Agrofuels: Opportunity or Danger

Berlin, 12 – 14 December 2007

EU farmers face increasing demands

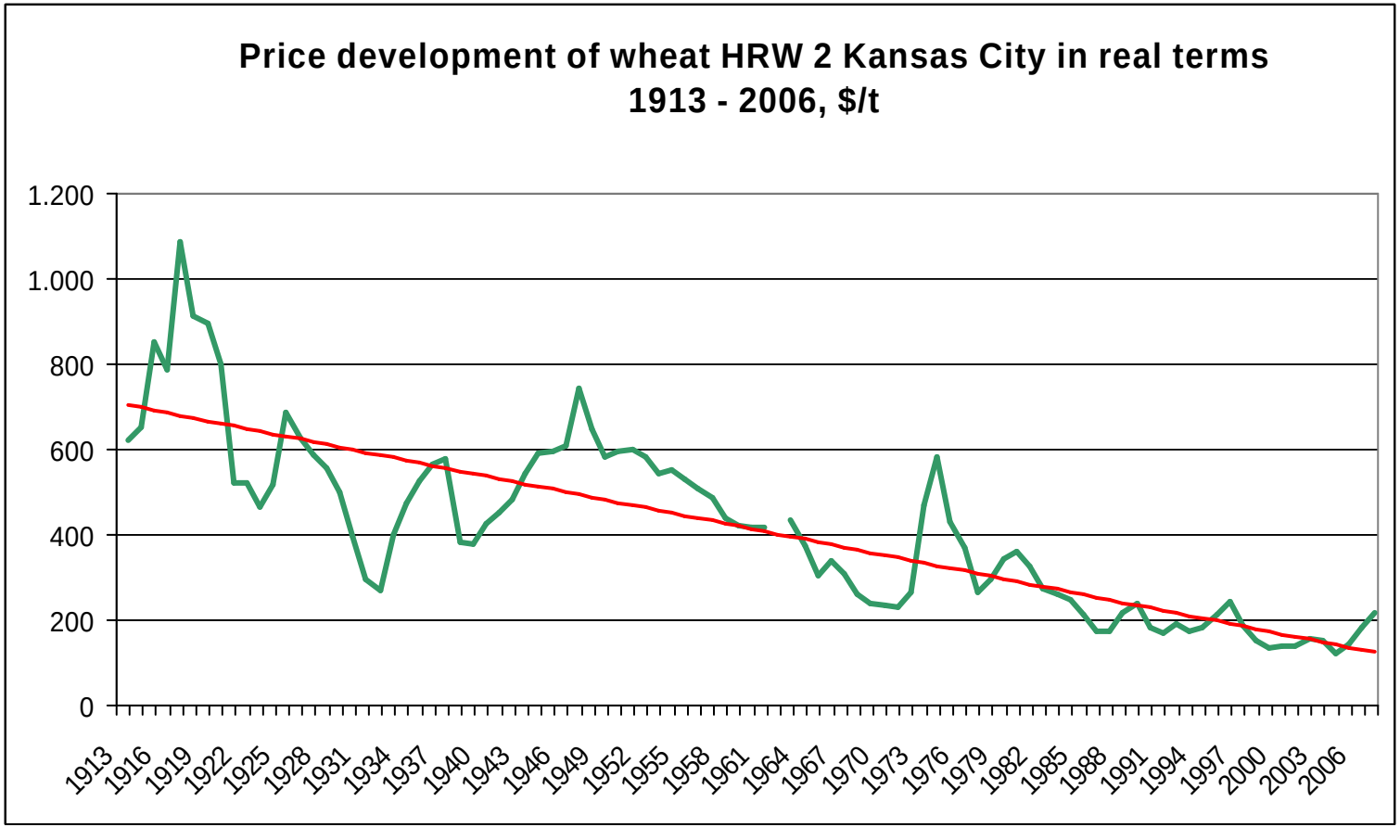
- to meet highest standards of food safety & traceablilty
- to protect environment (strict standards on soil, air and water)
- to protect biodiversity
- to meet highest standards of animal welfare
- to provide an attractive landscape
- to provide the economic mainstay in rural areas

All of which means higher farm costs/lower productivity

But, at the same time the EU is:

- **opening up its markets & reducing tariffs (WTO & bilateral/regional FTAs)**
- **so EU farmers meet increasing competition from imports which do not meet same sustainability criteria - so not same costs**
- **reducing farm subsidies**
- **& concentration in processing & retail sector continues**

Long term trend in wheat prices



Source: AGPB

Agrofuels

(+ biomass for electricity, heating & industrial products)

- an opportunity

but not a silver bullet

nor a bonanza

Current agricultural land use for energy in the EU

(Million hectares)	2006 (EU-25)
On set-aside area	1.0 (oilseeds)
Other	2.8
Total area	Approx.3.8

Of which	%
Rapeseed	75
Wheat	3
Other cereals	5
Sunflower	2
SRC	1
Grasses	2
Other	12
Total	100

- **Energy crops : 3 - 4% of the EU-25 arable area**
- **Less than 2% of cereal production currently used for ethanol**

EU target for 10% biofuel 2020 target would require some 17.5 million hectares (15% of total land area)

Where would it come from:

If cereal yields were to increase by 1% pa between now and 2020 we would need 6 million hectares *less* land to produce the same amount

But also:

EU demand for bread-making cereals is stagnating

and EU demand for feed cereals is declining → meat consumption is declining

- \+ cut-backs in EU sugar production will make nearly 1 million hectares available
- \+ 3 million hectares currently not used (set-aside)
- \+ ? million hectares unused land in new Member States

+ second generation biofuels

- 43% of of EU land is forested but only 60% of annual growth is forested
- + waste products from agriculture

World outlook

- Increasing world demand for food & feed
- Increasing demand for bio-energy
- Climatic change (droughts, floods..)
- Disease (avian flu, blue tongue…often linked to climate change)

Increased prices perhaps.

But also more volatility?

Challenges

- optimise production for food & energy crops
- ensuring stability – secure food supplies
- and contribute to lower CO2 emissions
- in a sustainable way

Sustainability criteria

In January 2008 European Commission will present a directive on sustainability criteria for renewable energy

Only renewable energy production which meets sustainability criteria will be eligible to be counted under EU binding targets.

Sustainability criteria

Production will have to:

- result in cuts in CO^2 emissions
- be produced in environmentally friendly way
- not result in deforestation
- and not make use of land with high carbon stock (e.g. permanent grassland) or use wetlands, peat….
- Maintain biodiversity

The criteria will be applied to EU and imported production in non-discriminatory way.

If we can apply environmentally sustainablle criteria to agrofuels internationally

Why not to ***all*** agricultural production?

And why not social criteria too?