

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Biofuels Annual

2012

Approved By:

Melinda Sallyards

Prepared By:

Ken Joseph

Report Highlights:

Argentine biodiesel production in 2013 is projected at 2.8 billion liters, slightly lower than the record of 2012. The closing of the Spanish market, Argentina's top export destination, is forecast to hurt overall exports, set at 1.5 billion liters. Domestic consumption in 2013 is forecast to continue growing, but there is uncertainty if the government will increase the mandate mix from 7 to 10 percent. Bioethanol production in 2013 is projected at a record 400 million liters. The incorporation of five new plants using grains will drive up production capacity to 720 million liters by the end of 2013.

Post:

Buenos Aires

Executive Summary:

The Argentine biofuels sector continues to expand as a result of its strong competitiveness. The supply of vast feedstocks, the existing processing infrastructure, and official policies continue to encourage large investment in both biodiesel and bioethanol plants.

In the case of bioethanol, production in 2013 is projected to reach a record 400 million liters. Until 2012, all ethanol for fuel was produced by the local sugar industry, but in the last semester of this year two plants using grains will come in-line. Three new additional plants are expected to begin production in 2013. With these five plants, production capacity is expected to jump to 720 million liters. The local mandate is 5 percent ethanol in gasoline, but has yet not been fulfilled since its implementation in early 2010. With the new investment, we expect the mandate to be fulfilled by late 2013. Thereafter, additional investment is expected to allow the mandate mix increase. There is still room to expand in the local market, so bioethanol exports are not foreseen in the near future.

Biodiesel production in 2013 is forecast down marginally at 2.8 billion liters. The biodiesel industry continues to expand, but some problems and uncertainties have slowed down investment. Spain, the largest market for Argentine biodiesel exports, with over 50 percent of the total, has recently passed a Ministerial Order by which it prohibits the importation of biodiesel outside the EU. Local traders hope to redirect to other European countries part of the 1 billion liters which used to be imported by Spain. Overall exports in 2013 are forecast at 1.5 billion liters, a drop of 300-400 million liters from 2011-12. Domestic consumption is projected to continue expanding, as a result of a growing fuel market and expected larger purchases by electricity companies. There is uncertainty if the government will finally increase the biodiesel mandate from 7 to 10 percent.

Author Defined:**Argentine Policy and Programs**

Since 2007, Argentina has 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 government sees the opportunity for biofuels, especially biodiesel, to reduce growing diesel imports. 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 biorefineries 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.

In late December 2010, through Resolutions 1673 and 1674, the Secretariat of Energy extended for one year (December 2011) the agreement which establishes the blending of gasoline and diesel with ethanol and biodiesel respectively.

In January and March 2012, through Resolution 5 and 56, the Secretariat of Energy extended for one year (through May 2013 for ethanol and December 2012 for biodiesel – with the possibility of an automatic

extension for an additional year in the case of biodiesel) the agreement which establishes blending ratios with biodiesel and ethanol and the volumes assigned to each individual company under the local mandate. 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 by 2016. In 2009, the national energy company opened a bid to purchase 1,015 megawatts of renewable energies (including wind, biofuels, biomass, photovoltaic, solar and small hydro power projects) through 15 year contracts. The government recently announced the winners (with a strong focus on wind energy); of which 110 megawatts will be generated from biodiesel (around 150 million liters could be used). Contacts indicate that many of the projects approved by the program are delayed because of lack of financing. Apart from the Genren program, the government wants to increase further the use of biodiesel to generate electricity and replace imports of diesel. Some local electricity companies are adapting generators to be used with biodiesel. Sources indicate that Argentina imported in 2011 approximately 4.2 billion liters of fossil diesel to meet the demand of the transport and electricity sectors. In 2012 analysts project a further increase in imports.

One of the key factors of the recent large investment in the local biodiesel industry has been the differential export tax on biodiesel vis-à-vis soybean oil. Soybean oil exports are taxed 32 percent while biodiesel exports are only taxed effectively 16.6 percent (nominal tax is 20 percent), and benefit from a 2.5 percent rebate. Export taxes were modified in March 2008, increasing from 5 percent, with a 2.5 percent rebate. The current net difference between the soybean oil export tax and biodiesel export tax is 17.8 percent in favor of the latter.

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. This is 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 the crushing, 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. 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.

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.

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.

