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Global Biofuels Growth will Continue Despite Economic and Political Obstacles, Study Says

HOUSTON, Texas (September 12, 2011) – Brazil will return to dominating the global ethanol market, but sharp growth in internal demand and challenges in adding new production in the country will mean less export supply availability through 2020.

This is one result of Hart Energy's newly released annual *Global Biofuels Outlook, 2011-2020: Projecting Market Demand by Country, Region and Globally*. The analysis captures the biofuels supply and demand picture in North America, Latin America, Europe and Asia Pacific. The global analysis also looks at biofuels developments in Africa and the Commonwealth of Independent States.

"While sugarcane ethanol remains far and away the most commercially viable advanced biofuel option, one of two economic and policy developments needs to occur," said Frederick L. Potter, Executive Vice President of Hart Energy. Potter emphasized that either:

- The price of Brazilian ethanol needs to increase further than that now projected to provide adequate market incentives for additional cane acreage and bio-ethanol production, or
- Governments such as the U.S., California, EU and others will need to modify public policy targets that will rely so heavily on sugarcane ethanol and other advanced bio-ethanol supplies.

"To meet the performance requirements for advanced biofuels around the world, countries in Europe, along with the U.S., Japan and China will require more than 3 billion gallons in Brazilian sugarcane ethanol for their respective markets by 2020," said Tammy Klein, Assistant Vice President, Hart Energy Consulting, and global study leader.

"Further, not enough other countries are in a position to export advanced bio-ethanol supplies to meet the requirements for the U.S., Europe and other countries," Klein said. Of the approximate 20 billion

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gallons of cellulosic ethanol that will be looked to by China and the developed countries in the 2020 timeframe, Hart Energy's analysis projects that less than 10-12% of the total supply requirements will be commercially available in that timeframe.

Hart Energy's analysis concludes that the U.S. Congress will ultimately have to modify the total RFS2 requirement by 2022 and modestly increase the longer-term requirements for corn-based ethanol under the program to compensate for the shortfall in commercial cellulosic biofuels volumes.

The study also found that ethanol will represent 12% of the gasoline pool and biodiesel and renewable diesel will represent 4% of the on-road diesel pool by 2020 for the countries included in the study.

"Of course, that assumes that public policy continues to be implemented largely as governments plan," Klein said. "Full policy implementation will be a real challenge in a high feedstock price environment. Moreover, governments are increasingly challenged to fund incentives for biofuels. Higher feedstock prices and less government incentives have cooled capital lending in the finance sector as a result," she said.

More information on the study findings, methodology and geographical coverage is available by contacting Tammy Klein at +1.701.323.0417 or visiting www.globalbiofuelscenter.com. These issues will also be discussed at Hart Energy's upcoming conference in Washington, DC on September 21. For more information, visit www.hartenergyconferences.com.

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