



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 1/12/2008

GAIN Report Number: RS8092

Russian Federation

Bio-Fuels

Current Update

2008

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Report Highlights:

The third International Congress "Biodiesel-2008" convened in Moscow during November 26-27, 2008 bringing together experts from different government agencies, representatives from scientific institutions and private business. They addressed the current situation of the bio fuels market in Russia and its outlook. Although participants have a clear picture of the growing demand for alternative energy sources in Russia and the need to develop production by using agricultural waste as raw material, there seems to be a lot of uncertainties on the implementation of these projects. Participants emphasized the lack of government policies and investments as strong constrains that need to be addressed before the sector begins to develop.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Moscow [RS1]
[RS]

The third International Congress - Biodiesel — 2008 took place on November 26-27, 2008, in Moscow, in the World Trade Center. The Congress was organized under the support of the Russian State Duma, Ministry of Agriculture of Russia, Ministry of Economic Development, Ministry of Industry and Energy, Russian Grain Union, and Russian Biotechnology Organization.

The objective of the Congress was to help stakeholders from Russia, Ukraine, Kazakhstan and other CIS countries to address the following issues:

- The current situation of the biofuels market in Russia;
- World biodiesel market: present status and future trends;
- Bioenergy and problems of its development in Russia;
- Production Diesel Fuel from wood waste;
- Refining Industry Investments in Biofuels;
- Case study: Biodiesel project economics & financing;
- Regulatory and legal frameworks for biofuel industry in Russia;
- How to sell biofuels: international markets;
- Generating Revenues from Co-Products etc.

The conference brought together experts from different government and private organizations, scientific and research institutions, businesses, Fund of Technology Development and officials from the Ministries, and representatives of the Russian Biofuels Association. Most of the speakers stressed the development of biofuels industry worldwide and expressed confidence that Russia's biofuel market has a strong potential. The speakers agreed that there is a growing need of energy production from agricultural waste.

Concerns about the slow development of the biofuel sector in Russia and the lack of government policy and financial support were raised by several speakers. Most of the experts agreed that due to Russia's abundant resources of petroleum and natural gas incentives to develop alternative energy sector have been slow. The issues and projects presented at the conference, including a draft bill on "Bio energy Development in Russia", were the topics of discussions, but uncertainty remains if these proposals will actually be implemented in the near future, principally now with lower oil prices and the international credit crunch.

According to Alex Ablayev, President of the Russian Biofuel Association, the recent visit of Minister of Agriculture Aleksey Godeyev to the International Biofuels Conference in Brazil, was a positive step in developing a government position on biofuel in Russia. According to Russian Minister of Agriculture, the production of biofuel "should be based on 2nd generation technologies. The waste from cattle breeding, the food industry and timber processing should be used as raw materials".

According to Raif Vasilov, President of the Russian Biotechnologist Society demand for production of alternative energy sources will continue to grow since fuel and energy sector is still underdeveloped in Russia.

The following social, economic and ecological factors were mentioned as an opportunity to invest in alternative energy sources in Russia:

Social factors:

- High unemployment in the rural areas;
- Low Quality of life in rural areas.

Economics factors:

- About 70 percent of rural territories lack central electricity systems due to their remoteness;
- Rising energy costs and consumer prices;
- Availability of large forest and agricultural areas with biomass as raw material for biofuel production;

Ecological factors include:

- High level of environment pollution;
- Large amount of waste from agricultural production occupying nearly 2 million hectares of land and emit methane into atmosphere.

The following constraints were mentioned affecting the increase in biofuel production in Russia:

- Lack of government policy for biofuel production;
- Relatively low cost of traditional energy sources;
- Lack of coordination among different government agencies;
- Lack of financial resources and investments, high-cost financing, lack of tax remissions;
- Lack of support for scientific and research initiatives and financing of pilot projects in biofuel production.

According to the official from the Ministry of Energy, the government is taking initiatives for the development of bioenergy sector. Consistent with the Government resolution dated June 4, 2008, the government was tasked with developing federal laws that foresee economic mechanisms for stimulating bioenergy production and tightening the enforcement of environment laws.

The law also provides that during formation of the Federal budget it is necessary to make provisions for budget subsidies that will support and stimulate renewable sources of energy projects.

Anatoliy Artushin, corresponding member of the Russian Agricultural Academy of Science presented the first draft of the Russian Federal law on "Bio energy Development in Russia". The draft is being developed in cooperation with experts from the Ministry of Agriculture, Ministry of Energy and several scientific institutions. The draft law is scheduled to be presented to the Duma in November 2009. The major concept is to stimulate production and usage of fuels that is produced from raw material of plant origin. The program envisages the use of 9 million hectares of arable land that can be sown with rape seed (7 million) and sorghum (2million). However there was intense skepticism regarding where the resources would come from and if current fallow land could support this initiative. The draft bill also addresses a mandatory usage of 2-3 percent of bio additives into motor fuel by 2015.

The speaker from the Ministry of Agriculture Vladimir Baskov, head of the bioenergy development center also highlighted raw material for biofuel productions in waste from agricultural enterprises as the important source. According to his estimates, 40 million hectares of land could be restored and be suitable for growing raw material, such as rape seed. He also referred to the low employment level in the rural area and the potential to employ 5 million people in biofuel production. He also stressed the need to produce local

energy sources in the rural areas. Coordination between the government agencies is important in moving forward with biofuel production. According to his estimates biogas production is 20 times cheaper than crude oil processing and setting up costs for biogas production is 4 times cheaper.

Nikolay Sorokin, Deputy Director of the office of Scientific and Technical policy and Education at the Ministry of Agriculture, stressed the primary objective is the processing of waste from forestry and food processing sector. He reported that if 773 million tons of solid wastes currently available in Russia are processed, it would generate a production of 66 billion cubic meters of biogas or 33 billion of petroleum or 112 million MT of fertilizers.

According to data provided by Rosstat, the agricultural sector consumed in 2007 about 1.8 million metric tons of petroleum, 4.1 million MT of diesel fuel, 1.8 million MT of mineral and 52 million MT of organic fertilizers. The idea of agricultural production can be self-sufficient in providing energy was another strong argument in support in further development of the bioenergy sector in Russia.

He also stated that his office is working on developing quality standards for biofuels, legislature for bioethanol production. The focus should be on the development of biofuel at the regional level. Attraction of private business along with government support could be a successful model for sustainable biofuel production. He also stressed the importance of cooperation with other countries' leaders in development of biofuel sector.