
Adding Fuel to the Flame: The real impact of EU biofuels policy on developing countries

This briefing from ActionAid comes ahead of a European Commission report on the social impact of EU's biofuel policies. The brief presents a new figure for the extent to which European investors are acquiring land in Africa for biofuel production in order to serve mainly European markets. The brief also gathers documentation of other social impacts of EU's biofuel policies, some of which have earlier been presented at length in ActionAid's report, Fuel for Thought, from April 2012.

EXECUTIVE SUMMARY

A new report from the European Commission on the social impacts of the European Union's biofuel policies is likely to overlook the fact that a large number of European investors (98 according to ActionAid research as of March 2013) have already taken control over an area of 6 million hectares of land in Sub-Saharan Africa – an area about two times the size of Belgium – with major implications for land grabs and hunger.

For the first time since the finalisation of the Renewable Energy Directive (RED) in 2009, the EU has a chance to revise it to take account of the unintended social impacts of its biofuels policies. The main aims of biofuel policies globally and in the EU have been to mitigate climate change (as an alternative to fossil fuels) and to improve energy security. However, the actual contribution of, in particular, land based biofuels to fighting climate change has been seriously questioned. Furthermore, to this date too little consideration has been given to the social impacts of biofuels mandates and targets and this has proven to have devastating impacts across the world's poorest communities. European decision-makers avoided putting any social sustainability criteria for biofuels production in the Directive when it was drafted. A social impacts report from the European Commission - overdue and awaited any day now - as well as the on-going discussions of amending the RED and the Fuel Quality Directive (FQD) is therefore a key opportunity to right the wrong.

Based on interaction with EC officials and the consultants who are conducting the European Commission study of the social impacts, ActionAid is concerned that they risk playing down the real effects felt by the people living in poorer countries. If they do so, this would fail to send the signal that urgent corrective action is needed.

Box 1:

Key statistics

- Current EU use of biofuels would produce enough food to feed 185 million people every year
- Globally 870 million people go to bed hungry every day
- The amount of grain to fill an average car in the EU with biofuel would feed a child for 200 days.¹

If conducted properly, the Commission study on social impacts should acknowledge the wide range of negative development impacts current biofuels policies are having – including on food security and land grabs.

ActionAid recommends that the following corrective action be taken

- Member states and the European Parliament improves the current Commission proposal to revise the RED and FQD by initiating a phase out of all land based, not just food based, biofuels by 2020 as well as ensuring that carbon emissions arising from indirect land use change are accounted for.
- The European Commission immediately takes action to improve future reporting on social impact and introduce corrective action including robust, measurable and mandatory social criteria for all bio-energy feed stocks, including biofuels.

According to ActionAid’s own research, a new figure for the extent to which European investors are acquiring land in Africa for biofuel production can be presented: exporting back into the EU in the near future.

Six million hectares have been taken over by EU companies for biofuels in Africa between 2009-2013. The biggest investors of biofuels in Sub-Saharan Africa (SSA) are from the UK (30 projects), Italy (18) and Germany (8) – total number of European biofuel projects (including Norway and Switzerland) is 98. The average size of investment is 68,000 hectares (ha) – many with the explicit intention of exporting back into the EU in the near future.²

This finding is backed up by independent research which details 109 bio-fuel projects in SSA from Europe and North America covering 6.9 million ha. This illustrates “the comparatively significant role of the North American and EU biofuel demand (linked to domestic blending mandates) in driving large-scale farmland acquisitions in Africa.”³

The European Commission study should also acknowledge that EU biofuels policies are contributing to higher food prices. This is having a detrimental impact on the access of people living in poverty - particularly women - to affordable food. New research shows that:

- **65% of all EU vegetable oil – mainly oil seed rape – now goes to biofuels.**⁴
- **By 2020 EU biofuel targets could push up the agricultural price of vegetable oils by as much as 36%, cereals by as much as 22% and oilseeds by as much as 20%.**⁵

Urgent corrective action is required to EU biofuel legislation to ensure that it does not undermine land rights, food security and wider development in poorer countries in line with the European Union obligation to ensure Policy Coherence for Development (PCD) ⁶.

