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Biofuels Annual

2013

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Report Highlights:
Argentine bioethanol production and consumption are forecast to continue to expand at 600 million liters in 2014, representing a national average blend of 7.6 percent, the highest ever. The opening of the largest bioethanol plant during 2014 will increase production capacity to 840 million liters. Biodiesel production is expected to recover from low production in 2013, while exports are expected to rebound to 1.25 billion liters. There are many pending trade issues with the European Union which will affect production and trade. The local biodiesel sector is waiting for EPA to determine if Argentine biodiesel qualifies under the Renewable Fuel Standards quota. If so, traders expect significant volumes to be shipped. Domestic consumption is projected at a record 1.35 billion liters as fuel demand grows and the mandate blend increases.

Post:
Buenos Aires

Executive Summary:

The Argentine ethanol sector is projected to continue to grow in 2014 as new plants based on cereals go on line and the recently inaugurated plants produce at full throttle. Both production and consumption are projected at a record 600 million liters, representing a national estimated average blend of 7.6 percent. Production capacity is forecast up at 840 million liters, as result of the inauguration of the largest bioethanol plant in Argentina with a total capacity of 120 million liters using grains as feedstock. No ethanol exports are expected.

Argentine biodiesel production is forecast to rebound in 2014 to 2.6 billion liters. The biodiesel sector is going through a period of great uncertainty as there are many issues which will be defined in the near future and will affect production and trade. One of the main issues is the complicated trade situation with the EU, Argentina's main market by far. There are antidumping and antisubsidy cases, as from 2014 Argentina will no longer be eligible to the GSP, and Argentina's accusation to some EU members of treating Argentine biodiesel unfairly vis-à-vis European product. Despite this situation, local traders are confident they will be able to ship product to the EU and look forward to the opening of the US market if the EPA determines if Argentine product is eligible to meet RFS environmental requirements. Domestic consumption for 2014 is forecast at 1.35 billion liters, the highest ever as a result of increased fuel consumption and a growing blending mix which would reach 9.4 percent.

Author Defined:

Argentine Policy and Programs

Since 2007, Argentina has had in place a regulatory framework to promote the production and use of biofuels. The main objectives of this framework are to diversify the supply of energy, to become more environmentally friendly, and to promote the development of rural areas (primarily nontraditional production areas), especially in benefit of small and medium sized agricultural producers. The framework focuses primarily on conventional biofuels, as Argentina already has a large biodiesel industry based on soybean oil and a growing ethanol industry based on sugarcane and more recently grains. Current policy does not specifically focus on second generation or advanced biofuels. However, there are some official, private and university programs already researching in these types of feedstocks and technology.

Law #26,093, of 2006, mandated the use of biofuels beginning in 2010, with an obligatory mix of 5 percent of ethanol in gasoline and 5 percent of biodiesel in diesel. Under this Law, companies which produce biofuels have three alternatives: 1) to produce for the domestic market, taking advantage of various tax incentives; 2) produce for self-consumption, with similar advantages as in 1; and 3) produce for the export market, and not be eligible to receive tax incentives.

A summary of Argentina's biofuel law and regulations follows:

In April 2006, the Argentine Congress passed Law 26,093, which regulates and promotes the production and sustainable use of biofuels. In February 2007, the Executive Branch, through Decree 109, published the regulations for implementing the above law. Salient points of the Argentine biofuel law (and regulations) are:

Chapter I - Creates incentives for production and use of biofuels in the domestic market with a duration of 15 years (beginning on the date of the enactment of the law). It establishes that the Secretariat of Energy will be the controlling authority. The oversight of tax breaks will be under the control of the Ministry of Economy (every year this Ministry will set the maximum overall amount of the fiscal incentives directed to biofuels, and the percentage of this total that will accrue to individual companies participating in the domestic market). Some of the responsibilities of the controlling authority, in general, are to establish quality levels, security conditions, registration of participating companies, approval of projects that benefit from incentives, and the percentage mix of biodiesel with diesel and ethanol with gasoline for the domestic market. Every year the Secretariat of Energy will establish the volumes of biofuels needed to comply with the law, determine and modify the percentage mixes, set prices of biofuels for the domestic market, establish volumes, terms and conditions for those producing for their own consumption, and approve exports.

