



## Background note on international biomass trade

### *What are sound policy approaches to guarantee a fair trade of biomass without further depletion of natural resources in exporting countries?*

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## 1 Introduction

The EU and other developed countries have set ambitious targets for the development of biomass markets, motivating their policies mainly due to environmental concerns and the need to reduce GHG emissions as well as energy dependence on imports. The increased interest in biomass can also be explained by its possible contribution to the sustainable management and rational use of natural resources. For these countries to meet their targets, however, it is likely that extensive imports will be needed.

At the same time, many developing countries have a large technical potential for agricultural and forest residues and dedicated biomass production. Given the lower costs for land and labour in many of these countries, production costs are much lower and thus offer an opportunity to export biomass. It is, therefore, argued that biomass trade can help developing countries, as new markets may become a source of additional income and increased employment.

Trade between efficient producers and developed countries can thus be mutually beneficial. However, negative environmental and social effects can be generated by biomass production, for example loss of biodiversity, soil erosion, fresh water use, violation of land property rights or additional pressure on land and on valuable ecosystems such as rainforests.

A recent EC Communication focused on trade issues for biomass and the role of developing countries. The EC recognises that biomass production from suitable feedstock could generate economic and environmental benefits in a number of developing countries. The EC has, therefore, taken the initiative to start developing a policy framework to guarantee sustainable biomass (a certification system).

A special committee under the WTO on trade and environment has also been created to channel the discussions that could be used to outline proposed certification criteria.

## 2 Key findings

Biomass could be a key component of the world's future energy system, although its policy legitimacy is currently in debate.

Biomass trade can be one way to improve the competitiveness and efficiency of biomass use. International biomass trade can also create stable markets and may contribute to development in exporting countries, thus ensuring the use of under-utilised resources. Bioenergy use should go hand in hand with sustainable development schemes, as for example the Clean Development Mechanism (CDM) and the Forest Stewardship Council (FSC).

International biomass trade may provide win-win opportunities to all countries. It is important, however, that socio-economic, environmental, agricultural, energy, and trade aspects are considered in policy-making. Certification of biomass may be one way to prevent negative environmental and social side-effects. There are still serious questions that must be raised about the effects and effectiveness of certification schemes.

International biomass trade further faces tariff and non-tariff measures. Government policies such as subsidies and tariffs play an important role in the financial attractiveness of biomass production and trade. These may appear to be an easy way to support domestic agriculture against the backdrop of international negotiations to liberalise agricultural trade, although they encourage inefficient investments that mostly negatively affect developing countries.



In brief, misuse of certification schemes and sustainability standards regulations provide a continuous challenge to fair and indiscriminate trade. From an environmental perspective, only a global certification that is effectively enforced stands a chance of making a difference. The WTO could also play a significant role on this matter, as well as on the reduction of trade barriers to biomass imports, which will allow developing countries that sustainably produce biomass to use their comparative advantage.

### 3 Issues for reflection

It is recognised that there are opportunities to develop international biomass markets for rural development and poverty alleviation that increase the economic efficiency and total use of bioenergy worldwide. However, there is no real consensus of how such schemes should be pursued. An international certification system and common sustainability criteria for biomass production and trade are still to be developed.

As this topic is very complex and opinions are very diverse, the key objective of this meeting is to explore current knowledge on this area and provide a platform for interesting parties to exchange ideas, opinions and contextual information. Furthermore, we aim to explore the need and interest for future actions by providing strategic policy recommendations on how to proceed with the concept of international trade in biomass.

### 4 Main questions

This workshop will give the opportunity for bioenergy experts to discuss the role of international biomass trade for the sustainable development of exporting countries. The intervening question is how such international trade can be fair for all countries involved.

These questions will be the starting point for the discussion process:

- What are the socio-economic and environmental effects of biomass production and trade?
- What are the opportunities for matching biomass production and trade with sustainable development?

- How can agricultural and agroforestry systems be designed for sustainable biomass production and trade?
- What are the implications of existing international law on biomass trade?
- Are there perverse incentives (e.g. subsidies) in terms of sustainable use of bioenergy?
- What would be the effects of cutting tariffs for biomass products?
- How can we get an agreed set of criteria to establish a fair trade of biomass?
- Is a certification system the key solution for sustainable trade and under which conditions?
- Should biomass be qualified as an energy source that does not fall under the WTO?