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ECONOMIC CRISIS RESHAPING FUTURE OF BIOFUELS

USAID report highlights promise of small-scale biofuels production for Asia's rural poor and the environment

MANILA (June 18) – The global economic downturn and falling fuel prices have damaged the economic viability of large-scale biofuels producers in Asia according to *Biofuels in Asia: An Analysis of Sustainability Options*, a report released today by the U.S. Agency for International Development (USAID).

Over the past year, the intense volatility in the global commodity and oil markets has eroded the profitability of Asian biofuel producers. At the same time, concerns about the sustainability of biofuels imports to Europe from Asian countries have curbed export demand.

Currently, biofuels production facilities in many Asian countries are operating at a fraction of their capacity, and many industry experts believe that the biofuels “bubble” has burst.

The report concludes that large-scale production of biofuels in Asia is unlikely to make a significant contribution to Asia's future fuel needs and energy security. It also warns that the current expansion of biofuels in Asia, if undertaken using business-as-usual practices, could cause severe environmental impact, undermine social goals, and result in unfavorable economic tradeoffs.

The greatest promise for biofuels for Asia lies in decentralizing its production and use, the report states. All over Asia, there are local opportunities for biofuels to be developed in ways that reduce dependence on fossil fuels, decrease greenhouse gas emissions, improve air quality, and create jobs, while safeguarding the environment, land and labor rights, and food security.

The challenge, according to the paper, is to create policies that encourage the raising of crops that use less water and land, and do not compete with agriculture. At the same time, new policies need to protect people who lack food security, the landless poor, and high-conservation-value areas, such as primary rainforests and peat lands.

Biofuels can be an important part of countries' strategies to expand access to modern energy for the more than 500 million Asians who currently use traditional forms of energy and who, due to their rural location or lack of market power, buy fossil fuels at significantly above-market prices, according to the report's authors.

“This report helps prioritize the actions that need to be taken to sustainably produce biofuels in developing Asia today,” said Barbara Krell, Acting Mission Director for USAID's Regional Development Mission for Asia.

Biofuels in Asia: An Analysis of Sustainability Options was prepared as part of USAID's Environmental Cooperation-Asia Clean Development and Climate Program (ECO-Asia CDCP). Electronic copies of the report as well as additional information about the ECO-Asia program are available at www.CleanEnergyAsia.net

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