



International Centre for Trade
and Sustainable Development

Towards a Sustainable Bioenergy Strategy

The Role of International Trade

Summary of Discussions

Biofuels hold promise for curbing carbon dioxide emissions, reducing dependence on imported fuels and generating employment in the agricultural sector, but also pose challenges with regard to their potential impact on food security, environmental sustainability and social justice.

An ICTSD side event held during the UN Conference on Climate Change in Nairobi brought together experts and stakeholders from the fields of trade, energy and environment to debate the opportunities and challenges presented by biofuels.

While only one tenth of global biofuel production is currently internationally traded, such trade is expected to grow considerably given the divide between countries with comparatively lower production costs and those with the greatest demand for biofuels. Maximising trade opportunities would require a better understanding of international trade rules that influence the production and trade of biofuels. Such rules revolve around market access – including issues of tariff and non-tariff barriers, subsidies, and the question of whether standards and certification mechanisms would be needed in order to ensure environmental and social sustainability of production and trade.

Several WTO negotiation areas are relevant to biofuels trade, including in particular agriculture, industrial products and the liberalisation of environmental goods and services. Ethanol and biodiesel fall under different product classifications in the WTO – ethanol is considered an agricultural product, while biodiesel is classified as a chemical (industrial good).

Participants examined the implications of this distinction in terms of WTO rules and disciplines, particularly with respect to tariffs and subsidies. In the Doha Round negotiations, the tariff reduction formula envisaged for industrial goods is much more ambitious than that for agricultural products.

Subsidies received much attention, not least because domestic agricultural support accounts for a large share of both production and trade-distorting subsidies, and many heavily-subsidised crops can also be used in the production of biofuels.

Many participants recognised the need for some form of initial support to make biofuels economically viable, but they also widely shared the view that subsidy disciplines might be needed to prevent a distorted global market.

Several concerns were raised regarding the potential impact of the production of biofuels from food crops such as corn, wheat, soybeans and sugar. Since cereal grains make up 80 to 90 percent of food for people worldwide and more than 800 million people are still affected by malnutrition, potential impacts on food security and global food prices – which may be positive for some and negative for others – need further study.

Large scale expansion of biofuel production could also present serious risks of further encroachment into the world's forests, damage to local and global biodiversity, as well as provide an incentive to extend monoculture in agriculture. In addition, greater understanding is needed of the effective energy and greenhouse gas balance of biofuels, including whether they produce more energy than is used in their production, and whether they offset more greenhouse gases than they generate during their life-cycle.

Participants recognised that biofuels were a promising source of energy with major implications for global competitiveness, energy security, climate change and socio-economic development, but also that there were uncertain social and environmental consequences. As many of biofuels' opportunities and challenges are likely to be influenced by current and future trade rules and disciplines, there is a need to involve all relevant stakeholders in crafting these rules to maximise the contribution of biofuel trade to a sustainable global bioenergy strategy.

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