

## **Argentine-European Biofuels Trade: *Proposals for the transparent development of an industry***

By Carlos St. James

### **Summary**

- The renewable energies industry is among the fastest-growing in the world, with a global compound annual growth rate of 64% over the last five years. In Latin America this growth is even more pronounced: 145% annually over the last five years, showing that global investors have come to the realization that the region has the most promising natural resources to develop biofuels and wind, solar, geothermal, biomass, etc., energies (*page 2*);
- The European Union imports more than half its energy needs; studies have shown that this trend is likely to accelerate, with a growing dependence on Middle East OPEC countries for oil. However, the EU has established ambitious goals to use renewable energies and are leaders in renewable technology – which is in increasing demand in Latin America (*page 2*);
- The European biodiesel industry has been suffering from excess installed capacity for a number of years, yet continues to build new plants: installed capacity grew by 56% in 2008 and 31% in 2009, even though it has been operating at less than half of capacity for a number of years (*charts on pages 4 and 5*);
- Europe has known for years that it would not have sufficient feedstock (rapeseed/canola) for its biodiesel plants. Unfortunately, importing feedstock from countries with large surpluses such as Argentina has become economically unfeasible, creating a worrisome situation for the European industry. The advantage has fallen to those that have established clusters near the feedstock source and near distribution centers such as Argentina, as opposed to those near the consumers – such as Europe (*page 6*);
- There are those within the renewable energies industry in Europe that do not share a common vision of increased and fair trade, and have begun to accuse Argentina for problems created entirely within Europe, seeking to close international trade doors even though this will have a noticeably negative impact on European consumers: it will further increase dependence on OPEC oil and result in higher biofuel prices within Europe (*page 7*);
- This sector has begun a campaign to protect their interests, but is unfortunately using incorrect and misleading data to support their conclusions. They also accuse Argentina of engaging in illegal trade practices which they claim adversely affect the European biodiesel industry. This study provides the correct data and also shows that Argentina's economic development policy has been consistent, is transparent, is approved by the WTO and used by many nations around the world (*page 7*);
- An open and honest dialogue is proposed which will allow for greater trade between regions, as Argentina seeks to continue to export biodiesel to Europe while purchasing European technology for its rapidly-growing and much-needed wind, solar, biomass and hydro energy industry (*page 11*).



## Introduction

Argentina, along with the rest of Latin America, is poised to begin capturing more and more of the growing pie that is global renewable energies investment. According to a study<sup>1</sup> by London-based consultancy New Energy Finance, the global renewable energies industry invested \$155 billion dollars in 2008 alone and may well reach \$500 billion dollars in annual investment by 2020 if we are to keep the polar caps from melting. This means investment in sectors such as wind, solar, biomass and geothermal energy, biofuels and energy efficiency. This industry has been growing at a compound annual growth rate (CAGR) of 64% over the last five years globally; in Europe, at a CAGR of 56%. Another recent study estimates that by 2020 our industry will be the world's third largest after the automotive and electronic sectors.<sup>2</sup>

Yet this impressive growth is eclipsed by the growth rates in Latin America. The region captured \$12 billion dollars of the total in 2008, but this investment is growing at a CAGR of 145%, i.e., almost three times faster than Europe. Clearly, the world is coming to the realization that natural resources are most abundant in our region, and we are witnessing investments in the form of ethanol plants, wind farms, solar parks and geothermal facilities, among others. Argentina, with no shortage of abundant natural resources within its 2.8 million square kilometers (1.1 million sq. miles), is poised to receive an increasing share of these investments and to date has already done so in its highly efficient and professional soy oil-based biodiesel industry which have made it the world's fifth largest biodiesel producer. Additionally, this past December a government tender for electricity from renewable energies was oversubscribed by a whopping 43%, indicating that these sectors are very attractive to investors. Argentina, in other words, is on its way to becoming a major clean energy producer and exporter in the 21<sup>st</sup> century.

