

# Biofuels

A serious threat to food security

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**Biofuels have become a hotly-debated topic owing to the growing political and public attention to climate change. Measures to combat the effects of global warming are currently on top of the political agenda worldwide. As one of the largest economies in the world, the European Union (EU) has a key role to play in stimulating the use of alternatives to fossil fuels. While introducing measures to reduce CO<sub>2</sub> emissions by expanding the use of so-called biofuels, the EU should make sure that it does not harm the interests of developing countries. Their food security, biodiversity and local livelihoods could be endangered by the large-scale introduction of biofuels for the benefits of western consumers. This would be incoherent with and highly jeopardize the very same efforts the EU has taken to eradicate poverty by enhancing the economic participation of the poorest.**

Biofuels are hailed by some as the solution to the dual problem of climate change and poverty, while others fear mass starvation and ecological disaster. Biofuels could represent an agricultural renaissance for Africa and supply modern energy to third-world populations, according to Jacques Diouf, Director-General of FAO.<sup>1</sup> On the other hand, rich countries have been accused of total hypocrisy by Jean Ziegler, UN Special Rapporteur on the Right to Food, for their reckless drive to biofuels, for which the price will be paid by hundreds of thousands of people who will die from hunger.<sup>2</sup>

### **EU Energy Policy**

In 1974, immediately after the global oil crisis, biofuels suddenly became an energy priority. As the turmoil on the energy markets waned, so did interest in biofuels. Nowadays a combination of high oil prices, concerns about energy security and fear of climate change has put biofuels back at the centre of the global stage. More and more, crops such as sugar cane, maize and wheat are converted into ethanol, and rapeseed and palm oil into biodiesel.

The production of biofuels in the EU is heavily subsidized. Taxation on biofuels compared with excise taxes applied to fossil fuels varies from 0% to 45% between EU Member States.<sup>3</sup> A special subsidy for agricultural land devoted to the production of energy crops was introduced under the CAP reform of 2003. In addition to this, agricultural raw materials used for biofuels benefit from subsidies of 1.1 billion euros for oil-seed producers and 10.7 billion euros for cereal producers.<sup>4</sup>

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<sup>1</sup> Financial Times, (15 August 2007).

<sup>2</sup> Reuters, Biofuels could lead to mass hunger deaths: UN envoy (16 June 2007).

<sup>3</sup> Directive 2003/96 EC, Energy Taxation Directive.

<sup>4</sup> Jank et al, EU and US Policies on Biofuels: Potential Impacts on Developing Countries (2007).

## Development policy

The central objective of European Development Policy is poverty reduction as laid down in the first Millennium Development Goal: halving the proportion of food-insecure people in the world from 16 per cent to 8 per cent by 2015. There are 854 million undernourished people one on six worldwide.<sup>5</sup> These people typically spend 50 to 80 per cent of their budget on food. Soaring food prices caused by the sudden rush to biofuels represent a profound tragedy for these urban and rural poor. Competition between food and energy will inflate basic food prices anywhere between 20 and 50 per cent in the next ten years, according to estimates by the FAO and the OECD.<sup>6</sup> This would mean that the number of food-insecure people in the world would nearly double by 2015, instead of being halved as formulated in the first Millennium Development Goal.<sup>7</sup>

Sustainable development and the reversal of environmental losses constitute another key objective in the Millennium Development Goals (number 7). An unregulated boost in the production of biofuels risks sacrificing biodiversity. If rainforests are cut down to make space for plantations of energy crops, biofuels will even result in a net emission of greenhouse gases. In the same time, as the European Commission rightly states, biofuels do offer a chance to developing countries who could make use of their climate advantages.<sup>8</sup> However, the opportunities for local use of biofuels and possible negative social and environmental consequences of the conversion of food for fuel should be monitored carefully.

## Incoherence

In the European Consensus on Development (2006), the European Commission states: It is important that non-development policies assist developing countries efforts in achieving the Millennium Goals. The EU shall take account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries.<sup>9</sup>

The efforts of the European Union to secure its energy supply, while subsidizing its agriculture, should not go at the expense of its environmental and development objectives.

Although various Commissioners have called for the elimination of EU tariffs on biofuel import they are still considerable: biodiesel imports into the EU are subject to an ad valorem duty of 6.5%. Import duties on ethanol vary between €10 and €20/hl, which

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<sup>5</sup> UN Energy, Sustainable Bioenergy: A Framework for Decision Makers (2007).