Argentina is a member of the Global Bioenergy Partnership (GBEP) and in early 2010 joined the Global Research Alliance on agricultural greenhouse gases, established to increase international cooperation, collaboration and investment to help reduce the emissions intensity of agricultural production and increase its potential for soil carbon sequestration.

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).

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.

Transport Fuel* Consumption - Biomass-based & Fossil Fuels (mil liters)								
CY	2006	2007	2008	2009	2010	2011	2012	2013
Conventional Biofuels	20	20	20	23	689	1006	1328	1550
Bioethanol				3	118	166	268	390
Biodiesel	20	20	20	20	571	840	1,060	1,160
Pure Vegetable Oil								
Advanced Biofuels	0	0	0	0	0	0	0	0
Cellulosic BioEthanol								
Cellulosic BioDiesel								
Drop-in Gasoline								
HVO Fuels								
Drop-in Diesel								
Drop-in Jet Fuel								
Total Biomass-based Fuels	20	20	20	23	689	1,006	1,328	1,550
BioEthanol/Drop	0	0	0	3	118	166	268	390

-in Gasoline									
BioDiesel/Drop-in Diesel	20	20	20	20	571	840	1,060	1,160	
Bio Jet Fuels	0	0	0	0	0	0	0	0	
Total Fossil Fuels	18,435	19,885	20,856	20,017	21,153	22,024	22,176	23,192	
Gasoline	4,248	4,668	5,503	5,759	6,236	6,959	7,306	7,672	
Diesel	12,932	13,857	13,850	12,756	13,308	13,470	13,200	13,800	
Jet Fuel	1,255	1,360	1,503	1,502	1,609	1,595	1,670	1,720	
Market									
Gasoline Market	4,248	4,668	5,503	5,762	6,354	7,125	7,574	8,062	
Diesel Market	12,952	13,877	13,870	12,776	13,879	14,310	14,260	14,960	
Jet Fuel Market	1,255	1,360	1,503	1,502	1,609	1,595	1,670	1,720	
Biofuel Blend Rates (volume basis)									
Gasoline Market	0.0%	0.0%	0.0%	0.1%	1.9%	2.3%	3.5%	4.8%	
Diesel Market	0.2%	0.1%	0.1%	0.2%	4.1%	5.9%	7.4%	7.8%	
Jet Fuel Market	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

Transport Fuel* Use Projections - Ten-Year Baseline (mil liters)										
CY	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Fuel Markets										
Gasoline	8,062	8,465	8,888	9,332	9,799	10,289	10,803	11,344	11,911	12,506
Diesel	14,960	15,483	16,025	16,586	17,166	17,767	18,389	19,032	19,699	20,388
Jet Fuel	1,720	1,797	1,878	1,962	2,051	2,143	2,239	2,340	2,446	2,556
Petrol:Diesel Ratio = 1:	1.86	1.83	1.80	1.78	1.75	1.73	1.70	1.68	1.65	1.63

Source: FAS based on Official and Private Projections

Ethanol

Production

Bioethanol production for 2013 is projected at a record 400 million liters, as result of the incorporation of three new grain ethanol plants and the processing at full capacity of two new plants expected to be inaugurated in the last semester of 2012. The feedstock utilized until mid-2012 was exclusively derived from the sugar industry, out of molasses and sugar cane crushed directly for ethanol production (it is difficult to make a precise distinction of how much is produced from each). In 2013, roughly 30 percent of the total volume of bioethanol is projected to be produced from grains.

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 will use corn as feedstock. With this plant, the company will replace the volume of ethanol it used to purchase from sugar mills. Its production will focus on the beverage and industrial markets.

There are about 10 sugar companies expected to produce ethanol in 2013, with production ranging between 5-50 million liters per plant. In the past couple of years there has been extensive investment at the farm level, with cane area growing about 10 percent. Sources in the sugar industry indicate that expected good prices for sugar and ethanol in the future will bring more investment in irrigation, cogeneration, certification and environment.

In 2013 there will be five ethanol plants using corn as feedstock. Two will be operating at full capacity, while two or three are expected to commence production in the last part of the year or early 2014. There are also 3-4 serious projects, with capacity of about 90 million liters each, which could increase ethanol production significantly by 2014. The plants opening in 2012 and 2013 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\$0.90 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 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 is the second world's largest corn exporter, averaging around 15 million tons in the past 3-4 years. Domestic consumption ranges between 7.5-8.0 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 about 1.5-2.0 million tons) for the local ethanol industry. Most new plants which come in line in 2012-13 will produce in the beginning distillers wet grains which will be sold to near-by dairies and feedlots. However, almost all the plants in construction plan to dry the distiller's grains to have the flexibility of exporting.