Europe, on the other hand, is a net importer of energy. EU-27's energy dependence in 2008 was a sobering 53.8%, deepening from 52.3% in 2005. In its *Green Paper on Energy Security*, the European Commission estimates that over the next 20 to 30 years, energy import dependence will rise to 70% overall and up to 90% for oil -- in the absence of policy action. One aspect of import dependence that raises particular concern in Europe is the increasing dominance of OPEC producers in the fuel mix. OPEC currently supplies 51% of European oil supplies, and the majority of that share originates in the Middle East. Also, since indigenous production is declining, an increasing share of EU's natural gas supply comes from Algeria, Russia and Norway, deepening Europe's overall fossil fuel import dependence.<sup>3</sup>

But Europe is actively seeking solutions and has set a 2010 target of generating 21% of its electricity from renewable sources such as wind, solar, hydro, and geothermal, as well as a commitment to provide 5.75% of its fuels from renewable sources such as biodiesel.

Herein lay the foundations for increased ties between Europe and Argentina, diversifying geopolitical risk away from OPEC by acquiring more biofuels from Latin America while facilitating

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<sup>1</sup> *Global Trends in Sustainable Energy Investment 2009*, New Energy Finance

<sup>2</sup> *Clean Economy, Living Planet -- Building Strong Clean Energy Technology Industries*, November 2009

<sup>3</sup> [www.globalchange.umd.edu/energytrends/eu/3/](http://www.globalchange.umd.edu/energytrends/eu/3/)



the sale of European wind, solar and other renewable energy technologies to our region. To date Argentina has used mostly European technology to build its biodiesel plants, and as our wind, solar, geothermal and biomass sectors now begin to take off, it is fair to say we will need increasing amounts of European technology to develop these as well.

But the success to date is at risk, to mention nothing of the potential for the future, because there are those in Europe who do not share this future of increased trade nor seem aware of the potential. In the last year they have defended their industry without having all the necessary facts at hand, at times providing inaccurate facts and figures regarding the Argentine biodiesel industry. But perhaps most damaging to the industry and establishing a dangerous precedent for all emerging economies, European industry now claims that our economic development model is illegal, suggesting we should remain a basic commodity producer in a classic Third World model and periodically threatening international legal action to ensure that this occurs.

This paper clears up the misunderstandings and presents an alternative solution.

### **Biodiesel Overcapacity in Europe**

At the heart of the European biodiesel industry's expansion of its biodiesel industry is a combination of excess venture capital, easy credit, and an inability to grow sufficient feedstock to supply all the biodiesel plants it has built.

Europe has invested hundreds of millions of Euros in biodiesel plants in recent years, and continues to install them even though overcapacity already reigns in the continent; signs of this were being reported in the European press as early as 2007.<sup>4</sup> Consultancy F.O. Lichts estimates that world biodiesel production remained constant at about 12.5 million tons in 2009 (compared to 12.7 million tons in 2008), while global installed capacity rose by about 12% to 37.9 million tons (from 33.9 million in 2008), with more than half of it – almost 21 million tons -- based in Europe.

Even though the European industry has been operating at approximately half of installed capacity for the last two years, it continues to invest, increasing capacity by 56% in 2008 and 31% in 2009 as seen in the following chart:

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<sup>4</sup> "Crisis in European Biodiesel Industry as Brazil and Argentina Produce at Full Capacity," Biopact, March 27, 2007. Link: <http://news.mongabay.com/bioenergy/2007/03/crisis-in-european-biodiesel-industry.html>

