

Ethanol in Asia

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BANGKOK/TAIPEI - Asian countries may see ethanol as a potential money-spinner or environmental saviour, but doubts still hang over the economics of producing the trendy fuel in a region where old-fashioned petrol rules supreme.

Agricultural powerhouses, like Thailand or Australia, blessed with crops that could be used in ethanol production, are making tentative steps towards building up capacity to capture a slice of the growing world market for ethanol.

Brazil, the world's largest ethanol producer, is expanding output to meet anticipated higher global demand. It sees China and Japan as part of a potentially big Asian ethanol market, especially if ethanol/gasoline blending policies are implemented.

But Asian industrial countries, such as Taiwan and South Korea, appear hesitant about embracing the leading biofuel amid unresolved questions over costs of the blend. Taiwan's energy commission, facing growing environmental concern over additive MTBE (methyl tertiary butyl ether), told Reuters in Taipei it would conduct a feasibility study early next year into ethanol as a blend in gasoline.

However, South Korean industry sources told Reuters in Seoul there were no plans to use ethanol as a fuel because of its relatively high cost compared to regular gasoline. "Ethanol is too expensive to be used as a fuel," an industry source said, adding ethanol cost four to five times more than gasoline as a raw material.

THAILAND INITIATIVES

Thailand, a producer of ethanol raw materials like sugarcane, tapioca, corn and rice, is well placed to supply regional markets, notably China with which it is establishing business links to feed the energy-hungry giant.

The authorities have tried to boost ethanol production by encouraging private firms to set up plants to supply the domestic market and to fill growing demand in other countries.

Thai media reported earlier this week that one of China's big chemical and pulp manufacturers, Shandong Jinyimen Chemical Group, had proposed spending 500 million baht (\$11.4 million) to build an ethanol plant in Thailand for export to China.

In another initiative in Thailand, major sugar mills group Wang Kanai plans to invest 800 million baht to build a molasses-based ethanol plant, Boonyarit Na Wangkanai, Managing Director at Wang N.T. Paper Co Ltd, told Reuters.

Thailand's Wang Kanai would soon apply to the National Ethanol Development Committee for a licence to produce the ethanol, Boonyarit said.

Construction would start soon after approval is granted, with the plant scheduled to be completed within 18 months, he said.

The plant, to be located next to one of its sugar mills, would have production capacity of 150,000 litres a day, turning out an alternative fuel for automobiles, Boonyarit said.

The plant is a breakthrough for Thailand, where no private firms produce at significant levels for industry, traders said.

TAIWAN PONDERING

In Taipei, an energy commission official said the Taiwanese feasibility study had been partly triggered by California's decision to ban MTBE and use ethanol as its oxygen-enhancing chemical additive to make cleaner-burning gasoline.

California plans to ban MTBE on December 31, 2002.

"We commissioned professional agencies to study using ethanol as a gasoline additive, and also on how badly MTBE could contaminate groundwater," the official said.

Taiwan's feasibility study would assess the economic impact and availability of ethanol, covering a wide range of issues including the cost of a shift to ethanol fuel. It was doubtful the government would introduce immediate gasoline regulations to force the use of ethanol, the energy commission official said.

"As the United States is a major corn-growing country, it can easily produce ethanol using surplus crops. But we cannot. This is our problem," he said. State-owned Taiwan Sugar Corp, the island's sugar monopoly, produces around 20,000-30,000 kilolitres of sugarcane-based ethanol every year, but only for food use.

KOREA IMPORTING

Korea, meanwhile, imported 77,497 tonnes of ethanol between January and October this year, up from 71,216 tonnes a year earlier, Korea Trade Information Services (KOTIS) data showed.

So far this year, Korea has imported 34,833 tonnes from China, 28,029 tonnes from India and 13,664 tonnes from Brazil.

Korea imported a total of 88,224 tonnes in 2000, almost all of it for producers of alcoholic beverages.