iEthanol
The independent voice of EU ethanol

iEthanol's position on the EU-Thailand Free Trade Agreement

As the ongoing trade negotiations between the EU and Thailand for a Free Trade Agreement (FTA) progress, iEthanol reiterates its complete opposition to any tariff liberalisation with Thailand for ethanol.

1. **Thailand is a growing and heavily subsidised biofuels producer, posing an increasing threat to the interests of the EU non-fuel ethanol industry**

With 27 operating ethanol plants in the country, Thailand is the seventh largest producer of ethanol in the world. It has a production capacity of over 1,5 million tonnes. Of these, 1 million tonnes have been blended to gasoline (into E20 Gasohol), or directly into E85. This production capacity is projected to further increase due to gradual implementation of the national Alternative Energy Development Plan (AEDP) with targets of 2,2 million tonnes ethanol consumption by 2037.

Fuel production in Thailand is heavily subsidised; the government promotes the use of gasohol (gasoline containing ethanol) through price incentives at the gas stations and by an excise tax reduction for cars compatible with E20 and E85 gasohol. At the same time, imports are not allowed for fuel ethanol use, keeping the market at an artificially high level. Any export can therefore be sold at virtually any price covering only marginal costs, which will land in Europe at devastating low prices.

Thailand has ample availability of locally produced feedstocks (sugarcane, sugarcane molasses and cassava), and low costs of production unlike European producers who face very high costs.

Although Thailand is currently not a major ethanol exporter due to high domestic subsidised consumption, its production capacity for the growing fuel market keeps increasing. If duty-free access to the economically attractive EU market was granted, the exports are projected to increase under marginal cost.

2. **The EU non-fuel ethanol industry will already be harmed by high costs of production and tariffs-free quotas granted in the latest EU FTAs**

Prior to the EU-MERCOSUR deal that granted MERCOSUR a yearly ethanol quota of 650 000 tonnes duty-free (including 450 000 tonnes for unclear "chemical uses"), massive duty free imports from third countries were already flooding the EU market.

Pakistan accounted for over 390,000 tonnes in 2022 (a staggering increase of 200%) and over 500,000 tonnes already exported to the EU in the first half of 2023 before the European Commission suspended their GSP tariff preferences. Canada, where US ethanol is imported to replace the exports to the EU, accounted for over 60,000 tonnes in 2022 and over 3,000 tonnes in the first half of 2023.

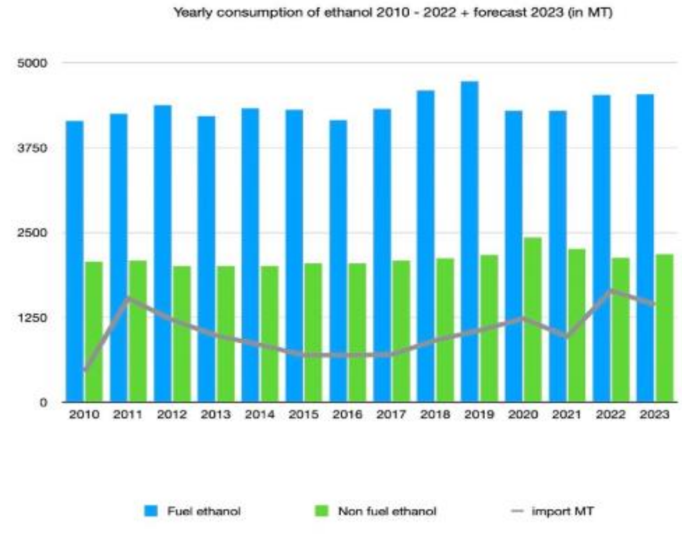
Granting small quotas in the free-trade agreements currently in negotiation (like the yearly 10 000 tonnes granted to Australia) **is not sufficient**, as they will still form a cumulative pressure on the EU ethanol market and industry.
Ethanol, now recognized as a sensitive agriculture product by the European Commission, must simply be excluded from any further future free-trade agreement.

The needs of the EU non-fuel market are already covered by EU producers who uphold high standards of production to produce high purity ethanol, and do not need external imports.

3. The EU non-fuel ethanol market is considerably smaller compared to the fuel ethanol market and registered almost no growth in thirteen years

Today, the EU ethanol market is composed of 75% fuel ethanol and 25% non-fuel ethanol.
In volumes this represents according to IHS Markit :

- 4.5 million tonnes of fuel ethanol and
- 2.1 million tonnes of non-fuel ethanol (Beverage and Industrial) with:
  - Beverage ethanol representing around 0,7 million tonnes.
  - Industrial ethanol around 1,3 million tonnes.



Source: IHS Markit 2023

Between 2010-2023, non-fuel ethanol consumption only grew by 9% (mostly due to the high and extra demand for hand and surface sanitisers during COVID-19 that has now subsided) compared to 37% for fuel ethanol. The non-fuel ethanol market has no projections for growth, and the high purity ethanol production capacity is enough to cover the 2.1 million tonnes non-fuel ethanol demand.

European produced non-fuel ethanol meets strict sustainability criteria and environmental standards of agricultural production, GMO policy, waste prevention and management standards, which are not necessarily respected by third countries.

Any reduction in market opportunity in the industrial ethanol market would ultimately reduce the volume of sales and market value, leading to closure of plants and the loss of European jobs in the medium term. No less than 15 000 direct and indirect jobs will be concerned.

Ethanol is a critical product used by several crucial industries (pharmaceuticals, cosmetics, household detergents…). Prioritising non-European supply chain goes against the political intent showed by the European Commission after the COVID-19 crisis proved exposed how vulnerable and dependant our supply chains are, confirming how crucial it is to keep ethanol production in Europe.

Allowing exports to slowly gnaw at the European ethanol production would not only risk losing the European supply chain and put the ethanol supply at the mercy of any disruption caused by international tensions, but also compromise on standards of production and quality. European producers uphold high standards and production that can easily be verified, without being at the mercy of the controls of a third country.

Losing an entire European industry would be a very avoidable mistake.

4. Conclusion

It is therefore our recommendation to the EU Commission to protect the sensitivity of the EU non-fuel ethanol industry by maintaining the full tariffs for ethanol in the agreement with Thailand.

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