Ethanol consumption in 2013 is expected to be slightly below the official mandate of 5 percent. Despite the profitability of the bioethanol program, high sugar prices in 2011 made some companies unwilling to comply with their quota for the domestic mandate. Therefore, the blend with bioethanol was roughly 2.5 percent. In 2012, contacts expect that production of ethanol from sugar companies could increase somewhat as world sugar prices have dropped.

Local energy analysts indicate that Argentina has become a net importer of fuel. The government needs to import gas, diesel, and lately, gasoline. Being a large exporter of grains, sugar and vegetable oil, it would be natural to convert part of those exports into energy and reduce fuel imports. Because of this, some of the big international traders are analyzing the possibility of investing in grain ethanol production (most of them are the key players in the local biodiesel industry).

The industry's production capacity is expected to jump at 720 million liters for 2013, with the capacity to fulfill roughly a 9 percent mix with gasoline. Most contacts agree that the mix ratio with gasoline could go beyond 10 percent in the future.

The local ethanol industry is financially sound. The sugar industry in the past few years has done very well and the new investments in grain ethanol plants are mostly local companies which are already in the grain business (cooperatives, traders, exporters, processors). The price scheme set by the Secretariat of Energy guarantees good returns.

Consumption

Domestic consumption of bioethanol in 2013 is forecast at 390 million liters, a significant increase from previous years. This is the result of a larger volume available in the market, primarily from the new grain bioethanol plants coming in line in late 2012 and 2013. This level of consumption would almost reach the 5 percent mandate, which is expected to be more than fulfilled as from 2014. Most sources indicate that once the local production of bioethanol is in full swing, mandate mixes will be increased from the original 5 percent. Bioethanol production and consumption data is published by INDEC (National Statistics and Census Institute).

The Argentine transport sector is expected to consume approximately 8 billion liters of gasoline in 2013, a significant increase from previous years. The Argentine automobile sector has been growing significantly, with record sales in 2011. Due to a change in diesel quality and prices, and the higher price of diesel cars, the market share of gasoline cars is growing strongly.

The local automobile industry is following the biofuels issue very closely as it does not want to run risks with engine warranties. Therefore, they are in constant conversation with the industry and the government. The Argentine Biodiesel Chamber finished earlier in the year a test where a new pick up was run with diesel with a 10 percent biodiesel mix. The Chamber indicated that the results were very good, with no negative effects on the engine or the lubricant. There are no GHG sustainability requirements for the domestic market.

In reference to vehicle fleet efficiency, there is very little done. Imported hybrid cars are just beginning to be sold in the market, but their popularity will be very limited due to their high price. Argentina produces several models of flex-fuel vehicles, but they are all exported to Brazil and are not used domestically.

Argentina produces and consumes approximately 160 million liters of ethanol for industrial use and the beverage market. Until now, this market was supplied almost exclusively by the sugar industry (except from a small ethanol plant owned by one of the largest local food companies). Industry contacts report that roughly 40 million liters are utilized by the alcoholic beverage sector, 35 million liters by the chemical industry and the balance is utilized by the food, pharmacy and cleaning sectors. As reported, in early 2012 one of the main local players in non-fuel alcohol inaugurated an ethanol plant which uses primarily corn.

Trade

We do not expect Argentina exporting bioethanol in the near future. Argentina still needs to fulfill its domestic demand and most likely it will increase the mandate mix as more product becomes available from the new plants.

Before the biofuel mandate began, Argentina exported 80-100 million liters of ethyl alcohol (not for fuel use). Exports dropped to 7 million in 2011. As production capacity is added in the future, Argentina could start exporting larger volumes again. In fact, the recently inaugurated ethanol plant has plans to export some

production to neighboring countries.

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 2013 are forecast at 40 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 sold throughout the whole year.

