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Biofuels, art.3: food sectors call for support to ENVI compromise on article 3

CAOBISCO, IMACE, AIBI, CEEREAL, COFALEC, FEDIMA, GAM, UNAFPA, CIUS and FIC represent food sectors that support renewable energy sources. However, we are concerned that the 10% mandatory target for renewable fuels in transport energy by 2020, set in the European Commission's proposal for a Directive on the Promotion of Renewable Energy Sources (RES), is likely to be met predominantly by the promotion and use of biofuels which could have serious and far-reaching unintended negative consequences.

The shortcomings of the current and proposed EU biofuels policies were recognised by Claude Turmes, the European Parliament Rapporteur on the Renewable Energy Directive, in his draft report of 13 May 2008. The rapporteur considers that there is overwhelming evidence to support dropping the mandatory 10% biofuels target in the transport sector, because the binding target cannot be achieved in a sustainable way¹. This is a view which we share.

The assessment of the ENVI Committee in the European Parliament on the Wijkman report², includes several elements which address our food industry concerns:

- Setting a target for 2020 only in 2015 following a comprehensive review, with a special focus on the consequences for food security and biodiversity as well as the commercial availability of transport fuels from ligno-cellulosic biomass and/or algae, biogas and the use of electricity or hydrogen from renewable sources.
- At least 20% of the renewable fuels in 2015 should be met by the "use of electricity or hydrogen from renewable sources, biogas or transport fuels from ligno-cellulosic biomass and algae". This minimum share will be increased to 40-50% by 2020.

The Food Industry Sectors mentioned above therefore:

- Welcome the Claude Turmes report, in particular where it considers that there is overwhelming evidence to drop the mandatory 10% biofuels target in the transport sector, because the binding target cannot be achieved in a sustainable way.
- Welcome the Anders Wijkman report, in particular where it calls for a major review before 2015 and specific support for the use of non-food feedstocks like electricity or hydrogen from renewable sources, biogas or transport fuels from ligno-cellulosic biomass and algae.
- Welcome the Gallagher report in the UK which clearly identifies the need for more research into the indirect impact of biofuels on land use and food production.
- Regret that the Commission proposal does not reflect the advice of its own scientific bodies. We commend the decision recently taken by President Barroso to request a study examining all the impacts of EU biofuels production and related policies.
- Request clear provisions in the Renewable Energy Directive to suspend the biofuel targets in case of serious food price inflation.
- Call upon the ITRE Committee Members to take the position of the food industry into account in their preparation of the debate of the Renewable Energy Directive.

The European Commission's own scientific advisory bodies have raised serious concerns about biofuels targets:

¹ Claude Turmes, *Draft Report on the proposal for a Directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources*, 13 May 2008.

² OPINION of the Committee on the Environment, Public Health and Food Safety for the Committee on Industry, Research and Energy on the proposal for a directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources (2008/0016(COD)) – Draftsman : Anders Wijkman – 15.7.2008)

- The Joint Research Centre³ questioned the overall biofuels policy by stating the *"costs of biofuels will almost certainly outweigh the benefits"*.
- The European Environment Agency⁴ asserted: *"the overambitious 10% target is an experiment, whose unintended effects are difficult to predict and control"*.

These conclusions are supported by an ever-increasing number of authoritative international studies confirming the potential risks and raising concerns about the impact of biofuels on food security and sustainability⁵. We would like to draw your attention in particular to the independent assessment made of the indirect effects of biofuels production⁶ by Professor Gallagher in his recent Review of biofuels policies for the UK Government. The key findings of the Gallagher review include:

- Biofuels policies contribute to rising food prices.
- Europe should slow down significantly the rush to crop-based biofuels while we increase our understanding of the indirect effects and effective systems are implemented to manage risks.
- Too quick a movement will likely result in a further increase in food prices.
- Biofuel production should focus on idle land, marginal land, waste and residues, and wood-based biomass in order to avoid displacement of existing agricultural production due to accelerating biofuels demand and to prevent loss of biodiversity and possible increase (rather than reduction) of greenhouse gas emissions.
- Europe needs to create a framework for second-generation biofuels, to stimulate advances in technology.
- More research is needed into the indirect impact of biofuels on land use and food production before Europe sets targets for their use in transport.
- Targets higher than 5% by volume (4% by energy) should only be implemented beyond 2013/14 if biofuels are shown to be demonstrably sustainable (including avoiding indirect land-use change).

The Gallagher report and its conclusions and recommendations have been supported by a number of EU Member States, including the UK and Ireland.

In the meantime, the OECD has also assessed biofuels policies. Among others, the OECD has warned that there are many more efficient ways to protect the climate than supporting biofuels and called on governments to put greater priority on reducing energy consumption by shifting to more energy efficient forms of transport and improving the efficiency of all vehicles and by insulating buildings better to save on heating costs.