<b>Trends in European Biodiesel Installed Production Capacity, 2006-2009</b>						
<b>2009 Rank</b>	<b>(in '000 tons)</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>% change 2008-2009</b>
1	Germany	2,681	4,361	5,302	5,200	-2%
2	Spain	224	508	1,267	3,656	+189%
3	France	775	780	1,980	2,505	+27%
4	Italy	857	1,366	1,566	1,910	+22%
5	Netherlands	0	115	571	1,036	+81%
6	Greece	75	440	565	715	+27%
7	Austria	134	326	485	707	+46%
8	Belgium	85	335	665	705	+6%
9	UK	445	657	726	609	-16%
10	Poland	146	250	450	580	+29%
11	Portugal	146	246	406	468	+15%
12	Bulgaria	0	65	215	435	+102%
13	Finland	0	0	170	340	+100%
14	Czech Republic	203	203	203	325	+60%
15	Romania	0	81	111	307	+177%
16	Slovakia	89	99	206	247	+20%
17	Sweden	52	212	212	212	NC
18	Hungary	12	21	186	186	NC
19	Lithuania	10	42	147	147	NC
20	Denmark	81	90	140	140	NC
21	Latvia	8	20	130	136	+5%
22	Estonia	20	35	135	135	NC
23	Slovenia	17	17	67	100	+49%
24	Ireland	0	6	80	80	NC
25	Cyprus	2	6	6	20	+233%
26	Malta	3	8	8	8	NC
<b>TOTAL EU</b>		<b>6,069</b>	<b>10,289</b>	<b>16,000</b>	<b>20,909</b>	<b>31%</b>

Source: EBB

This significant gap in production versus capacity foretells increased international strain and conflict in the industry, as producers seek to keep their plants operational, as reflected in these capacity utilization rates for 2008:

<b>Production vs. Installed Capacity of the European Biodiesel Industry, 2008<sup>5</sup></b>			
<b>Country</b>	<b>2008 Capacity</b>	<b>2008 Production</b>	<b>Capacity Utilization</b>
France	1,980	1,815	92%
Slovakia	206	146	71%
Portugal	406	268	66%
Poland	450	275	61%
Romania	111	65	59%
Hungary	186	105	56%
Germany	5,302	2,819	53%
Czech Republic	203	104	51%
Finland	170	85	50%
Lithuania	147	66	45%
Austria	485	213	44%
Belgium	665	277	42%
Italy	1,566	595	38%
Ireland	80	24	30%
UK	726	192	26%
Latvia	130	30	23%
Greece	565	107	19%
Netherlands	571	101	18%
Spain	1,267	207	16%
Malta	8	1	13%
Slovenia	67	9	13%
Bulgaria	215	11	5%
Estonia	135	0	0%
Sweden	212	NA	NA
Denmark	140	NA	NA
<b>TOTAL EU ('000 tons)</b>	<b>16,000</b>	<b>7,755</b>	<b>48%</b>

Source: EBB

### **Insufficient Feedstock in Europe**

Coupled with the overinvestment in capacity, Europe has been aware for years of another major stumbling block to the industry's health: insufficient feedstock. As far back as 2002, studies have

<sup>5</sup> Note: production figures represent the total for the calendar year (over a period of time), while installed capacity figures are those at year end 2008 (a snapshot in time). Given that capacity increases during the course of a year as new plants come online, the above ratio provides a slightly different picture than the reality. Nonetheless, even considering this, an overall continent-wide utilization rate of approximately 48% still reflects a weak industry.

shown that Europe generally, and Germany specifically, was going to be incapable of growing sufficient feedstock to produce biodiesel for their own market.<sup>6</sup> As stated in one report,

Germany will not have the ability to provide enough domestically produced rapeseed to supply its expanding biodiesel industry. Increases in oilseed or vegetable oil imports, and/or corresponding decreases in exports will be needed. By 2010, an estimated 2.6 million hectares of rapeseed would be needed to produce the biodiesel to satisfy the 5.75 percent goal. This year [2002], Germany harvested an estimated 1.3 million hectares of rapeseed. Realistically, total German rapeseed area faces its natural limit at about 1.5 million hectares because of field phytosanitary [crop-rotational] reasons. Rapeseed oil is popular as a food, and the current area used for “food” use is about 900,000 hectares. This leaves 600,000 hectares potentially available. This will not be sufficient to satisfy industry needs.<sup>7</sup>

