(4)

contributes to the preservation of soil structure, prevention of erosion, and provides a pleasant landscape for the environment and in consequence the tourist industry.

(iii) In addition bagasse burning mitigates the greenhouse gases from other sources: around 16% of the country's electricity production comes from bagasse and this avoids the import of approximately 200,000t of coal[1] or 80,000t of high sulphur heavy fuel oil[2], thus representing an annual saving ranging between Rs700 M and Rs1.5 Bn for the economy.

(iv) Bagasse and coal burnt at power plants located adjacent to sugar mills account for some 60% of the electricity exported to the national grid.

2.2. **Abolition of Sugar Protocol**: The abolition of guaranteed prices under the ACP/EU Sugar Protocol in 2009, and the subsequent liberalization of production quotas in October 2017 in the European Union, resulted in Mauritius sugars being directly exposed to distorted and unsustainable world market prices, often falling below the world's average production cost level. While most producers worldwide still manage to remain viable through their domestic sales, the Mauritian sugar cane industry has the drawback of being principally export oriented due to its restricted local market, hence making it heavily exposed to world price volatility. It should also be noted that, due to the political sensitivity of the cane industry among most producing countries, it is highly regulated, often complemented with subsidies and other government support, which disconnect production, and sometimes efficiency, from actual market price levels.

2.3 **Structural Reforms**: The sugar cane sector has already been subject to stringent threats and challenges, and reforms have been an ongoing process to overcome them. A substantial part of the reforms have been implemented such as centralisation, Blue Print, VRS1 and VRS2, while others are still ongoing. However, given the dire challenges which the industry is facing, there is urgent need for completion of the reforms in order to ascertain its viability.

2.4 **Unfinished Businesses**: However, some structural reforms in the sugar cane industry, as per the recommendations of MAAS Action Plan (2006 – 2015) and LMC Report (2015), in particular on energy, labour laws, recouping costs and addressing the problems of land abandonment, have not progressed as expected and need more focussed attention. The industry is presently facing the consequences of not having implemented those recommendations, exacerbated by the significant drop in world market price levels, which have entailed a reduction in the ex-Syndicate price at its lowest

---

[1] *Coal cost estimated at US$100 / t*

[2] *Heavy fuel oil cost estimated at US$528 / t*