Statistical Information

Fuel Ethanol - Conventional & Advanced Fuels (Mil. Liters)								
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013
Production, Total				23	122	170	270	400
Advanced Only								
Imports				0	0	0	0	0
Exports				0	0	0	0	0
Consumption				3	118	166	268	390
Ending Stocks				20	24	28	30	40
Production Capacity - Conventional								
No. of Biorefineries				3	9	9	11	14
Capacity (Mil. Liters)				120	270	280	410	720
Capacity Use (%)	#DIV/0!							
Production Capacity - Advanced								
No. of Biorefineries								
Capacity (Mil. Liters)								
Capacity Use (%)	#DIV/0!							
Co-product Production - Conventional only (1,000 MT)								
Distilled Wet Grains							18	140
Product Z								
Feedstock Use - Conventional (1,000 MT)								
Molasses/Juice				90	470	650	980	1,100

Grains								38	290
Feedstock C									
Feedstock D									
Feedstock Use - Advanced (1,000 MT)									
Feedstock A									
Feedstock B									
Feedstock C									
Feedstock D									

Biodiesel

Production

Despite an expected increase in production capacity, Argentine biodiesel output in 2013 is forecast down at 2.8 billion liters, 200 million liters lower than the record expected for 2012. The main reason for the drop is the closing of the Spanish market which was the top market during 2010-12, taking over half of total exports. Two factors will influence the final level of production in 2013: 1) the ability to shift exports to other markets; and 2) local policies governing the domestic mandate and the purchases to generate electricity.

In April 2012, Argentina nationalized YPF, the former national oil company which had been privatized in the 1990s, with a majority owned by Spanish Repsol. The Spanish government quickly passed a Ministerial Order which blocks the use of non-EU biodiesel. This measure directly affected Argentine exports to Spain, which in 2011 totaled 1 billion liters, 53 percent of Argentina's total exports. Shipments to this market are expected to be cut off in November. Argentine exporters hope to be able to export to other countries in the EU, but know that exports will be negatively affected overall.

The other key factor which will determine total biodiesel output is the domestic consumption which will be determined primarily by the government. The original mandate began in 2010 at 5 percent, and was quickly increased to 7 percent that same year. Since late 2011 there were rumors that the mix would be increased further to 10 percent. In April 2012, the government announced that it would increase the biodiesel mandate mix by 0.5 percent per month to reach October at 10 percent. Many thought this was a move to partly offset smaller exports due to the closing of the Spanish market. However, since the announcement and the change of management in YPF, contacts indicate that the government has not officially implemented the increase and have doubts if it will be finally implemented. Some rumors indicate that the government would now prefer companies to export soybean oil rather than biodiesel which pays a significantly lower export tax. If the increase to 10 percent is finally implemented, then production in 2013 would increase about 300 million liters more than post's current projection.

Another factor which can impact total production in 2013 is the use of biodiesel to generate electricity. Biodiesel producers expect somewhat larger volumes of purchases from companies as they have tested generators to utilize biodiesel at different mixes. This volume could range between 100-300 million liters.

Soybean oil is and will continue to be the main feedstock utilized in biodiesel production. There is currently no other alternative feedstock which can commercially replace soybean oil in volume and cost. Argentina has one of the world's largest and most efficient vegetable oil crushing industry. Meal is the main product and it is

primarily exported, while soybean oil is considered a byproduct. At these levels, Argentina in 2012 will utilize about 40 percent of its soybean oil production to produce biodiesel.

Biodiesel production capacity continued to expand rapidly. Capacity by the end of 2013 is projected at 5.2 billion liters. Capacity could be even higher, but some doubts on the further increase in the domestic mandate mix, the closing of the Spanish market, and some difficulties in obtaining financing have put on standby several large projects.

The financial situation of the biodiesel industry is very good in general terms. The large plants, which make for more than 80 percent of the total production, are owned by large corporations which in most cases are international grain traders and/or strong local companies which have been operating in the grain sector for many years, are financially sound. The smaller companies (with plants between 10-110 million liters/year) are in a varied financial situation as their efficiency is very different to the large plants which in most cases are integrated to their existing crushing facilities.

Biodiesel exports have a smaller tax vis-à-vis soybean oil. The current net difference between the soybean oil export tax and biodiesel export tax (deducting a small export rebate) is 17.8 percent in favor of the latter. In June 2012, the price for biodiesel under the official mandate was US\$1165 per ton (equivalent to US\$1.03 per liter).

Consumption

Domestic consumption of biodiesel for 2013 is projected at a record 1.3 billion liters. However, this volume will be higher if the government finally implements the increase of the mandate mix from 7 to 10 percent.

