

## **eBIO welcomes balanced reports on EU food prices**

The European Bioethanol Fuel Association (eBIO) welcomes two recent communications of the European Commission and the European Parliament which both adopt a balanced and informed position on the impact of biofuel production on rising food prices.

Both the "European Commission Communication setting out potential policy responses to mitigate the effects of rising food prices" of 20 May and the "European Parliament Resolution of 22 May on rising food prices in the EU and the developing countries" acknowledge that the increase in staple food commodities or food prices has multiple causes.

This logical conclusion rejects the convenient theory that has been widely propagated in the media and certain industry circles of late, namely that biofuels are the sole cause of global food price increase, reports eBIO.

Both reports recognize that biofuel production cannot be held responsible for price rises in staple food commodities or food prices in the last 18 months. The European Parliament Resolution "emphasizes in the strongest possible terms that only 2-3% of EU agricultural land is currently being used for this kind of production, and media reports blaming biofuels for the current food crisis are exaggerated as far as the EU is concerned."

"These reports inject a much needed dose of realism into the debate. Attempts to make biofuels the scapegoat for current food prices are both inaccurate and irresponsible. They have led to a risk of the existing and strong future benefits of biofuels being discarded in a wave of populist coverage", said Rob Vierhout, Secretary General, eBIO.

Biofuels have a major role to play both in improving energy security and tackling climate change, says the eBIO statement. As the European Commission notes, "in the transport sector today, the only alternative to non-sustainable fossil fuel is biofuel".

Biofuels also present an opportunity for rural areas to break the cycle of poverty both in the developed and developing world. They can also help developing countries to become less dependent on fossil fuel imports, eBIO argues. European bioethanol producers wholeheartedly support the European Commission's assertion that the 10% target for renewables in transport should be subject to strict conditions, including a workable and robust sustainability scheme and commercial viability for second generation biofuels.

"The industry is committed to ensuring that bioethanol is produced to highest sustainable standards and sees no alternative to doing otherwise if the sector is to continue to develop," said Mr. Vierhout. "If produced in a sustainable manner biofuels will be able to provide society with fuel, feed and food, contributing overall benefits that will not be achievable if targets are shelved due to exaggerated claims and vested interests."

The eBIO statement coincides with a full-page colour advertisement in the Financial Times newspaper today, which vehemently refutes the case that bioethanol is the main cause of increased food prices. The advert says that the real evidence is that the main factors of the staggering cost of food are a shift in the Asian diet, causing an elevated demand for cereals, and the current high price of oil, which has almost doubled over the past three years. In fact, it is estimated that the impact of biofuels on cereal prices will only be in the range of 3-6% compared with 2006 prices.

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## **Biofuels not the primary cause of food price hikes says report**

Biofuels are far from the dominant factor in the recent food price increases according to research published today (28th May) by New Energy Finance. While the report acknowledges that "increased biofuels production has been a meaningful driver of food price inflation" it points to increases in input costs "which have played a much larger role" in driving the prices.

New Energy Finance set about analyzing the food price increases following the outcry in the press after comments from Jean Zeigler, then UN Special Rapporteur on the Right to Food, in October last year when he said that it was "a crime against humanity to divert arable land to the production of crops which are then burned for biofuels". For the report New Energy Finance says it has analyzed food price increases between January 2004 and April 2008, breaking them down into their constituent drivers and has come to the conclusion that they simply aren't the dominant factor in food price hikes.

The report continued; "Furthermore, where biofuels have had significant impacts, this has been due to overly rapid application of support schemes and protectionism, rather than to the the impact of production on land use itself."

In concluding New Energy Finance suggests that, in the short term, it is vital for policy makers to intervene early and forcefully to protect the vulnerable from the worst impact of food price increases, while in th longer term the price rises should be allowed trigger a growth in production in the agricultural sector.

The downside is very real, however, and the report stresses the need for the biofuel industry to act together to develop an understanding of the market and its role in providing renewable energy.

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