Importing soy oil from two of the world’s largest exporters, Brazil and Argentina, is an obvious solution and both countries are willing and able to supply feedstock to Europe. However, the global industry has evolved rapidly and long distance transportation of feedstock has become economically unviable in most instances: the competitive advantage has fallen to those that can produce biodiesel near the feedstock source as opposed to near biodiesel consumers. The rest of the global investment community has already discerned this and it helps explain why investment continues to pour into Brazil to build ethanol plants and to Argentina for biodiesel facilities. And within Europe, a clear transition can be seen in the installation of new capacity in Eastern European countries with greater feedstock availability, with a lag due to construction periods as seen in the following chart:

<b>Relationship Between Increased Rapeseed and Biodiesel Production, Selected Eastern European Countries (in '000 tons)</b>						
	<b>Rapeseed Production</b>			<b>Biodiesel Production</b>		
	<b>2003</b>	<b>2004</b>	<b>% change</b>	<b>2007</b>	<b>2008</b>	<b>% change</b>
<b>Czech Republic</b>	393	760	+93%	61	104	+70%
<b>Hungary</b>	91	208	+129%	7	105	+1500%
<b>Lithuania</b>	120	136	+13%	26	66	+154%
<b>Poland</b>	754	1224	+62%	80	275	+244%
<b>Slovakia</b>	54	230	+326%	11	146	+217%
<b>Europe total</b>	<b>11,065</b>	<b>15,462</b>	<b>+40%</b>	<b>16,000</b>	<b>20,909</b>	<b>31%</b>

Sources: EBB, COCERAL, USDA, FAO

Estonia and the Ukraine are also rapidly increasing rapeseed production, and it is likely that in the coming years we see new biodiesel capacity installed in those countries as well.

<sup>6</sup> *Germany: Oilseeds and Products, Biodiesel in Germany – An Overview*, USDA Foreign Agricultural Service, 2002

<sup>7</sup> <http://www.oilgae.com/energy/sou/ae/re/be/bd/geo/eu/de/de.html>



The Argentine biodiesel industry has focused on export markets since its inception in 2006; its domestic B5 requirement begins this year. The European biodiesel industry realized that Argentine soy-based biodiesel was going to become a problem to their market given its efficiency: the soy needed to produce the nearly one million tons of biodiesel exported to Europe in 2008 grows within a 120 mile (200 km) radius from the city of Rosario in Santa Fe province, and the area surrounding Rosario concentrates the bulk of the soy crushing industry. This industry cluster is large, modern and highly efficient. It can crush 150,000 tons of soy *a day* with which it produces value-added soy products to feed the livestock of the world. (Europe's livestock exists in large part thanks to Argentine soy meal.) And the industry is built on the shores of the mighty Paraná River -- an equivalent to the Mississippi River in its importance to commerce. Clustering and efficiency like this doesn't exist in any other biodiesel market in the world and this is unlikely to change as long as first generation biodiesel (i.e., made from edible oilseeds such as soy, rapeseed, sunflower, etc.) remains popular. No amount of German industrial efficiency can beat it.

In December 2008, Section 2 of article 15 of the EU's *Climate-energy Legislation Package* established that biofuels used in Europe must have a reduction of greenhouse gas (GHG) emissions of no less than 35% when compared to fossil fuels. It subsequently announced that palm oil-based biodiesel had been found to reduce GHG emissions by 56%; sunflower seed oil by 51% and rapeseed oil by 38%, all in compliance with the new directive. Soy oil biodiesel was found to reduce GHG emissions by only 31%, below the minimum threshold, thus blocking out Argentine biodiesel unless specific certification is obtained. However, as reported often by our organization and others, Argentine and U.S. studies have shown that GHG emission reductions from soy-based biodiesel are actually between 74% and 78%.

#### **A trade reduction campaign begins**

In July 2009 European biodiesel producers began to communicate<sup>8</sup> their intent to shut out Argentine biodiesel, which, if successful, will have a triple-negative impact on Europe: increasing its dependence on OPEC oil, increasing the cost of fuel within Europe (given that it has insufficient oilseed feedstock of its own and importing it is uneconomical), and dampening Argentina's appetite for cutting-edge European renewable energy technology -- although admittedly it will have the benefit of aiding the long-suffering European biodiesel production industry, which has continued to invest against all odds.

