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Biofuels and the G20

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Background

The G20 has an important role to play in ensuring that biofuels production and consumption globally does not encourage land grabs, threaten food security, and contribute to greenhouse gas emissions (GHG). The report[1] on food price volatility prepared by the FAO, the World Bank and other international organizations at the request of the G20 takes a firm position against increases in biofuel production, and the use of mandates and financial incentives that encourage growth of the industry.

Biofuels overall now account for a significant part of global use of a number of crops. On average, in the 2007-09 period that share was 20% in the case of sugar cane, 16% for vegetable oils, 15% for corn, and 4% for sugar beet[2]. As food supply is diverted to biofuels while world demand for food continues to rise, it is clear that biofuels contribute to increasingly volatile food prices and pressure on land.

Impacts on Food Prices & Land

There are several ways that crop-based biofuels impact food prices. At an international level, crop prices are increasingly related to oil prices. For example, increases in the price of oil enhance bioethanol's competitiveness relative to petrol and strengthen demand for it. If oil prices are high and a crop's value in the energy market exceeds that in the food market, crops will be diverted to the production of biofuels, which will increase the price of food. Changes in the price of oil can be abrupt and are likely to cause increased food price volatility. As a result of mandates and financial incentives, even when the price of oil has been low, there has been an artificial demand for biofuel crops. Biofuel crop demand, combined with growing demand for grains globally and lower yields due to weather shocks, has eroded grain stocks in several countries and caused grain prices to rise.

In addition to their impact on food price volatility, biofuels put great pressures on land rights and land use, threatening land used to grow food crops, rainforests, and other crucial lands that store carbon. Millions of hectares of land are being acquired in the global south by companies to

[1] http://ictsd.org/downloads/2011/05/finalg20report.pdf
[2] OECD/FAO (2010), Agricultural Outlook 2010-2019, OECD, Paris.

produce biofuels[3]. In areas such as the Dakatcha region in Kenya[4] we have already seen how communities risk losing their land and livelihoods as companies move in and clear land for biofuel production. Scarce water resources are also being diverted from other uses to biofuels production in countries like Mozambique and Kenya.

In countries such as Brazil[5] and Guatemala, small scale farmers are losing their lands as bioethanol producers move in to produce biofuels for both domestic consumption and export. In Brazil, as well as other places, we have seen how promises of jobs and investments in infrastructure have not improved the livelihood of rural workers who usually face bad working conditions and low wages.

Researchers have come to question just how much biofuels reduce greenhouse gas (GHG) emissions when the full life-cycle of biofuel production and consumption is taken into account[6]. Many biofuel production processes actually incur higher GHG emissions than fossil fuels. In their attempts to reduce climate changing emissions, G20 countries should focus on reducing energy consumption through energy efficiency investments in agriculture, industry, buildings, transport and heating. Further investments also need to be made in researching how to advance renewable energy production which can reduce fossil fuel dependency while averting adverse effects on social, development, human rights and GHG impacts.

Unsustainable Policies

While biofuels can potentially be produced and consumed in a sustainable way, current biofuel policies in several G20 member states and regional blocs to which G20 states belong are not sustainable.

For example, implementation of the European Union's Renewable Energy Directive[7], will require that around 9 per cent of transport fuel come from biofuels by 2020. This will mean a tripling of today's levels of consumption. Much of this will be imported from other regions, and the EU has

[3] See, amongst other, 'Meals per Gallon' by ActionAid http://www.actionaid.org.uk/doc_lib/meals_per_gallon_final.pdf
[4] See "Fuelling Evictions – Community Cost of EU biofuels boom" http://www.actionaid.org/sites/files/actionaid/aa_dakatcha_report_final.pdf
[5] See http://www.actionaid.org.br/Portals/0/Docs/cortinaFumaca_EN.pdf
[6] See, amongst other things, "Driving to Destruction" http://www.actionaid.org.uk/doc_lib/driving_to_destruction.pdf
[7] See http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:140:0016:0062:EN:PDF

not put in place robust safeguards to ensure that such imports do not adversely affect food security or provoke increased land-grabbing.

The United States biofuels policy is also unsustainable. Corn ethanol is the dominant biofuel produced and consumed in the US. Due to a triple incentive structure including a mandate for production and blending targets, subsidies and a protective tariff, almost 40% of the US corn crop is diverted from food and feed to fuel. Although farmers have increased corn yields, the combination of the rising demand for corn and weather shocks has depleted corn stocks and resulted in record breaking corn prices. Since many countries are heavily dependent on corn imports from the US for food and feed, the rising price of corn paid at the global level has had a devastating impact on local markets.

Better protection for agricultural land and biodiversity areas are also needed globally. In Brazil, the government has approved Agro-ecological Zoning (ZAE) for sugarcane to certify that ethanol doesn't cause deforestation. The zoning project has identified approximately 64.7 million hectares of land suitable for sugarcane cultivation. However, the expansion of sugarcane in these designated areas may displace food production activities and push cattle-raising into the Amazon region. There are no guarantees that cultivation in these more sensitive environmental regions will not result in negative impacts such as indirect deforestation or contamination by pesticides.

Biofuel policies in countries with large and expanding consumption (such as the US and the EU) as well as countries with high production levels (such as the US, Brazil and many non-G20 countries including Guatemala, Senegal and Kenya), contribute to price volatility of food items such as grains, increase food insecurity, and create the perfect conditions for land grabs , especially in communities whose land rights are already under threat.

With nearly one billion people already going hungry around the world, the G20 needs to ensure its energy needs are not met in ways that threaten to worsen the plight of the hungry and malnourished around the world. Phasing out blending targets and financial incentives for biofuels is key to achieving this.

Recommendations for G20 action on biofuels

G20 states should individually and collectively:

- Eliminate targets, mandates and financial incentives (such as subsidies and tax exemptions) that encourage the expansion of unsustainable industrial biofuels production.
- Accelerate scientific research on alternative paths to reduced carbon emissions and improved sustainability and energy security, including improved energy efficiency
- Ensure that all biofuels, whether domestically produced or imported, meet strict social and environmental sustainability criteria that ensures that their production and consumption does not compromise food, land and workers' rights and that they result in lower net greenhouse gas emissions than fossil fuels when considering the full life-cycle of the biofuel production process.
- Ensure that any further study on the relations between biofuel production and food, agriculture and the environment or proposals for "flexible mandates" which would adjust existing mandates during times of food price stress should be done with the active engagement of civil society. The FAO's Committee on Food Security would be the ideal venue for further exploration on these issues, and recent studies by its High Level Panel of Experts offer insights on biofuel policies. Dedicated studies on any of these subjects can be requested of the HLPE.