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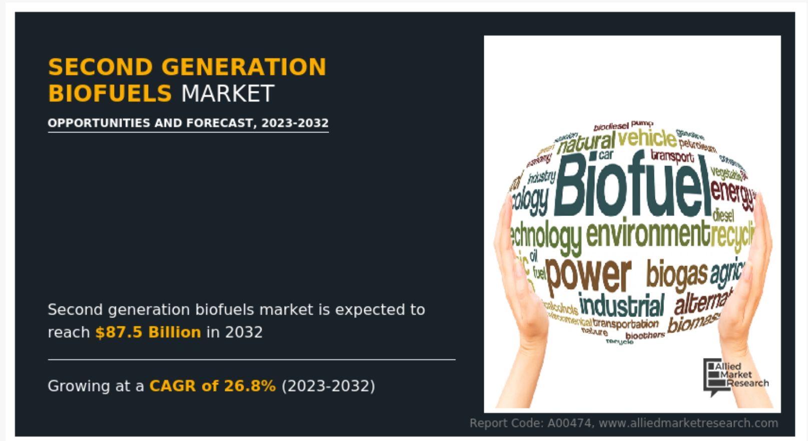
Second Generation Biofuels Market Booming at 26.8% CAGR, Set to Transform Transportation and Power Sectors

Second Generation Biofuels Market to Reach $87.5 Billion by 2032, Driven by Rising Demand for Sustainable Energy



WILMINGTON, DE, UNITED STATES, August 20, 2025 /EINPresswire.com/ --

According to a new report published by Allied Market Research, the second generation biofuels market was valued at $8.2 billion in 2022 and is projected to reach $87.5 billion by 2032, growing at a strong CAGR of 26.8% from 2023 to 2032. This rapid growth is attributed to rising global energy demand, increasing environmental concerns, and government initiatives promoting renewable energy adoption.

> Second Generation Biofuels Market to hit $87.5B by 2032, growing at 26.8% CAGR, fueled by sustainable energy demand & clean transport adoption.”
>
> *Allied Market Research*

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 What Are Second Generation Biofuels?

Second generation biofuels, often called advanced biofuels, are produced from non-food biomass feedstocks such as lignocellulosic biomass, agricultural residues, algae, and dedicated non-food energy crops like switchgrass and jatropha. Unlike first-generation biofuels that compete with food crops, these fuels utilize agricultural waste, crop residues, and marginal land crops, making them a sustainable solution for the energy sector.

The key goal of these biofuels is to maximize sustainable fuel production from non-food crop residues such as stems, husks, and leaves, alongside energy crops unsuitable for food production.

Market Drivers and Opportunities

Several factors are driving the second generation biofuels market growth:

Rising Oil Demand & Energy Security: Population growth, industrialization, and rising disposable incomes have pushed global oil demand higher. Since many countries rely heavily on oil imports, biofuels are being adopted to reduce dependency on fossil fuels and strengthen energy security.

Economic Benefits for Farmers: Advanced fuel technologies create new revenue streams for farmers by utilizing agricultural residues and non-food crops, boosting rural employment opportunities.

Transportation Industry Adoption: Growing demand for ethanol and biodiesel as alternatives to traditional fuels is creating new opportunities, especially in the transport sector. Governments worldwide are supporting ethanol-blended gasoline and biodiesel initiatives to reduce greenhouse gas emissions.

Technological Advancements: Innovative processes such as cellulosic ethanol production from urban solid waste and agricultural residues are making second generation biofuels commercially viable.

Government Policies Boosting Market Growth

Governments across the globe are implementing favorable policies to promote advanced biofuels. For example, in India, policies introduced in 2018 aim for 20% ethanol blending with gasoline and 5% biodiesel blending with diesel fuel by 2030. Such initiatives are rapidly accelerating the adoption of biofuels in the transportation sector, thereby reducing pollution and supporting sustainable energy goals.

Market Segmentation Overview

The second generation biofuels market is segmented into feedstock, type, process, application, and region:

By Feedstock:

Simple lignocellulose

Complex lignocellulose

Syngas

Algae

Others

By Type:

Cellulosic ethanol

Biodiesel

Bio butanol

Others

By Process:

Biochemical process

Thermochemical process

By Application:

Transportation

Power generation

Others

 Regional Insights

North America dominated the global market in 2022, accounting for more than two-fifths of the total share, driven by technological innovations and strong policy frameworks.

Asia-Pacific is expected to be the fastest-growing region during the forecast period due to increasing government support and rising energy demand in developing economies.

 Competitive Landscape

Major companies operating in the second generation biofuels industry include:

Algenol Biofuels

Clariant AG

International Flavors & Fragrances Inc.

Fiberight LLC.

GranBio

Ineos Group

Orsted A/S

POET-DSM Advanced Biofuels LLC

Reliance Industries

Zea2, LLC

Other notable players such as Algae. Tec, Chemrec Inc., Gevo Inc., and Muradel are also competing through product launches, joint ventures, partnerships, and expanding production capacity to meet rising demand.

Key Findings of the Report

By type, the cellulosic ethanol segment emerged as the global leader, accounting for a major market share in 2022.

By feedstock, complex lignocellulose dominated the market, making up nearly one-third of the share.

By process, the thermochemical process segment held nearly three-fifths of the market share in 2022.

By application, transportation was the leading segment, representing more than four-fifths of the global market.

By region, North America was the largest consumer in 2022, while Asia-Pacific is projected to grow the fastest.

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□ Future Outlook

The second generation biofuels market is expected to witness tremendous growth as nations push toward carbon neutrality and adopt clean fuel alternatives. With continuous innovations, government support, and the rising shift toward renewable energy, second generation biofuels are poised to become a cornerstone of the global sustainable energy transition.

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