

## EU Biofuels Development - Energy Issues, Doha, and the Farm Bill

Posted By [Keith Good](#), FarmPolicy.com, Inc., September 12, 2008

*EU*

James Kanter reported in today's New York Times that, "**European legislators said Thursday that government goals for using biofuels should be pared back**, prompting the fledgling industry to fire back with a campaign warning that alternatives may be no cleaner.

"European governments pledged last year to increase the use of biofuels to 10 percent of all transport fuel by 2020, amid expectations that energy derived from crops would provide a low-carbon alternative" [for related background, see this FarmPolicy.com update from January 24, 2008].

Mr. Kanter explained that, "On Thursday, the European Parliament's influential Industry Committee endorsed the general 10 percent target — **but added a number of modifications meant to move away from traditional biofuels made from grains or other crops toward other, renewable energy sources.**

"By 2015, it called for having 5 percent of transport fuels be from renewable sources, with at least a fifth of that amount from **'new alternatives that do not compete with food production.'**"

The Times article indicated that, "That could include sources like hydrogen or electricity from renewable sources, or biofuels made from waste, algae or non-food vegetation. The lawmakers stuck to the 10 percent target for 2020, but said at least 40 percent of that should be made up of such 'second-generation' renewables. But that target would have to be reviewed in 2014.

"**The lawmakers were reacting to waning enthusiasm for biofuels.** Over the last year, scientists and environmental advocates have warned that some biofuels may be more polluting than fossil fuels, and that the diversion of crops to fuel production may be a factor in **rising food prices.**

"Putting the standards into effect still requires agreement from the full Parliament and European governments. But biofuels manufacturers, worried that their industry is coming under threat, now are seeking to ensure they have a future."

A press release issued yesterday by the European Biodiesel Board stated that, "The European Biodiesel Board, representing the major EU biodiesel producers, today expressed deep disappointment at the outcome of the vote by the European Parliament's Industry Committee on the Renewable Energy Directive.

"Amongst the main issues of concern is the decision to create a 5% interim target by 2015 for renewable energy contribution in the transport sector, 20% of which would be met by other technologies than biofuels. This will result in a 4% target for biofuels by 2015, which looks unreasonably low compared to the 5,75% objective validated by the EU back in 2003. The 1,75% difference represents at least 4 million tonnes in terms of biodiesel requirement.

"Raffaello Garofalo, Secretary General of the EBB, said, 'if this decision is confirmed in the forthcoming plenary vote, it will strongly affect the credibility of the European Parliament, especially with regard to past commitments. **It is sad that legislators have been swayed by superficial arguments linking biofuels to food price rises.**'"

Meanwhile, the Associated Press reported yesterday that, "Under the reworked bill, EU lawmakers voted to introduce an interim target of 5 percent biofuels use by 2015 and included a review in 2014 to see whether a 10 percent biofuels use target was eco-friendly enough by the 2020 deadline, said Claude Turmes, a Green party lawmaker who helped redraft the bill.

"'While the maintenance of a binding target for biofuels is a bitter pill to swallow, the committee has at least strengthened the safeguards against the damaging impacts of agro-fuels,' Turmes said. **'The proportion of fuel coming from food or feed crops has been restricted.'**"

And Dow Jones News writer Matthew Dalton reported yesterday that, "European lawmakers Thursday voted to scale back the European Union's controversial proposal to require the use of biofuels, handing a victory to environmentalists who say fuels made from food crops cause environmental damage and increase food prices.

"Lawmakers on the parliament's industry committee approved the biofuels proposal as part of legislation that will require 20% of the E.U.'s energy to come from renewable sources by 2020.

"The European Council, representing the governments of the European member states, also must approve the renewable energy legislation before it become law."

With respect to U.S. perspective on biofuels, Cheryl Tevis reported yesterday at AgricultureOnline that, "Secretary of Agriculture Ed Schafer said that the food versus fuel story has been underreported as well as overreported. Speaking to the Society of American Business Editors and Writers in Kansas City this week, he said, **'Taking ethanol out of the picture leaves nothing to blunt soaring oil prices. It just leaves us to pay more for gasoline.'**"

Also yesterday, Chris Flood reported at the Financial Times Online that, "US oil prices threatened to sink below the \$100 level for the first time in more than five months. Nymex October West Texas Intermediate touched a low of \$100.10 before trading \$1.71 lower at \$100.87 a barrel. ICE October Brent stayed below \$100, dropping \$1.33 to \$97.64 a barrel.

"'It is too early to speak of the end of the multi-year boom in oil prices,' said Paul Horsnell of Barclays Capital. **'At the start of this year, \$100 [a barrel for crude oil] was seen as impossibly high and the wonder of the age. But, just eight months on, \$100 is being written about as if it represents a major collapse.'**"

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In a related article Steven Mufson reported in today's Washington Post that, **"A federal regulator said yesterday that market speculators probably were not responsible for recent increases in the price of oil, contrary to the assertions of some experts and members of Congress.**

"Walter Lukken, acting chairman of the Commodity Futures Trading Commission, said in congressional testimony that commodity index traders and swap dealers, who trade on behalf of others, reduced their activity in the crude oil market during the first six months of the year.

"Although the value of oil contracts on U.S. markets soared, Lukken said that was because prices surged. At the same time, the number of contracts held by investors who expected prices to increase — known as net long positions — fell 11 percent from Dec. 31 to June 30. Overall, investors in commodity indexes accounted for 13 percent of New York Mercantile Exchange crude oil trading, he said.

"Lukken's testimony before the House Agriculture Committee flew in the face of assertions by members of Congress and many oil experts who blame 'speculators' — a combination of pension funds, financial firms, hedge funds and others buying commodities as investments rather than for commercial use — for much of the spike in commodities prices earlier this year."

Additional information regarding this development was also made available in a House Agriculture Committee news release from yesterday.

*Doha*

Reuters writer Laura MacInnis reported yesterday that, **"Major economies are ready for another shot at the Doha Round negotiations to clinch an accord on freeing up global commerce, World Trade Organisation (WTO) chief Pascal Lamy said on Thursday.**

"'My sense today is that there is scope for renewed engagement over the coming weeks, as confirmed by the technical discussions that have been held here in Geneva these past two days,' he told lawmakers at an Inter-Parliamentary Union summit."

The article noted that, "Lamy said his 'telephone diplomacy' and visits to capitals since the talks collapsed in July had convinced him there was life left in the Doha global accord, whose negotiations began seven years ago.

**"Key players told me they were ready to give it another try,"** the Frenchman said.

"While it is now impossible to wrap up the full Doha accord in 2008, negotiators should still be able to find consensus in the key areas of agriculture and industrial goods in the coming months, according to the director-general.

"If we cannot complete the Doha Round by the end of the year, let's at least aim to complete these modalities that would take us 80 to 90 percent of the way in 2008 so as to conclude the Round in 2009," he said."

#### *Farm Bill*

A Reuters news article from yesterday, which was posted at DTN (link requires subscription), reported that, **"Some of the nation's smallest farms would once again be eligible to receive crop subsidies under a bill sponsored by two senior members of the House Agriculture Committee.**

"The 2008 farm law bars payments to farms with less than 10 base acres. The bill would allow farmers to aggregate their base acres to qualify for subsidies.

"Farm groups said the Agriculture Department decided unfairly to prevent growers from aggregating bases."

The Reuters article stated that, "'Unfortunately, due to the way the provision was written, far more producers are being denied payments than was anticipated,' said Rep. Jerry Moran, Kansas Republican. 'This legislation will restore the original intent of the provision and grant farmers the ability to aggregate base acres from multiple small farms.'"