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Possible E10 Mandate in 2018

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Report Highlights:
Bolivia announces its intention to implement an ethanol blend mandate in gasoline which will begin at 10 percent and would increase gradually as the Bolivian industry increases production capacity. This mandate will potentially benefit the Bolivian industry with $1.5 billion in investments and the creation of 100,000 jobs in upcoming years.

General Information:

Bolivia is ready to implement a 10 percent ethanol mandate for gasoline. At the December 2017 conference *Ethanol: Planting Energy* organized by the Santa Cruz Private Entrepreneurs Association and sponsored by the U.S. Grains Council, Bolivia's Vice President Garcia Linera announced that the government is willing and ready to establish an ethanol mandate immediately in order to begin implementation during the next harvesting season in mid-2018.

Vice President Garcia Linera, addressing the audience, highlighted that an ethanol blend complies with President Morales' four guiding principles: protect the environment, import substitution, economic growth, and wealth redistribution. In his presentation, Minister of Hydrocarbons Luis Alberto Sanchez, mentioned that the blend mandate will have a positive impact of 0.2 percent on Bolivia's GDP while the industrial GDP would increase by 2.2 percent and the agricultural GDP by 3.9 percent. This new industry would also generate 100,000 jobs. Bolivia's *Law 3207* provides incentives for biodiesel production and use; however there is no mention of ethanol. Minister Sanchez has tasked a team to look into this and other regulations to promote the use of all biofuels.

Gasoline prices in Bolivia are controlled by the central government and heavily subsidized ($0.54 per liter of 85 Octane). The government has tried for years to reduce the subsidy levels as they are affecting its fiscal deficit, currently at 7 percent of GDP. In 2010, the government attempted to increase gasoline prices through *Supreme Decree 748, December 26, 2010*, which led to a massive uproar and protest throughout the country. The government believes that increasing gasoline octane from the current 85 to 88 will allow for the marketing of a new and better product which would not be subject to subsidies.

Bolivia produces ethanol out of sugar cane. There are seven sugar mills in Bolivia of which five, representing 85 percent of the milling capacity, are in Santa Cruz. The planted area of sugar cane is 150,000 hectares with an average yield of 50 MT of cane produced per hectare. These extremely low yields are explained by inadequate genetics, low levels of mechanization, and poor agricultural practices. If the Bolivian industry were to fully supply the demand generated by a ten percent ethanol blend mandate, it would have to increase the planted area by 180,000 hectares and increase its yields to 80 MT per hectare.

Industry estimates that the investment required to fully implement the blend mandate is $1.1 billion dedicated to developing new sugar cane fields and renovating existing ones, and $400,000 million dedicated to building and upgrading mills. With 1.7 million cars, Bolivia's potential ethanol market with a 10 percent mandate is 100 million liters.

FAS Lima will continue working with the US Grain Council and the Bolivian government to encourage the effective implementation of the ethanol blend.