Unfortunately, the information being communicated to date has been incorrect.

The first were accusations of U.S. biodiesel shipments triangulating through Argentina to reach Europe and thus avoid the higher tariffs charged to the American producers. Upon learning of the accusations, the Argentine Renewable Energies Chamber ("CADER", by its initials in Spanish) assumed that there were some facts behind the accusations and contacted the European association to offer support; Argentina does not condone illegal triangulations, even if it might be coming from our own members (a third of the biodiesel plants approved for export by the Argentine Secretariat of Energy are members of CADER). In August our Chamber undertook an

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<sup>8</sup> "UE biodiesel producers eye strike against Argentine rivals", July 22, 2009. Link: <http://www.ebb-eu.org/pressdl/EU%20biodiesel%20producers%20eye%20strike%20against%20Argentine%20rivals.pdf>





analysis of biodiesel imports into Argentina with an eye to flesh out any improper activity. It also contacted the U.S. industry's primary organization, the National Biodiesel Board, requesting that they too look for U.S. biodiesel exports to Argentina. The only imports of U.S. biodiesel into Argentina that were unearthed from both analyses were samples being flown into the country. These findings were sent to the European Biodiesel Board (EBB) and reported in our chamber's latest industry update.<sup>9</sup>

CADER has never received acknowledgement of receipt of this information, nor has Argentina received an apology, however informal, for the unfounded accusations.

### **European Lawsuit Threats**

Then at the European industry's annual General Assembly on November 24, 2009, the industry decided that in 2010 it would address, "... the plight of Argentinian (sic) DETs [Differential Export Taxes] scheme and unfair biodiesel exports to EU, about which an action plan was established."<sup>10</sup> Wasting no time, after only two days it announced that the industry was considering legal action against Argentina to stem the rise in biodiesel imports. Among the data provided to the press to support this was that Argentina exported 800,000 tons of biodiesel from January to November 2009 (correct), compared to only 70,000 tons in all of 2008 (*very incorrect*), managing to make the increase itself sound ominous and worthy of legal action.<sup>11</sup> Media outlets printed this information without confirming its accuracy.

After losing credibility in the global marketplace for their misunderstanding regarding biodiesel triangulation, the EBB had to repeat this information in a press release dated December 18, 2009 in an attempt to gain attention for their plight. Unfortunately, this data was also incorrect, and by a wide margin.

Repetition of the press release was particularly difficult to witness given that in the interim CADER had alerted the EBB about the inaccuracy of their figures. And in any event these could easily have been checked beforehand, especially since there is easy access to correct data. Argentine production and export figures have been available since October 2008 when our chamber published the first of a series of updates on the state of the Argentine biodiesel industry,<sup>12</sup> and from before that have been available on the Argentine tax authority's website. These reports show monthly biodiesel export figures. The latest update, dated September 2009,<sup>13</sup> includes the

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<sup>9</sup> *State of the Argentine Biodiesel Industry: First Semester Update*, page 14, September 2009. Link: <http://www.argentinarenovables.org/archivos/BiodieselArgSept09.pdf>

<sup>10</sup> EBB press release dated November 26, 2009. Link: <http://www.ebb-eu.org/EBBpressreleases/PR%20Outcome%20of%202009%20EBB%20General%20Assembly%2020091126.pdf>

<sup>11</sup> "U.S. Ships Biodiesel to Europe, Bypassing Tariffs," November 26, 2009, Bloomberg. Link: <http://www.ebb-eu.org/pressdl/U.S.%20Ships%20Biodiesel%20to%20Europe,%20Bypassing%20Tariffs.pdf>