Chapter II - provides details concerning the incentives of the biofuels promotional regime for domestic use. To be eligible for incentives, companies have to operate in Argentina and be dedicated exclusively to biofuel production, with the majority of the company's equity in the hands of the government (i.e. government at either the national, provincial, or municipal levels) or agricultural producers (and producers' cooperatives). Companies have to operate under the above regulations and specifications, and will be assigned a percentage of the total tax break granted by the GOA (the law gives priority to small and medium enterprises, farmers, and entities that operate in nontraditional production areas). Biofuels governed by this promotional regime will be exempt from three specific taxes applied to fossil fuels. In addition, biofuel producers for the domestic market will enjoy tax breaks and other advantages (e.g. anticipated reimbursement of the value added tax or accelerated depreciation on capital investment). Eventually, Chapter II leaves open the possibility for producers to receive direct subsidies.

In January 2008, Congress passed Law 26,334, which promotes the production of bioethanol from sugarcane. This law allows sugar mills to participate under the biofuel promotional regime, maintaining the basic norms and regulations of the biofuel law. It also promotes exports of surplus ethanol.

More than ten provinces have adhered to the Biofuels Law, and in some cases, they provide additional tax advantages for investment and construction of bio-refineries in their territory.

In July 2010, through Resolution 554, the Secretariat of Energy increased the mandated blending ratio of diesel with biodiesel from 5 to 7 percent. After that, there have been several changes (up and down), but in mid 2013 the government increased the mix for biodiesel from 7 to 8 percent. Contacts indicate that there are great chances of increasing the mix to 10 percent by the end of the year. In the case of bioethanol, with the rapid incorporation of new grain bioethanol plants, the national average mix in 2013 is expected at 5 percent or somewhat higher. Contacts indicate that the mix could reach 10 percent by the end of 2014.

One of the key factors of the rapid expansion of the local biodiesel industry in the past seven years has been the differential export tax on biodiesel vis-à-vis soybean oil. Soybean oil exports are taxed 32 percent while biodiesel exports were only taxed effectively 16.6 percent (nominal tax is 20 percent), and benefited from a 2.5 percent rebate until mid 2012. However, in August last year, the GOA made important changes to the biodiesel sector policy by reducing the official domestic price by 15 percent and increasing the effective export tax from 14.2 percent to 24.2 percent. These two measures discouraged production, especially from small and medium companies which supplied more than 50 percent of the local mandate, as returns became negative. In October the government reduced the export tax from a fixed 24.2 percent to a mobile scheme set at that moment at 19.1 percent. In December it announced a new price scheme for the local mandate, setting a higher price for processors of up to 20,000 tons/year, a lower price for processors of up to 100,000 tons a year and an even

lower price for large companies (most big exporters) with production over 100,000 tons/year. These prices have fluctuated since its implementation, while current prices range between Pesos $5477 per ton (US$1020 per ton) for the small producers to Pesos $4650 per ton (US$866 per ton) for the large companies. The current effective export tax is 20.67 percent.

Under Law 26,190 of 2006, named National Support for the Use of Renewable Energy Sources, and its regulatory framework established in 2009, the government created program Genren (Renewable Generation). Its objectives are to reduce emissions of carbon dioxide and other GHG, to diversify Argentina's energy matrix and to promote regional economies throughout the country. The Law establishes that eight percent of the country's electricity consumption has to be supplied by renewable energy sources (including wind, biofuels, biomass, photovoltaic, solar and small hydro power projects) by 2016. So far just a few projects are operating, while several others are delayed because of lack of financing.

Argentina consumes nowadays about 16 billion liters of diesel per year, of which 2 billion liters are used to generate electricity, and 8 billion liters of gasoline. The country has been energy self sufficient until recently. The combination of a declining oil production (25 percent in the last 10 years) and a growing demand forces the country to import gas, gasoline and diesel (private analysts estimate energy imports at US$13 billion in 2013). Record car sales in the past several years, plus the projection of a continuously growing agricultural sector promise diesel and gasoline demand to continue to grow. There are no flex fuel cars sold in the country and only one automaker imports a hybrid model, sold at a very expensive price. In 2010 Argentina discovered a huge shale oil and shale gas field, named Vaca Muerta. This non conventional energy source in the province of Neuquen is the third world largest of its kind. However, until it goes into production (a minimum of 5 years), most analysts project Argentina expanding its energy imports.