<sup>6</sup> OECD/FAO, Agricultural Outlook, 2007-2016 (2007).

<sup>7</sup> C. Ford Runge and B. Senauer, How Biofuels Could Starve the Poor Foreign Affairs (May/June 2007).

<sup>8</sup> EU strategy for biofuels, COM 34 sets out that both domestic producers and importers should benefit from a growing EU market for biofuels.

<sup>9</sup> "The European Consensus on Development" [Official Journal C 46/01 of 24 February 2006].

represents about 50% ad valorem.<sup>10</sup> These barriers to trade deprive developing countries, which are environmentally and economically more efficient producers, of the potential benefits of trade in biofuels. This is clearly inconsistent with the EU's efforts to combat poverty.

Moreover, an increase in biofuel production in the EU [...] is particularly likely to result in substitution for food production and so is likely to drive up global food prices and, hence, increase the potential shock for developing country producers and consumers, according to recent research.<sup>11</sup> Collective efforts at poverty eradication risk being squandered by a reckless global drive to biofuels.

The recent EU Strategy for Biofuels-impact assessment is very optimistic in saying that the 10% biofuels objective for 2020 will not overly stretch the (EU's) land availability, as 15% of arable land is relatively modest.<sup>12</sup> Its conclusions largely depend on the availability of efficient and productive second-generation biofuels, which the EU should indeed stimulate, but unfortunately does not do on a large scale. This even ignores the impact of the 2005 Biomass Action Plan,<sup>13</sup> which requires 8% of the EU energy mix to come from organic material, which also competes for land use. Overall, the massive production of biofuels seems incoherent with the EU's striving to stop the loss of biodiversity and might also endanger Europe's commitment to the achievement of the MDGs.

At this moment, the European Commission reviews the Biofuels Directive of 2003<sup>14</sup> to create a binding target of a 10 % biofuels proportion in the transport sector subject to production being sustainable, second-generation biofuels becoming commercially available.<sup>15</sup> The Commission rightly wants to include criteria on sustainability, but the greenhouse-gas-emission reductions as compared with fossil fuels will be meagre at best and underlying social criteria seem to be lacking. Moreover, the proposed European certification system risks becoming a farce if different sets of criteria start to proliferate in different countries, thus allowing substandard producers to move around the system, while putting an administrative burden on benevolent producers. Enforcement will be problematic, as is shown in the case of certification of wood products. And sustainability criteria fail to address the issue of food versus fuel at all.

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<sup>10</sup> UN Energy, Sustainable Bioenergy: A Framework for decision makers (2007).

<sup>11</sup> Peskett et al, Biofuels, Agriculture and Poverty Reduction (June 2007).

<sup>12</sup> An EU Strategy for Biofuels - impact assessment - SEC(2006) 142.

<sup>13</sup> COM(2005) 628, Biomass Action Plan.

<sup>14</sup> Directive 2003/96 EC.

<sup>15</sup> Presidency conclusions, Brussels European Council, 8/9 March 2007.

## Conclusion

In order to realize the potential benefits for developing countries, the European Union should strike a delicate balance between liberal and interventionist policies. It should abolish its subsidies and tariffs on biofuels to enable developing countries to profit from new export opportunities. On the other hand, it should guarantee sustainable and socially responsible production methods in these countries. It should not set mandatory production targets before a global system of minimum standards is up and running. And most importantly, it should compensate those at risk of starvation owing to rising agricultural prices.

## Policy recommendations

- The European Union must ensure that its Energy Policy will not harm the food security of the urban and rural poor in developing countries, whose daily survival is threatened by substantially higher food prices. It should draw up a strategy to ensure the urban and rural poor are compensated for higher food prices before installing mandatory levels of biofuels;
- The European Union should abolish its domestic subsidies and import tariffs for biofuels, in order to allow developing countries to profit from the trade opportunities biofuels offer;
- The European Union should draw up comprehensive sustainability criteria for biofuels, including more ambitious standards for greenhouse-gas reduction a slight decrease of emissions as compared to fossil fuels is simply not enough and the protection of biodiversity and carbon-rich ecosystems;
- The European Commission should include social criteria in its review of the Biofuels Directive to guarantee that the rural populations who live off marginal lands and forests are not hurt by expanding agricultural production;
- The European Union should stimulate local processing and the use of sustainable biofuels in developing countries. Small-scale farmer cooperatives should be stimulated to prevent the benefits from biofuel production from only falling into the hands of large-plantation owners.

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