crops and Cropland Needed to Produce Biofuels

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Source: IEA.





#### **Tax Incentives and Tariffs: US**

- US Volumetric Ethanol Excise Tax Credit: \$.51 per gallon
- Biodiesel tax credit: \$1.00 per gallon (virgin oils and fats); \$.50 from recovered oils and fats
- US ethanol tariff: \$.54 per gallon



#### **Tax Incentives and Tariffs: EU**

- No uniform EU tax incentive
- Germany applied to all biofuels
- France coupled with quota for domestic biofuels
- Tariff on ethanol E19.2 per hectoliter



### Implications - Price

% change 2005 to mid-May 2007:

Maize - 68%

Wheat - 27%

Sugar – 6%

Palm Oil – 43%

Soybean oil – 29%

Rapeseed oil – 19%



# **Price and Trade Impacts Vary**

- Food Security Concerns for net importing LDCs and net importers within developing countries
- Producers and exporters welcome higher commodity prices
- Opportunities to fill export gap
- Limited export possibilities for biofuels and feedstocks



#### Recommendations

- I. Clarify intent behind support
- II. If objective is energy security and desire to reduce GHG emissions, set policies accordingly
- III. Useful to clarify WTO rules
  - -tariffs: Ag or NAMA? Environmental Goods?
  - -subsidies: like products? Ag or NAMA? Amber or Green Box?



#### Recommendations

- IV. Establish internationally agreed standards
  - feedstock neutral technical standards
  - Focus on priorities for sustainability criteria
  - Don't overlook economic sustainability



#### **Thank You!**

www.agritrade.org

http://www.agritrade.org/Publications/EU\_US\_Biofuels. html