Fuel Use Projections (Million Liters)									
Calendar Year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Gasoline Total	8,100	8,300	8,500	8,700	8,900	9,150	9,400	9,600	9,800
Diesel Total	15,000	15,500	16,000	16,600	17,200	17,800	18,400	19,000	19,600
On-road									
Agriculture									
Construction/mining									
Shipping/rail									
Industry									
Heating									
Jet Fuel Total									
Total Fuel Markets	23,100	23,800	24,500	25,300	26,100	26,950	27,800	28,600	29,400

There are no specific official environmental or social sustainability criteria for biofuels in Argentina. However, being a major exporter of biodiesel, the government closely monitors other country's criteria and regulations in order to avoid restrictions on Argentine exports. In the case of the EU, which through its Climate and Energy Package, established that biodiesel from soybean oil does not meet the minimum GHG emissions saving level. Argentina has challenged this decision. The government has presented a study prepared by its Agricultural

Research Institute (INTA), in which it takes into account the extensive adoption of no-till cropping, the short distance from the farms to crushing facilities, refining and port facilities, and its modern and efficient industries. CARBIO, the Argentine Chamber of Biodiesel, has presented the EU a voluntary certification scheme addressing all their requirements. So far, none of the two have been officially recognized by the EU. In the case of the U.S., in mid-2009, the government of Argentina presented comments to EPA's Regulation of Fuels and Fuel Additives, and the changes to the U.S. Renewable Fuel Standards (RFS). It showed that Argentine soy-based biodiesel reduced GHG emissions far more than the established 22 percent. EPA's rulemaking currently establishes that soy-based biodiesel meets the 50 percent reduction in GHG emissions required to qualify for the biomass-based diesel category. In September 2012, the Argentine biodiesel chamber (CARBIO) consortium presented EPA a certification scheme to show that Argentina does not produce soybeans in land deforested after 2007 and be eligible to export biodiesel under the RFS quota scheme. EPA has come back with some observations and questions and at this time there is no news on the final outcome. CARBIO is confident that they will be approved by EPA by the end of 2013 or early 2014.

The Argentine biofuel law establishes that the Secretary of Energy will encourage cooperative agreements between the public and private sectors to promote and encourage the development of production technology, and the use of biofuels.

The Ministry of Agriculture, through the research agency INTA, conducts and coordinates most of the research in biofuels in Argentina. The National Bioenergy Program goals are to ensure the supply of sources of bioenergy in support of sustainable development, national energy security, the reduction of poverty, the attenuation of climate change and environmental equilibrium. There are three specific objectives: 1) identification and characterization of the potential of different crops, waste and byproducts to produce energy, 2) the study and development of non-traditional crops with energy potential, and 3) the development of second generation biofuels, through the identification of new enzymes to degrade cellulose.

The Ministry of Agriculture and the Secretariat of Energy manage a project called Probiomasa, with the objective of producing electric and thermal energy using biomass feedstock from the agricultural and forestry sectors (and lately urban waste). There are more than 80 projects presented and the program basically supports the foundation and bases to launch each different project.

There are also provincial entities, public and private universities, and the private sector working on different projects. Some of these programs focus on jatropha, algae, castor oil plant, canola, sweet sorghum and miscanthus. Research is primarily focused on feedstocks which can be produced in areas not suited for crop production and which do not compete with food production. A few programs are working on cellulosic biofuels, based on sugar cane, sugar beets, harvest residues, sweet sorghum, and switch grass. There are also a few industries and municipalities developing biogas facilities to use waste and reduce the cost of energy they consume. There are also some small operations which recycle used vegetable oil.

Argentina is a member of the Global Bioenergy Partnership (GBEP) which promotes bioenergy for sustainable development. The government has recently received financial support from the IDB to study 24 sustainability indicators for bioenergy.

The National Institute of Agricultural Research (INTA) and an agricultural research station in the north western

part of the country are working on life cycle and energy balance at farm level for traditional crops (sugarcane, soybeans) and others (such as sweet sorghum, castor oil plant). INTA, through funds of the Dutch Government, will also measure GHG emissions of soybean plantations in commercial fields.

In late 2007, Argentina passed Law 26331 on Conservation of Native Forests to help its conservation, and to regulate the expansion of land for crop use and any other change in land use.

Ethanol

Production

Bioethanol production for 2014 is forecast at 600 million liters, the highest ever, and represents an increase of 50 percent compared to the expected output for 2013. Production could be even higher, but it will all depend on government measures to increase even further ethanol use.