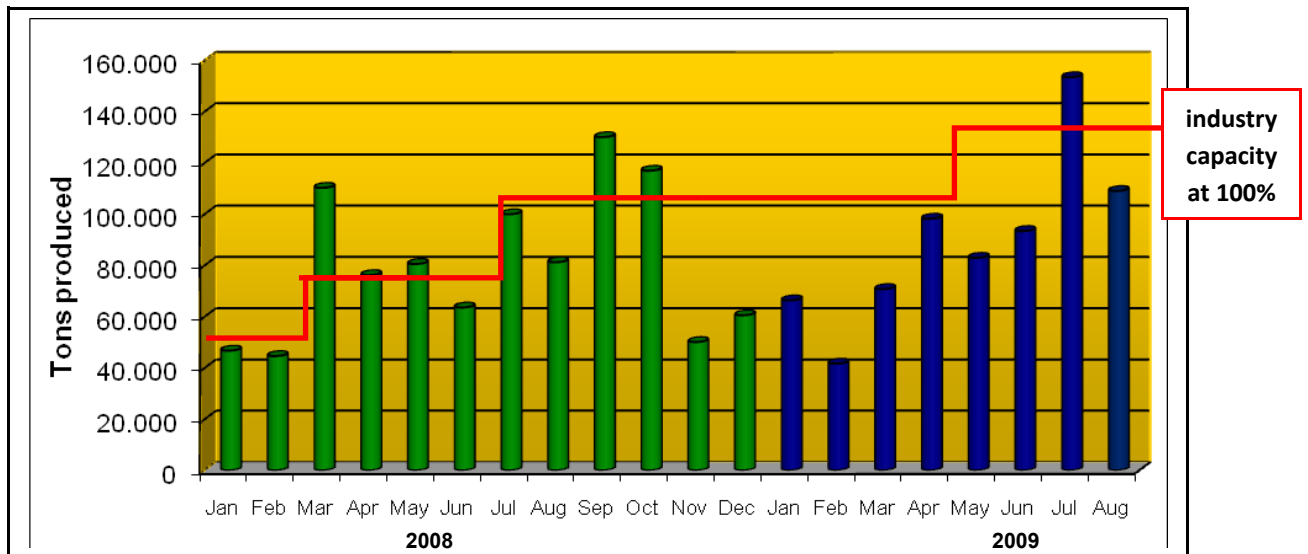
<sup>12</sup> *Outlook for the Argentine Biodiesel Industry*, CADER, October 2008. Link: [http://www.argentinarenovables.org/ingles/informes\\_estudios\\_ensayos.php](http://www.argentinarenovables.org/ingles/informes_estudios_ensayos.php)

<sup>13</sup> *State of the Argentine Biodiesel Industry: First Semester Update 2009*, CADER, September 2009. Link: <http://www.argentinarenovables.org/archivos/BiodieselArgSept09.pdf>



following graph on page 4 of the report, showing that biodiesel production exceeded 70,000 tons during at least seven months in 2008:

**Graph 1: Monthly Biodiesel Production in Argentina, 2008-2009**



Sources: AFIP, CADER, Infocampo

Given that the B5 internal market requirements under Argentine Biofuels Law #26.093 do not begin until this year, virtually the entirety of this production has been exported to date, almost all of it to Europe. Argentine biodiesel exports totaled just under *one million tons* in 2008 (not 70,000 tons as informed by the European industry association); exports in 2009 will be slightly over one million tons despite noticeably higher installed capacity. The European industry has also stated that Argentina’s exports have increased dramatically since the European imposition of additional tariffs on U.S. biodiesel in March 2009. Argentine biodiesel production was significantly below capacity during the first half of 2009; the above graph has the specifics and shows an industry slowly returning to viability after a drop in petroleum and biodiesel prices in the second half of 2008.

**Next: Accusations of Unfair Trade Practices**

But the most recent of Europe’s misunderstandings address the differential export taxes being levied on Argentine soy oil and biodiesel. Once again, we need to rectify the information being offered to the public in Europe.

Argentine soybean exports are currently taxed at 35%. Argentine soy oil is taxed at 32%, while biodiesel at 20% (this latter has a 2.5% reimbursement component, hence it is a net 17.5% export tax). Export tax information is available on the website of the Argentine Federal Public Revenue



Administration (*Administración Federal de Ingresos Públicos*, or “AFIP”). AFIP has an open website allowing anyone to track exports and imports and see taxes on products and services.<sup>14</sup>

Export taxes are a form of export control. Governments institute export controls to achieve public policy objectives such as revenue generation, to control domestic prices and supply, and to create incentives for economic development – as well as a myriad of other reasons.

