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

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!

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http://www.agritrade.org/Publications/EU_US_Biofuels.html