EU biofuel policies now open to revision

Box 2: What is ILUC?

Indirect land use change (ILUC) is where the original use of land to grow a crop – i.e. food – is turned over to biofuels; and the original demand for the food remains but production is displaced to and grown on land in other parts of the world, often in areas where much carbon is stored in land and vegetation and so releasing 'indirect' carbon emissions.

The main aims of biofuel policies globally and in the EU have been to mitigate climate change (as an alternative to fossil fuels) and to improve energy security. However, the actual contribution of, in particular, land based biofuels to fighting climate change has been seriously questioned. Furthermore, to this date too little consideration has been given to the social impacts of biofuels mandates and targets and this has proven to have devastating impacts across the world's poorest communities.

The issue of Indirect Land-Use Change (ILUC -see box 2) or biofuels climate credentials have been known since the original negotiations of the EU's current biofuels policies. However only last year did the European Commission propose how it should be tackled.⁷ This means that during 2013 and 2014, European biofuel policy – the Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD) – are open to revision. Member states and European parliamentarians will debate and ideally improve the recent European Commission (EC) proposal to tackle carbon emissions from indirect land use change from biofuels⁸.

The proposal to tackle carbon emissions from indirect land use change coincides with the European Commission's first report on the social sustainability of EU biofuel policy which was due by the end of 2012 (now due any day). If its own biofuel policy is found to be having negative effects, the European Commission can take corrective action. Given the opening of the biofuels policies for revision upon basis of the European Commission's proposal for tackling emissions from indirect land use change which recognises the conflict between food and fuel, there is a unique opportunity to correct more widely for negative social impacts.

The same proposal to tackle emissions from indirect land use change also acknowledges that the use of food for biofuels is not desirable, because many food crops will incur changes in indirect land use. The proposal recommends that current food-based biofuels – vegetable oils, oil seeds, cereals and sugar – should account for no more than 5% of the EU renewable energy transport target of 10% by 2020 (with the intention that the rest would come from electric vehicles from renewable sources, wastes such as used cooking oil and advanced generation biofuels). It is important to underline that member states can use more than 5% food-based biofuels, but only 5% can count towards the targets in the RED, so it is not an absolute cap.

Currently, unlike for environmental impacts, there are no mandatory social sustainable criteria. That means that the EU cannot prevent biofuels from a particular plantation based on its social and human rights impacts from being imported to the EU.

ActionAid believes that this is a major omission. This briefing demonstrates how the social impacts of biofuels are so serious that major corrective action must be taken now, whilst EU biofuel legislation is open for revision.

The European Commission's social impact report

The EC has commissioned a consultant to undertake its social impact report. A baseline study has been developed, using 2008 as a reference year.⁹ The quality of this baseline report is vital because current and future reports will be accessed and reported against its findings. But ActionAid has identified some major flaws including:

- poor use of existing literature such as those from the FAO and NGOs
- inadequate geographical coverage, for example it omits a number of countries where substantial land grabs are already taking place such as Ghana, Senegal and Liberia. In Ghana, the magnitude of documented acquisitions is equivalent to up to 61.6% of the total area considered potentially available and suitable for agriculture.¹⁰
- only looks at biofuels consumed in the EU in 2009 and 2010, and their country of origin; no attempt is made to look at plantations currently being developed and their current and potential impacts.

What the European Commission's social impact report shall cover is spelt out in the relevant Directives, specifically

1. the availability of food stuffs at affordable prices for people living in developing countries
2. address the respect of land-use rights
3. whether the country has ratified and implemented ILO Conventions
4. wider development issues.

The following looks in particular at the first two issues that shall be covered and, based on own research and existing literature, outlines why the main outcome of the EC's social impact study must be a recommendation for urgent corrective action to be taken.