*Differential* export taxes (DETs) are those in which the export tax on a processed product, e.g., wheat flour, is lower than that on its corresponding *unprocessed* product, e.g., wheat. They promote the creation of a downstream industry that diversifies exports and their economies toward more processed, value-added goods. Through their use, governments aim to develop downstream industries by effectively reducing the cost of an industrial input. Consequently, an economic incentive exists to establish a more value-added industry that can generate new exports, increasing income for the domestic processing industry, and providing new sources of government revenue.<sup>15</sup>

They have been used since the industrial age began by countries seeking to establish straightforward incentives to aid in the process of economic development and industrialization; indeed, it is still commonly used to date.<sup>16</sup> In a World Trade Organization (WTO) study performed in 1994 of 131 countries, it was found that 72 countries (55% of the total) imposed export taxes. Of those 72 countries, 11 percent were categorized as high income countries; 18 percent as upper-middle income countries; 35 percent as lower-middle income; and 36 percent as low income countries. In other words, the use of export taxes remains a common and accepted practice at all income levels. Primary users of DETs for this purpose include Argentina, Indonesia, Malaysia, Russia, Ukraine, and until the last decade, Brazil. When Brazil eliminated its differential export taxes, soybean exports doubled in a few years while soy oil and soy meal exports declined. It was at this time that Argentina surpassed Brazil as largest soy oil exporter, despite the fact that Brazil remains the larger soy producer.

The WTO does not specifically prohibit differential export taxes,<sup>17</sup> nor is there even an obligation to inform the WTO of their use, requiring only that they be applied with transparency. As mentioned above, Argentina’s export taxes are publicly listed on the government’s tax agency website, AFIP.

The Doha Round of trade negotiations have not been able to reach consensus on DETs in large part because their elimination often causes economic contractions: in the specific case of

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<sup>14</sup> The ID number for biodiesel is known as a *Posición Arancelaria* (“PA”); it is 3824.90.29.100P. The page is: <http://www.afip.gov.ar/aduana/sim/Default.asp?tipo=E>

<sup>15</sup> Piermartini, *Role of Export Taxes in the Field of Primary Commodities*, 2004.

<sup>16</sup> *Export Taxes on Agricultural Products: Recent History and Economic Modeling of Soybean Export Taxes in Argentina*, William Deese and John Reeder, September 2007, *Journal of International Commerce and Economics*.

<sup>17</sup> *Upcoming WTO Negotiations: Issues for U.S. Oilseed Sector*, Linwood Hoffman, Erik Dohman and Mark Ash, 1999



Argentina, a number of studies have shown that elimination of the differential export tax would result in a reduction of Argentine soy oil and soy meal exports and result in an increase of its soy bean exports, resulting in a contraction of the soy bean processing industry. Given that soy oil biodiesel is a natural next step in the evolution of the development of the soy processing industry, it also applies to this sector.<sup>18</sup> Furthermore, DETs are not only applied to the soy bean sector. Argentina also applies them in the development of the sunflower, peanut, cottonseed, wheat, rice and meat products sector.

Clearly, establishing differential export taxes for biodiesel is consistent with Argentine public policy, is transparent, complies with WTO requirements, and is having the desired effect of further developing value-added products to the Argentine economy. This has nothing to do with why European biodiesel plants remain idle.

### **Conclusion**

One of the outcomes of the recent Copenhagen conference on climate change is that China, the world's largest emitter of GHG, has pledged to reduce its use of fossil fuels by 40 to 45%, an impressive commitment. We have already been contacted by Chinese investors seeking to purchase Argentine biodiesel and invest in biodiesel plants. These new opportunities coupled with the beginning of the domestic market requirements means that Argentine biodiesel has alternative markets and will make use of them to continue to expand its successful industry. However, the ideal situation is to maintain all sales channels as open as possible and that includes working closely with Europe on solving potential trade conflicts.

