

EBB

European Biodiesel Board

*Avenue de Tervuren, 363 – 1150 Bruxelles
Tel: +32 (0)2 763 24 77 – Fax: +32 (0)2 763 04 57
E-mail: info@ebb-eu.org - web site: www.ebb-eu.org*

Brussels, 8/5/2008

Financial Times Article - The Energy Revolution - May 2008

Raffaello Garofalo - EBB Secretary General

What is the current perspective for bio-fuels or bio-diesel, given that on the one hand you now have the 10% EU target but on the other feedstock prices are also rising rapidly?

In the last months doubts have been raised on the reasons for which biofuel development should be supported. A negative campaign conceived by economic and political groups opposed to change the *status quo* of the fuel and transport sectors has fuelled these doubts and has created number of misconceptions on biofuels. A "biofuels fiction" has been created and is played day after day in part of the mass-media, in order to attack the 10% EU target proposal.

It is not useless to remind why the EU target is today a necessary and visionary measure: two of the most important problems that our global society will have to face in the next years are environment preservation (mainly from climate change) and independency and security of energy supply.

Biodiesel comes today as a valuable answer to both problems.

More in detail biodiesel represents today the best solution to reduce Green-House Gases (GHGs) emissions from a particular sector of human activities: transport, i.e. the only sector where GHGs emission keep rising exponentially every year, in all the other sectors GHG emissions are capped or are decreasing. Transport is a highly symbolic and crucial component of our global society and economy, but although for all other sectors various solutions are being applied with some success, the GHGs emissions from the transport sector are out of control, also in Europe.

Equally oil and fossil energy prices seem to be out of control. Certainly most of the extraction prices and reserves of oil are out of the direct political and economic control of Europe and of Western countries. On the contrary biodiesel is an European-made independent source of energy: more than 85% of last year biodiesel production came from our own fields, sown, cropped and harvested by thousands of European farmers. The money that was spent to buy and produce biofuels stayed in Europe, supported our own economy, created employment and reduced our external energy dependence from various (more or less democratic) Middle-east countries.

Today biodiesel is the first biofuel produced and consumed in Europe. It represents more than $\frac{3}{4}$ of all biofuels used last year in Europe. Bioethanol is much more developed in Brazil and in the US, but the EU runs biodiesel. As a result Europe is today the world-wide leader in biodiesel production with more than 6 million tonnes processed last year: this represents a crucial opportunity to develop EU excellence in a highly strategic sector for the future years.

It would be catastrophic if the temporary rise in the global feedstock and food prices would stop biodiesel development. Food prices are rising together with oil prices because of the explosion of

the raw materials demand from China and India and because of the extremely bad harvest of last year in areas like Australia, where climate change is bringing desertification. Would it be a wise perspective to stop biodiesel development since agricultural activities are becoming difficult in some areas of the planet mainly because of climate change?

Still some observers are convinced that food prices increase because of biofuels: but if biodiesel had all this influence on food prices how comes that meat and milk products prices are increasing exponentially when every tonne of biodiesel results in the automatic production of 1,5-2 tonnes of animal feeding-stuffs? The oil content of oilseeds like rape or soy varies between 23 and 42%, the remaining part is feed for the cattle and milk sector, little people know that the more biodiesel is produced and the more milk and meat are produced. If biodiesel had an impact on food products this should lead to lower milk and meat prices this days, not to the substantial increase that we are experiencing, clearly determined by other factors, including speculation.

And here we probably come to another interesting point: since biofuels are a newcomer in the world economy they are often used as a "scapegoat" to justify unbearable situations and of course speculation.

What does the industry think of the Commission's proposed environmental standards for bio-fuel to qualify for financial assistance and to count towards national targets?

European biodiesel producers are fully committed to produce a sustainable product from certified raw materials. The proposals made by the European Commission in January 2008 will establish a set of extremely strict sustainability and certification rules that will make biodiesel one of the most strictly monitored and certified product sold world-wide. This should be largely enough to prevent any negative side-effect.

Not even diamonds or drugs (do we know if a diamond is produced in an environmentally sustainable way? do we know from which part of the world a drug molecule comes?) today are so strictly monitored as biodiesel and biofuels will be once the rules proposed by the EC Commission will be in force. EU biodiesel producers support them as a positive challenge. Biodiesel will create a precedent as the most strictly monitored product sold and traded world-wide. If *"the issue is not biofuels or no biofuels, but the right biofuels"* as pointed out by Commission Peter Mandelson recently, it is clear that the unprecedented set of certification and sustainability criteria proposed by the Commission and accepted by our industry is already more than enough for guaranteeing that any "wrong" biofuels will be left aside.

The question is therefore: those who claim that this is still not enough what are they looking for? Their agenda is to support the "right" biofuels or just to support the suppression of all biofuels by claiming that not even the strictest certification and sustainability system ever conceived world-wide is enough?

Does the European bio-fuel/diesel industry accept the need for some imports, even if it objects to subsidised competition from outside the EU?

Today most of biodiesel agricultural raw materials are coming from the EU and there is evidence that the EU has the potential for providing the large majority of what will be needed to fulfil the 10% target in 2020. Such potential becomes even bigger including the agricultural areas of some other European countries such as Ukraine. Biodiesel is a green European-made energy, but imports from other countries can represent anyhow an asset and should be encouraged, especially from developing countries where biodiesel can represent a valuable tool to increase economic activities and combat rural depopulation. Little people know for instance that the agricultural surfaces of many African countries like Zimbabwe or Senegal are 80% unexploited today (which again shows that the problem of increasing food prices is not a problem of surface availability).

The EU should therefore be open to biodiesel imports and even encourage the imports of biodiesel raw materials, provided that they comply with the strict sustainability criteria defined by the EC Commission.

On the other hand the imports of strongly subsidised biodiesel, notably US produced biodiesel dumped in the EU under the so-called B99 scheme are unacceptable. EU producers have already lodged a double complaint to EU authorities in order to stop such unfair practice. Biodiesel represents an opportunity for mitigating climate change and foreign energy dependence in many world countries, it would be unreasonable to lose such opportunity because of unjustified irrational fears fuelled by part of the press or worse because the EU was not able to get an appropriate reaction to the aggressive commercial policy of the US on biodiesel.

Yours faithfully,

Raffaello Garofalo
Secretary General