In 2014 the largest local farm cooperative is expected to inaugurate the country's largest grain ethanol plant with a capacity of 125 million liters. Some more plants are expected to come in line beyond 2014, but contacts indicate that the investment climate, more difficult access to credits and the change of rules in the biodiesel sector have put in halt several projects. The sugar industry was the exclusive supplier of ethanol until September 2012 when the first cereal ethanol processor began to market its production. In December that year a second grain-based processor began operation.

The sugar industry, which produces bioethanol from molasses and sugar cane, is expected to produce about 70 percent of the total in 2013, while the balance will be supplied by grain ethanol plants. With the new plant in line, production in 2014 is expected to get closer to a 60-40 share. Although the new plants are capable of using corn or sorghum, practically all of them are using almost exclusively corn.

The sugar industry is having a big problem with the vinasse, a byproduct of the distilleries, which is highly contaminant. Although it can be used to produce fertilizer, it is still a big environmental problem which sugar mills are addressing and trying to resolve as government pressure on them is big. Grain processing plants are so far producing wet distillers grains (WDG) as they do not have drying capacity yet. As the supply of WDG increases in the future, they will need to dry them. Nearby feedlots and dairy operations are the main customers of this product.

Bioethanol production capacity in 2014 is projected at 840 million liters, 40 percent higher than in 2012. Most recently increased capacity is coming from the new grain plants, which by the end of 2014 would total approximately 250 million liters of capacity. Three or four sugar mills made investment in expanding ethanol capacity in 2010-11, but no significant investment from this industry is expected in the short term. With high stocks of sugar from the past crop and good ethanol prices, sugar mills will be encouraged to increase the production of ethanol in the current sugar crop season.
The sugar industry had a bad year in 2012 as very weak domestic prices and lower world prices negatively

affected its returns. However, except for a few specific companies, it is a sector which is relatively financially sound. The grain bioethanol plants are new. The first one in the country to begin production is owned by a group of more than 20 farmers associated with a large alcoholic beverage company, another is owned by a local large agricultural processing company and the new to come is owned by the largest agricultural cooperative.

The plants opening in 2013 and 2014 already received market quotas from the government to sell under the domestic mandate. The combination of several factors affecting the local corn market provides good prospects for ethanol from grains. The most important are the good ethanol price set by the government (currently at US$1.0 per liter - which adjusts based on costs or local fuel prices), the revalorization of the use of corn in production areas (which suffer big discounts from commercialization and high freight costs), the good market for co-products in a country with strong feedlot and dairy industries, and the purchase of local corn at prices well below international prices (due to the 20 percent export tax on corn, and government administration of export volumes).

Argentina also produces approximately 150-160 million liters of ethanol for other uses (industrial, food and beverages), mostly of which comes from molasses and sugar cane. In early 2012, one of the main local players in the alcohol business inaugurated a new ethanol plant in the province of Cordoba. Its capacity is approximately 35 million liters a year and uses corn as feedstock. Its production will focus on the beverage and industrial markets.

Argentina is the world's third largest corn exporter, averaging around 15 million tons in the past 3-4 years. Domestic consumption ranges between 7.5-8.5 million tons, with the poultry, feedlot, and dairy industries as the main consumers. The government supports the value added of agricultural commodities in the areas where production is located. There is plenty of room to consume grains (sorghum exports are also important, with volumes ranging between 1.5-2.0 million tons) for the local ethanol industry.

Consumption

Argentina is projected to use 7.9 billion liters of gasoline in 2014, while the use of diesel for transportation is projected at 14.3 billion liters, almost 80 percent more. Argentina has a huge trucking system which has slowly replaced a decaying railway system. The country is very extensive and being an agricultural powerhouse demands large volumes of diesel to produce and move cargo and passengers. Most cars use gasoline.

The current mandate for ethanol indicates that gasoline has to be mixed at a minimum with 5 percent ethanol. With growing shortages of gasoline and energy, we forecast the average national mix to reach a minimum of 7 percent in 2014. In 2012 the average mix was 3.2 percent, lower than mandated. Due to logistics, oil companies are allowed to sell gasoline in different regions with different mix levels. In the southern and central part of the country, the mix is lower or nil, while in the northern region, where most distilleries are located, the mix can be as high as 10 percent. Some contacts indicate that the average national mix could reach 10 percent by the end of 2014 as new production capacity comes in line. Most new investments (at project level) receive quota for the mandate. In fact, the quota which has already been assigned would represent nowadays a mix of about 12 percent.

