Introduction

- Longstanding interest in leveraging the perceived abundant land resources in Southern African countries to produce feedstocks for biofuels.
- At national level, proponents have argued domestic production (less dependence on the imports of fossil fuels for the transport sector - save much needed foreign currency);
- Potential to export to markets such as the EU under preferential market access conditions (not met);
- Interest, led to a spate of new legislative and regulatory frameworks in several countries;
- Policy tools often used to introduce bioethanol within a national context

Regional Trends – Production, Policy and Trade & Constraints

The legislative developments to date have been insufficient to spur development of production and consumption as projected would happen a decade ago.

Production in Southern African countries of interest (South Africa, Zambia and Mozambique) has remained marginal

Objective & Methodology

- The objective is to examine recent trends in biofuels and linked global markets and political economy factors in the Southern Africa region, to understand incentives and constraints to expanding biofuel markets.
- We look to understand what are the factors that have constrained production and what scope exists to overcome these;

Global Trends

- Blending mandates form part of the policy framework to incentivise biofuels demand e.g. Malawi – E10 (1982); Moz – E10 (2012*); South Africa – E2 (2015*); Zambia – E10 (planned)
- US; Brazil and EU, main producers and consumers of biofuels (approximate combined share of 80%)

Trade Policy Issues

- WTO rules aim to promote free trade in goods and services – all countries are members and therefore subject to the binding rules;
- This creates competition for both export and domestic markets;
- Big producers like US and Brazil under competitive conditions may compete for the domestic markets in Southern Africa - need for infant industry protection measures in Southern African to make it competitive.
- Opportunity to promote a regional industry under preferential market access – SADC FTA
- Challenge for Southern Africa is that Biofuels not high on the agenda (Electricity, Infrastructure & ICT);

Conclusion

- Beyond biofuels, the driver of political will is social pressure - severe poverty, low-levels of investment, poor infrastructure, health care, education and food security are high on the priority list for SADC governments;
- At the domestic level, there are currently unclear signals of commitment from governments to enforce biofuel mandates through either purchasing offset agreements or requiring refiners to blend biofuels with fossil fuels;
- Reviving interest in biofuels at the regional level would likely require firmer interest from national governments;
- For investors, strong incentives are necessary to spur the previously high levels of interest in biofuels that have currently waned on the back of low oil prices

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