The government monitors closely the volumes of biodiesel (and bioethanol) which are produced, exported and sold under the mandate. This information is published periodically.

Argentina continues to have a high relative consumption of diesel, since for each liter of gasoline it consumes 2 liters of diesel. The once very competitive and extended railway system has been dismantled overtime and nowadays it only represents 10-15 percent of the total transported commodities and goods. Trucking is the main means of transport and depends heavily on diesel. In 2011, Argentina produced 12.2 billion liters of diesel, consumed 16.3 billion liters, importing the balance. At least in the near future, any additional demand will have to be supplied with imported diesel or local biodiesel. This situation is aggravated by the reduction of local gas supply and the need to feed electric power stations with diesel (so far very little biodiesel has been used in this industry, but there is testing and research to determine mix levels, which can vary from 7-20 percent). The country's energy situation presents great opportunities for the biodiesel industry.

Biodiesel blending ratios for transport are expected in 2013 to be approximately 8 percent. However, some contacts indicate that not until November, when shipments to Spain are stopped, the government will decide whether it increases the mandate mix. The biodiesel industry, through the coordination with a university, tested a vehicle with 10 percent blend of biodiesel and concluded it does not harm the engine.

At a local level, there are no GHG sustainability requirements. However, it is a very sensitive and important issue which is being addressed for the export market.

Trade

Argentine biodiesel exports for 2013 are projected at 1.5 billion liters, the lowest since 2010. This is as a result of the recent measure taken by Spain stopping imports of biodiesel from countries outside the EU. This affects directly Argentina as it has supplied over 70 percent of Spain's imports and represents more than half of Argentina's biodiesel exports. The Ministerial Order was passed last April, but exports to that market are expected to continue to flow until November.

Local traders are concerned and have doubts of the final impact of Spain's measure. Most agree that of the roughly 1 billion liters imported from Argentina in 2011 and 2012, more than half will be redirected to other European countries. Exports to Germany, through the Netherlands, could be significant, although there are strict sustainability certification requirements. Local traders estimate that approximately 400-500 million liters could be shipped with these certificates (local large farm companies are the ones to be able to certify their production). Another market which traders hope to expand is Italy, as they indicate that sustainability certification is somewhat less demanding. Local biodiesel traders are concerned about the increased use of used vegetable cooking oil for biodiesel in the EU as it limits the growth of the market.

Last May, Argentina denounced Spain because of the restriction to buy its biodiesel, a loss of US\$1 billion. It also indicated that it could make a case in WTO. Local traders are concerned because the Generalized System of Preferences (GSP) in the EU finishes at the end of this year. Argentine biodiesel currently enters duty free, while the import tax is 6.5 percent.

Peru is expected to continue to import biodiesel from Argentina for its mandate, and traders report that recently a boat load was sent to Colombia.

Local biodiesel producers have identified the US market as a new export goal. They indicate that Argentine product could come in at a competitive price. Argentine biodiesel qualifies as biomass-based diesel. The local industry, through their chamber, has been in contact with EPA to be acquainted with the requirements to be eligible to export to the US.

Statistical Information

Biodiesel - Conventional & Advanced Fuels (Mil. Liters)								
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013
Production, Total	20	215	830	1,360	2,070	2,760	3,000	2,800
Advanced Only								
Imports	0	0	0	0	0	0	0	0
Exports	0	185	780	1,305	1,550	1,920	1,800	1,500
Consumption	20	20	20	20	575	850	1,160	1,300
Ending Stocks	0	10	40	75	20	10	50	50
Production Capacity - Conventional								
No. of	6	9	18	22	30	33	39	45

Biorefineries								
Capacity (Mil. Liters)	175	665	1,500	2,300	2,800	3,700	4,700	5,200
Capacity Use (%)	11%	32%	55%	59%	74%	75%	64%	54%
Production Capacity - Advanced								
No. of Biorefineries								
Capacity (Mil. Liters)								
Capacity Use (%)	#DIV/0!							
Feedstock Use - Conventional (1,000 MT)								
Soybean Oil	18	190	730	1,200	1,820	2,430	2,640	2,460
Feedstock B								
Feedstock C								
Feedstock D								
Feedstock Use - Advanced (1,000 MT)								
Feedstock A								
Feedstock B								
Feedstock C								
Feedstock D								

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.