In the case of ethanol, there is much less controversy on the level of mix that engines can take without making adaptations. The case of neighboring countries Brazil and Paraguay are good cases that support mixes of 20-25 percent of ethanol. However, car manufacturers do not support high mixes. Contacts indicate that the national oil company prefers to import gasoline instead of mixing ethanol due to logistical limitations. There are no other limitations to the use of bioethanol.

The country is doing little in becoming more fuel efficient. Engines have no limitations on minimum mileage they need to run on a liter of fuel, there are no flex fuel cars sold in the country and hybrid and electrical cars are practically nonexistent and do not have import duty advantages. Argentina has an extensive fleet of vehicles which run on liquefied petroleum gas since long ago. More than 2 million cars out of 10 million run on this fuel. There are several railway lines of passengers with some running on electricity and some on diesel. Cargo lines all run on diesel.

Trade

Post does not project bioethanol exports from Argentina in 2013 and 2014. The industry needs to consolidate first the domestic mandate and then start thinking of exporting.

Once the biofuel mandate was in place in early 2010, Argentine ethyl alcohol exports dropped significantly as most production was redirected to supply the local ethanol mandate which was more profitable. Before the mandate, Argentina exported 80-100 million liters of ethyl alcohol (not for fuel use). Exports dropped to 6 million liters in 2012.

Ethanol imports from Mercosur countries (including Brazil) are duty free, but from countries outside the region pay 20 percent. Exports are taxed 5 percent, but receive a 4.05 percent rebate.

Ending Stocks

Ending stocks for 2014 are forecast at 48 million liters. As production and the market grow we should expect larger stocks. The local sugar industry produces ethanol in the last semester of the year which then is distributed throughout the whole year.

Ethanol Used as Fuel and Other Industrial Chemicals (Million Liters)									
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014
Beginning Stocks		0	0	0	0	0	0	0	0
Fuel Begin Stocks		0	0	0	20	24	28	48	48
Production									
Fuel Production				23	122	170	253	400	600
Imports									
Fuel				0	0	0	0	0	0

Imports									
Exports									
Fuel Exports				0	0	0	0	0	0
Consumption									
Fuel Consumption				3	118	166	238	400	600
Ending Stocks									
Fuel Ending Stocks				20	24	28	48	48	48
Production Capacity									
Number of Refineries				3	9	9	11	13	14
Nameplate Capacity				120	215	355	600	720	840
Capacity Use (%)	#DIV/0!	#DIV/0!	#DIV/0!	0%	0%	0%	0%	0%	0%
Co-product Production (1,000 MT)									
Distilled Wet Grains							28	140	310
Co-product B									
Feedstock Use (1,000 MT)									
Molasses/Juice				90	470	650	880	1,100	1,300
Grains							58	290	650
Feedstock C									
Feedstock D									
Market Penetration (Million Liters)									
Fuel Ethanol	0	0	0	3	118	166	238	400	600
Gasoline (Mil. Liters)				5,760	6,240	6,970	7,500	7,700	7,900
Blend Rate (%)	#DIV/0!	#DIV/0!	#DIV/0!	0.1%	1.9%	2.4%	3.2%	5.2%	7.6%

Biodiesel

Production

Argentine biodiesel production for 2014 is projected at 2.6 billion liters, higher than production expected in 2013 but somewhat lower than the record output of 2011-12. Final output is strongly conditioned by three factors which at this time are not clearly defined. The first one, and most important, are the final measures which the EU will impose on biodiesel imports from Argentina, which at this moment, have temporary countervailing duties due to antidumping and will soon define if measures are taken due to antisubsidy (because of the differential export tax vis-à-vis soybean oil). Until this, the EU was Argentina's number one market by far. A second factor is the level of mix under the mandate. Since the government renationalized YPF, the national oil company, in April last year, it has significantly modified the policy governing biodiesel, increasing export taxes, reducing domestic prices and changing mandate mixes. At this time it is difficult to project the

level of mix under the mandate, as there are rumors that indicate that they could go either way. And lastly, the eventual possibility of exporting increased volumes of biodiesel to the US if EPA finally approves Argentine biodiesel to qualify under the RFS quotas.

