

EBB

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91/COM/13

Brussels, January 30th 2013

EBB COMMENTS ON HLPE REPORT ON BIOFUELS AND FOOD SECURITY

The European Biodiesel Board (EBB) gathers 80 European producers among 21 Member-States. We represent more than ¾ of the biofuels output in Europe, largely contributing to ground alternatives to fossil fuel in transport. Biodiesel provides environmental advantages, reducing Greenhouse Gas (GHG) emissions as well as decreasing sulphur particles and compound in the air. In addition to being a safe, environmental friendly resource, our product contributes to higher energy independence, while also providing employment in Europe and worldwide. Furthermore, biodiesel production fosters agriculture output by enhancing farmers' revenues and developing technological input.

While EBB welcomes the opportunity to participate into the current study undertaken by the FAO, we would like take this opportunity to highlight some misunderstandings and loopholes developed in the report.

Overall methodology

As regards methodology, the report as it stands fails to provide strong methodology in order to reach fair and well-balanced conclusions. The literature review is rather poor and do not tend to overview the current state of the art as regards research on biofuels. Of a particular matter, the report shows strong inconsistency when evaluating its resources. While the IFPRI study based on equilibrium long-term modelling is presented as the cornerstone report when assessing land availability and assessing "long term price elasticity"¹, the authors reject the possibility to rely on similar methodology when assessing the agricultural commodity prices². It does not reach the rigour requirements of such a prestigious institution as FAO. While the UK Government (HM Government, 2009) was positively peer reviewed, the IFPRI study was numerously criticised. Numerous alternative reports concluded that biofuels production was not accurately reflected.

Furthermore, the report lacks clear definition of biofuels and food security per se. Neither the scientific community, nor the political sphere nor the industry concerned have managed to defined "advanced biofuels" and we would suggest to be extremely careful on this matter. Indeed, advanced biofuels could encompass a vast range of aspects such as new technology developments, higher greenhouse gas savings, or alternative feedstocks. Hence, lack of definition may lead to inadequate recommendations.

Understanding of policy issues and technology development

Furthermore, the report does not seem to provide sufficient evidence to "call in question the use of mandate/targets together with subsidies and tariffs"³. The Renewable Energy Directive (RED, 2009/28) mandates a 10 % share of renewable energy sources in the transport sector by 2020. It relies on market forces to determine the most appropriate manner to reach such targets. European Member States forecast a predominant reliance on biodiesel due to current market structure and availability of technology. Furthermore, the Fuel Quality Directive (FQD, 2009/30) has additional energy intensive targets, contrary to what seemed to imply the quote page 7. Additionally, the Commission legislative proposal released in October 2012 is still under debate, implying that the

¹ p.22

² In particular « this use of the models is often inappropriate. Many of the model cited are general equilibrium models that by design attempt to estimate the impacts on prices in a long term equilibrium », p. 33

³ Draft policy recommendations

Council of the European Union along with the European Parliament have the possibility to modify it and, hence, should not be taken as a definitive version.

On the contrary, the FAO report does not assess the positive value of mandates. Long-term targets provide with stable long term views for agricultural markets, hence enabling farmers to foster their income and invest in higher quality products. On this particular matter, we would like to strongly emphasize the need for legislative stability as well as strong regulatory framework to ensure the accurate deployment of alternative resources

The technology barrier should be hence comprehended in this light. Technology development is of primary interest for biodiesel production and it seems essential to ensure that the current state of play is fairly considered. As second generation is defined neither in this report nor among stakeholders, it seems rather difficult to draw any conclusions on the maturity of such products. While the International Energy Agency has demonstrated that technological investments are taking place, the sector lacks long term perspective to enhance confidence in the future. To reach economy of scale, thus reducing the amount of policy support, requires 5 to 10 years from the time of investment decision.

Biofuels and food prices

Biofuels and food security is an imported subject, which should be discussed in a fair and neutral manner. It is important that the report is well balanced with equal assessment of trends and market patterns. The current report disposes of little evidence demonstrating a linear consequence between deployment of biofuels and increase in food prices. The food crisis at the beginning of year 2008 was clearly linked to a spectacular increase of petroleum prices: crude oil reached 133,9 US Dollars/barrel in June 2008 (compared to 91,45US Dollars/barrel in December 2007). The "low energy efficiency of food" led to higher food prices in several developing countries. A FAO/OECD⁴ report concludes that a 25% increase in oil price translates into a 14% increase in fertiliser prices, which insists on the strong link between energy and agricultural prices.

Moreover, we would be interested to see academic peer-reviewed work on the causal link between reliance on biofuels and so-called land-grabbing. No significant imports of biofuels from Africa to Europe could allow drawing a clear link for such statement (Eurostat data). It is yet concerning that FAO bases its conclusions on NGOs reports and case-study evidence without any further grounded proofs. There is additionally no evidence stressing the fact that palm oil based plantations are exclusively aimed at biodiesel production.

EBB suggestions

As such, the current report does not seem to fully grasp the positive outcome of biodiesel production in terms of agricultural development both in Europe and third countries. Biodiesel production is strongly intertwined with agriculture products and numerous reports – including the FAO services- have demonstrated how biofuels deployment could foster access to food products, while overcoming structural political constraints in remove less developed areas. As stated by numerous well-informed contributors, the use of co-products is often neglected when analysing the role of biofuels.

The FAO BEFS (Bioenergy and Food Security) analysis of bioenergy policies also recognises the three distinct advantages of biofuels, i.e. positively affecting agricultural and rural incomes, poverty reduction and economic growth through creation of new markets, reducing energy dependency, and enhancing food security. The BEFS analysis also concludes that general conclusions cannot be made as to the impact of biofuels on food prices, economic growth, energy security, deforestation, land use and climate change. Hence, biofuels policy should be assessed in a broader framework in order to fully understand their role.

We would like to thank you for the time you will take to consider our comments and would be delighted to discuss further the manner with you.

⁴ FAO-OECD Agricultural outlook (2012), p. 41