

ENERGY

Congress Daily

October 27, 2006

<http://nationaljournal.com/pubs/congressdaily/>

Long Ignored By WTO, Biofuels Might Receive Attention

Ethanol and other biofuels face unresolved international legal issues in the World Trade Organization that might complicate development of those products and trade in them, a panel of legal and trade experts said today. Robert Howse, a University of Michigan law professor, said the WTO has never focused much on energy because few energy-producing countries have been members and even less attention is on biofuels because they have amounted to a "minuscule" percentage of the world's energy supply. In the WTO classification of products, Howse noted, ethanol is classified as an agricultural product with no distinction between its use for fuel or for other purposes, while biodiesel is classified as an industrial product. Having two competing fuels with different rules "doesn't make a lot of sense," he said. Howse said he believes the U.S. tariff on imported ethanol is WTO-legal because it was set in the Uruguay Round.

Howse, who presented a paper commissioned by the International Food & Agricultural Trade Policy Council, said an international debate is needed on whether biofuels should be classified as "agricultural, industrial or environmental goods." Although the United States has emphasized energy independence as a goal in biofuels development, Howse noted that biofuels trade will expand because most industrial countries, particularly in Europe, do not have sufficient land for large-scale biofuel production.

Weber Amaral, CEO of the Brazilian Biofuels Institute, said it is unclear whether national government, European Union and even U.N. policies meet WTO rules. Amaral predicted the situation would become more complicated because the range of products used to make biofuels and the range of industrial processes is likely to expand. Emily Beizer, a Washington energy and trade lawyer, urged a focus beyond subsidies to mandates, rules and taxes. "No country has developed a biofuels program without government intervention," she noted. Howser said the broad issue of energy is likely to become more important in the WTO because Saudi Arabia has joined the organization and Russia is likely to be admitted soon.

-- by *Jerry Hagstrom*