We are all working towards ways to develop a solid and transparent global biofuels industry and naturally seek to develop advantages. In Europe half the plants are idle and the industry is under pressure to find ways to get them all operating again. But this must be done in a manner that does not soil the entire industry through misinformation nor shift blame for closures where it doesn't belong.

We invite the European industry to begin an honest dialogue about our differences and conflicts. The obvious way to deal with this is in-house, and that means working through organizations such as the Global Renewable Fuels Alliance, an international federation of industry associations already representing over 60% of the renewable fuels production in 30 countries.

Here we can address our differences internally with correct data and without the need of threats of international legal action; here we can find ways to reduce Europe's energy import dependence from OPEC countries and on fossil fuels, while at the same time reducing GHG emissions. Argentina has developed a strong and extremely efficient biodiesel industry; it has natural competitive advantages like no other country due to the richness of its soils, no-till farming methods and the clustering of the soy processing industry along the Paraná River in Santa Fe province. Yet its profit margins are thin because it not only has to pay the 20% export tax on the

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<sup>18</sup> Fabiosa, Jay and John Beghin, *The Doha Round of the WTO: Appraising Further Liberalization of Markets*, 2002. Also, Fabiosa, Jay, John Beghin, Stephane de Cara, Cheng Fang, Murat Isik, and Holger Matthey, *Agricultural Market Liberalization and the Doha Round*, 2003.



gross value of its biodiesel; it also pays a 35% income tax on its profits, receives no typical tax incentives such as accelerated depreciation, and is further burdened by the fact that the government has begun to delay reimbursements of any valued added taxes (VAT) paid in the production of biodiesel. In short, the Argentine biodiesel industry is also not without troubles.

We have found, however, that teamwork benefits all parties, and ask that the industry as a whole act with the integrity that is expected of us. Success in this arena will facilitate the entry of European wind, solar and other technologies into Argentina, a country avidly seeking to acquire these and develop its own strong renewable energies industry.

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### **About the Argentine Renewable Energies Chamber**

The Argentine Renewable Energies Chamber (*Cámara Argentina de Energías Renovables*, or CADER) is a non-profit industry trade organization dedicated to promoting the sustainable development of alternative energies in Argentina. Its mission is to protect the interests of its members, pushing for the establishment and development of a vibrant and respected industry, respected globally and with the highest standards, practices and focus.

The first requirement to achieve this development is providing access to accurate information. Thus, CADER publishes on a regular basis studies in different sectors of the renewable energies industry in Argentina, describing fairly its state and opining on areas that need further improvement, with a goal of becoming an attractive investment center on a global basis.

CADER is also a board member of the recently established Global Renewable Fuels Alliance, a worldwide non-profit industry association based in Toronto, Canada that represents over 60% of global biofuels production in 30 countries. Its goal is to help in the development of a strong industry globally with fair trade practices and accurate information.

This last point is especially part of CADER's philosophy since inception: to help Argentina establish a position as a global player in renewable energies and one of its leaders.

For more information, please visit our website at [www.ArgentinaRenovables.org](http://www.ArgentinaRenovables.org), write us at [info@cader.org.ar](mailto:info@cader.org.ar), or visit our offices at 524 Viamonte Street, Suite 101, Buenos Aires, C1053ABL, Argentina.

### **About the Author**

Carlos St. James is Managing Director of Santiago & Sinclair, LLC, an international trade consultancy. He is the founder and President of the Argentine Renewable Energies Chamber, a non-profit industry trade association based in Buenos Aires. In the last two years he has spoken at 20 conferences in a dozen countries to share his view of the industry's future in Latin America. He holds a master's degree in international relations from the Fletcher School of Law & Diplomacy at Tufts University, Medford, Massachusetts. His upcoming speaking engagements can be found at [www.santiagosinclair.com/StJamesBio.html](http://www.santiagosinclair.com/StJamesBio.html).

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