Argentine biodiesel is made practically all from soybean oil. There are a few small plants which recycle used vegetable oil. So far there is no other feedstock which could be used in the near future to produce biodiesel in significant volumes.

Despite the uncertainty governing the sector, the production capacity continues to expand, reaching an approximate total of 5.2 billion liters by the end of 2014, practically 1 billion liters more than 2012's capacity as result of the construction of 9 new plants. Of the total capacity in 2012, over 80 percent was in the hands of large companies, most of which are international traders which already had large oil crushing facilities. These are ten companies which have plants with a capacity ranging between 140-700 million liters per year and account for practically all exports and supply roughly 50 percent of the local mandate. The other 20 percent capacity was distributed among 16 smaller companies, with plants with a capacity ranging between 12-110 million liters per year. This group accounted for approximately 50 percent of the local mandate. Most of these plants need to buy the feedstock from third parties and have higher production costs than the large plants which almost all are fully integrated.

Although the local biodiesel sector is not flourishing, the low use of capacity hurts the competitiveness of the companies. In some cases large plants are shut and others operate a few days a month. There are a few cases of new plants which have not been put into production yet. However, the financial situation of the biodiesel industry is good in general terms. Most of the large plants are owned by large corporations (many are international grain traders and/or large agricultural local companies) which have been operating in the grain sector for many years and do not have biodiesel as their core business. The smaller companies are in a varied financial situation, and that explains why the government has set higher prices for the biodiesel they supply to the local market under the mandate.

Consumption

Argentine biodiesel consumption is projected up at 1.35 billion liters for 2014. This is as a result of an expected higher diesel demand and a higher national average biodiesel mandate mix. The blend was increased from 7 to 8 percent in mid June 2013, and contacts expect it to reach 10 percent by the end of the year. However, there are some people that express strong doubts about additional increases. The national average blend was 7.3 percent in 2012.

Car manufacturers and oil companies prefer not to increase the mixes due to warranty conditions and logistical problems. The Argentine chamber of biodiesel has come up with very successful results after testing a diesel engine running on 10 and 20 percent biodiesel mixes. Most contacts indicate that mandate blends will continue to be set by the government depending on its needs. If it requires increasing beyond current blends the different industries will have to adapt.

The country is doing little in becoming more fuel efficient. Engines have no limitations on minimum mileage they need to run on a liter of fuel, there are no flex fuel cars sold in the country and hybrid and electrical cars are practically nonexistent and do not have import duty advantages. Argentina has an extensive fleet of

vehicles which run on liquefied petroleum gas since long ago. More than 2 million cars out of 10 million run on this fuel. There are several railway lines of passengers with some running on electricity and some on diesel. Cargo lines all run on diesel.

The reduction in energy production and a growing demand is making the country import larger volumes of gas and diesel. About 2 billion liters of diesel are needed every year to feed electric power stations. The government prefers to import diesel than to use local biodiesel, which say is more expensive. Imported diesel is tax exempted, while local biodiesel pays 41 percent tax.

Trade

Argentine biodiesel exports for 2014 are projected at 1.25 billion liters, a significant rebound from what is expected for 2013. However, this level is way below export during 2010-12. There is a lot of uncertainty among traders of what the final volumes will be. The main doubt is what will happen with the European market and at a lesser extent, the possibility of exporting to the US.

There are four issues which will impact trade with the EU during 2014 and some will be resolved in the coming months: 1) in May 2013 the European Commission set temporary countervailing duties on Argentine biodiesel due to a presentation which the European Biodiesel Board (EBB) made accusing Argentine exporters of selling biodiesel below cost. After several months, the Commission set different levels of duties per exporter, which range between 6.8 and 10.6 percent which eventually could be applied retroactively if duties are confirmed next November; 2) before next August the European Commission will also decide on another presentation made by the EBB accusing the country to subsidize biodiesel exports, by applying a lower export tax on biodiesel (currently at 20.67 percent) than on soybean oil (currently at 32 percent), its feedstock. Depending on the outcome, it could also apply retroactive countervailing duties; 3) in January 1, 2014 Argentina, among 11 other countries, will no longer benefit from the Generalized Scheme of Preferences (GSP) as it no longer qualifies as a developing country. Argentine biodiesel will lose a 6.5 percent benefit; 4) in May 2013 the Argentine government launched a dispute in the WTO accusing Spain, Belgium, France, Italy and Poland of affecting the commercialization of Argentine biodiesel as it is treated less favorably than imports from other origins, especially European countries.

