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### Fuel Ethanol Trade: Current Barriers and Perspective

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#### Abstract

*Fuel ethanol consumption has grown rapidly in recent years but both production and consumption are still mostly concentrated in US and Brazil. Due to the size of their potential markets, the US and the European Union – EU – will have a crucial role on international biotrade, inducing or constraining fuel ethanol production in developing countries. However, both US and EU have trade regimes based on tariffs that offset the comparative advantages of some producer countries. This paper analyses current trade regimes on fuel ethanol and the perspectives in short- to mid-term. It is shown that fuel ethanol trade can significantly reduce the supply cost in the main markets (US and EU) and also induce the development of the ethanol industry in emerging producing countries. Without imports it seems very difficult to reach the targets recently set in US and EU; besides physical constraints for local production based on conventional feedstocks, the supply cost would be very high if large-scale production was to take place based on corn and wheat, for instance. Some short- to mid-term tendencies in the fuel ethanol market are identified and analysed, including: (i) how US and EU tend to preserve their traditional domestic production until second generation of biofuels becomes commercially available, (ii) the impact of quotas in US and EU on fuel ethanol imports, to induce production in other countries, (iii) requirements for certification of biofuels production – primarily in the EU – to insure the adoption of the main sustainability practices.*

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