There is now a compelling body of evidence to suggest that this target cannot be reached in a sustainable manner and that the further promotion of biofuels will result in unintended negative consequences for hunger relief and the environment, as well as European consumers, livestock farmers, and the food and feed manufacturing industries.

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³ Joint Research Centre, "Biofuels in the European Context, facts and uncertainties" http://ec.europa.eu/dgs/jrc/downloads/jrc_biofuels_report.pdf

⁴ Opinion of the EEA Scientific Committee on the environmental impacts of biofuel utilisation in the EU, <http://www.eea.europa.eu/highlights/suspend-10-percent-biofuels-target-says-eeas-scientific-advisory-body> ;

⁵ - OECD Report on Economic Assessment of Biofuel Support Policies (July 2008)

- World Bank (2008) "Rising food prices: policy options and World Bank response," Food Prices Background Note, April. Available at: http://siteresources.worldbank.org/NEWS/Resources/risingfoodprices_backgroundnote_apr08.pdf

- Dufey, A. (2007) "Biofuels: Strategic choices for commodity dependent developing countries," Common Fund for Commodities, November 2007.

- Johnson, S. (2007) "The (food) price of success," *Finance and Development*, International Monetary Fund, 44(4), available at: <http://www.imf.org/external/pubs/ft/fandd/2007/12/straight.htm>

- IFPRI report: High Food Prices: The What, Who, and How of Proposed Policy Actions (May 2008) <http://www.ifpri.org/PRESSREL/2008/20080516.asp>

- Mitchel, D. (2008) "A note on rising food prices", Policy Research working paper; no. WPS 4682, World Bank http://econ.worldbank.org/external/default/main?pagePK=64165259&piPK=64165421&theSitePK=469372&menuPK=64166093&entityID=000020439_20080728103002

⁶ The Gallagher Review of the indirect effects of biofuels production http://www.dft.gov.uk/rfa/db/documents/Report_of_the_Gallagher_review.pdf

CAOBISCO is the Association of chocolate, biscuits and confectionery industries of the European Union. Through its 2200 companies, CAOBISCO represents 300,000 direct employees and generates more than 45 billion Euros annual turnover. CAOBISCO industries show a **production** of 11 million tons of products; € 3.2 billion Euros of **exports**, i.e. 10% of the total value of food exports from the European Union; and an **import** value of €1 billion. In terms of raw materials usage CAOBISCO represents over 50% of world cocoa consumption and its industries are a major user of sugar, cereals and vegetable oils.

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IMACE is the International Margarine Association of the Countries of Europe. The IMACE membership is composed of the National Margarine Associations in Europe, representing many small and medium size enterprises as well as multinational companies. In 2005, the total production volume of margarines and fat spreads amounted to some 2, 2 million tons

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COFALEC is the Association of European Yeast manufacturers. Cofalec members account for 90% of the world research on yeast. They export one third of their production outside the EU. They consume one third of the European production of sugar beet molasses.

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AIBI (International Association of Industrial Bakery) advocates the common interest of plant bakeries at European and International level.

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UNAFPA is the Union of Organisations of manufacturers of pasta products of the EU. The aim of the Union is to ensure the definition, representation and defence of the interests of the E.U. pasta industry within the framework of the European Union.

To this end, UN.A.F.P.A. Ensures in particular all necessary contact with the E.U. Authorities and with the international trade Organisations that might, directly or indirectly, both by means of decisions and by means of consultative opinion, have an effect on the fate of the E.U. pasta industry.

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FEDIMA - Federation of European Union Manufacturers and Suppliers of Ingredients to the Bakery, Confectionery and Patisserie Industries.

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GAM (European Flour Milling Association) is the representative organisation for the EU flour milling industry. The industry is the leading industry in grain processing, using around 43 million tons of soft wheat and rye a year to produce 34 million tons of flour. GAM's membership covers 25 EU member States.

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CEEREAL represents the breakfast cereal and oat milling industries within the European Union. CEEREAL has 13 member associations covering 12 European countries. These Associations represent more than 70 companies that employ over 11.000 people - leading multinational manufacturers of branded products as well as small and medium-sized regional and local producers.

The sector has an annual turnover of over € 4 billion and produces over 1 million tons of breakfast cereal and oat milling products every year.

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CIUS represents the broad range of companies in the food and drink industry throughout Europe that use sugar in processing their products. CIUS members are major contributors to the European economy comprising: more than 3,000 businesses; generating a total annual turnover of €70 billion; employing over 450,000 people. CIUS members are major buyers of EU-produced sugar: accounting for more than two-thirds of EU sugar consumption. The CIUS secretariat rotates between UNESDA and CAOBISCO.

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FIC-Europe is the Federation of the Condiment Sauce Industries, of Mustard and of Fruit and Vegetables prepared in Oil and Vinegar of the European Union. The number of companies affiliated through national secretariats is about 800 which corresponds to about 75% of relevant markets in the EU.

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