Most local traders want these issues to be resolved to know where they are standing and if they can still remain price competitive and export biodiesel to the EU. Several contacts believe that, if in the worst of the scenarios, things would remain as is, that means with countervailing duties due to the antidumping case and the elimination of the GSP benefit, Argentina could still export relatively large volumes of biodiesel, especially to southern countries. Argentine biodiesel is very competitive as a result of large production scale with the latest technology, the use of no-till and biotechnology seed, and having the soybean production area very close to the industry and ports. This provides a plus of competitiveness which can offset some of the new EU regulations and the higher cost of European biodiesel. Also due to the dramatic drop in use of soybean oil to make biodiesel, Argentine soybean oil prices are currently very low. This situation plus the opportunity of keeping the plant running (when others are closed) could open opportunities to some exports. Despite a complicated scenario, local traders are confident they will be able to export about 450-550,000 liters of biodiesel to Europe in 2014.

Carbio, the Argentine Chamber of Biodiesel Producers (it groups the large exporting companies) is waiting the

EPA to allow Argentine biodiesel to qualify for the U.S. Renewable Fuel Standards program. Carbio Consortium presented last year a scheme to demonstrate that it complies with EPA environmental regulations. They expect to be eligible to export by the end of 2013 or beginning of 2014. Local traders believe that if EPA makes them eligible to export they could ship some 300-800 million liters of biodiesel to the US, especially to the east and west coasts as they are further away from the biodiesel production area.

In 2013, some traders are exporting a few shipments of biodiesel to the US for heating oil, paying 4.6 percent duty. The current low price of Argentine vegetable oil (primarily due to the drop in biodiesel exports to the EU) allowed US importers pay approximately US$50 less per ton than heating oil. The total volume of exports for 2013 is estimated at 130-160 million liters.

Peru is expected to buy some 250-300 million liters of Argentine biodiesel in 2014 for its mandate. Australia has also purchased some biodiesel and it is expected to buy some 70-100 million liters in 2014.
Local traders continue to try to open new markets.

Biodiesel (Million Liters)									
Calendar Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Beginning Stocks		0	10	40	75	25	25	75	25
Production	20	215	830	1,360	2,070	2,760	2,800	1,950	2,600
Imports	0	0	0	0	0	0	0	0	0
Exports	0	185	780	1,305	1,545	1,910	1,770	850	1,250
Consumption	20	20	20	20	575	850	980	1,150	1,350
Ending Stocks	0	10	40	75	25	25	75	25	25
Production Capacity									
Number of Biorefineries	6	9	18	22	24	27	33	37	42
Nameplate Capacity	175	665	1,500	2,300	2,800	3,800	4,200	4,600	5,200
Capacity Use (%)	11.4 %	32.3 %	55.3 %	59.1 %	73.9 %	72.6 %	66.7 %	42.4 %	50.0 %
Feedstock Use (1,000 MT)									
Soybean Oil	18	190	730	1,200	1,820	2,430	2,460	1,720	2,280
Feedstock B									
Feedstock C									
Feedstock D									
Market Penetration (Liters - specify unit)									
Biodiesel, on-road use	20	20	20	20	575	850	980	1,150	1,350
Diesel, on-road use	12,680	12,880	13,850	12,750	13,770	14,210	13,490	13,900	14,300
Blend Rate (%)	0.2%	0.2%	0.1%	0.2%	4.2%	6.0%	7.3%	8.3%	9.4%
Diesel, total use									

Advanced Biofuels

There is no production so far. ***Biomass for Heat and Power***

All sugar mills in Argentina generate part of their energy needs from bagasse. Quite recently, four sugar mills have invested in more efficient new generation boilers which allow them to cogenerate energy for their own needs and to sell to the grid. The total capacity of these plants is approximately 100 MW. Other mills have similar plans, but investment is coming very slowly. There is an experimental station in Tucuman province which is working on evaluating the use of cane stubble to cogenerate electricity. The technology to make use of the stubble has to yet be developed and with this it will stop or limit significantly the burning of cane plantations. There are several projects to produce electricity from woody mass in Corrientes and Misiones provinces.