1. FOOD PRICES AND SECURITY

In a recent analysis, a team for the High level Panel of Experts on Food Security and Nutrition (HLPE) found that: “Biofuels cause poverty to the extent that they force the poor to pay more for their food and less for other necessities and that turns on price increases. But they are also a cause of hunger and malnutrition ... There is significant evidence that a substantial fraction of each ton of crops diverted to biofuels comes out of consumption by the poor, and that could greatly exacerbate malnutrition if biofuels grow to 10% of the world’s transportation fuel.”¹¹

Biofuels represent a large and growing part of global agriculture production (see Table 1). 65% of domestic EU vegetable oils (mainly rapeseed), 40% of US maize and 50% of Brazilian sugar cane now goes to biofuels.¹²

According to the World Bank, the OECD, WTO, IFPRI, IMF and five UN agencies food “prices are substantially higher than they would be if no biofuels were produced.”¹³ It is not acceptable for the European Commission to continue to ignore the report from 10 international organisations calling on the G20 to put an end to subsidies and targets that are driving food price volatility. The call for massive increases in agricultural productivity by 2050 could be seen in an entirely new light if we ended the policy of putting food into cars and instead retained the focus on equitable policies that make food available to hungry people.

The HLPE found that “the rise in prices largely reflects the difficulty that supply has had in keeping up with demand, and because the rise in biofuels has greatly increased the scope and rate of that rise in demand, it has played a predominant role in driving up prices.”¹⁴ The linking of food crop prices to oil prices as they are now in direct competition has also led to a linking of oil and food prices, with food price volatility as a result.

Table1:

Percentage of global food production going to biofuels

	2007-09 ¹⁵	2020 ¹⁶
Sugar cane	20 %	30 %
Vegetable oils	9 %	15 %
Coarse grain	9 %	13 %

Recent modelling of the impact of the EU’s targets on food prices suggests that, by 2020, EU biofuel targets could be responsible for increases in oilseed prices of up to 20%, vegetable oil prices by as much as 36%, maize by as much as 22%, sugar by as much as 21% and wheat by as much as 13%.¹⁷

This is of serious concern because people living in poverty in developing countries spend up to 80% of their income on food, which is of particular concern to women who are the main providers for the family. ActionAid’s own research on the ground in West Africa has shown the extent to which biofuel projects are having a local impact on food availability. Food consumption has fallen dramatically with many people reporting that going hungry is a daily occurrence (see Senegal case below).

2. LAND USE AND LAND-RIGHTS

If all countries in the world consumed 10% biofuels in all transport fuels by 2020, this would absorb 26% of global crop production.¹⁸

Crucially, there is not enough land in the EU to meet domestic biofuel demand. Renewable energy targets for the transport sector – in reality biofuel targets – in the EU have been established with the intention of providing companies with the confidence and certainty to invest in biofuel projects.¹⁹ Consequently, companies look overseas for arable land, particularly in developing countries (see Table 2).

Table 2:

The extent of (biofuel) large scale land deals in developing countries

Source	Total land acquired mha	Of total in Africa mha	Of total going to biofuels	Period covered	Comments
ILC ²⁰	203	(62%)	37-57%	2000-2010	Domestic and foreign, over a 10 year period
World Bank ²¹	56.6	39.7 (70%)	21%	2009-2010	Uses the GRAIN data base compiled from media reports
CIFOR ²²	18.1	18.1	63%	2008-2011	Sub-Saharan Africa and deals over 2000 ha only

NB: These studies build on different methodologies, representing different time periods and regions and are therefore not listed for direct comparison.

Because of the secrecy surrounding large scale land deals and the lack of transparency, it is rarely possible to get specific details. But the conclusions of these three studies on large scale land deals show that Africa is a particular focus for new investments, because of the perception of cheap and abundant land, enforcement is often weak, and trade preferences into the EU exist (see case studies below). Targeting countries with weak land governance increases the risk of large scale land deals turning in to actual “land grabs” where free, prior and informed consent of affected communities is not sought, and human rights violations often occur (see box 3).²³

Box 3:

What is a land grab?

Land grabs are acquisitions or concessions that are one or more of the following:

(i) in violation of human rights, particularly the equal rights of women; (ii) not based on free, prior and informed consent of the affected land-users; (iii) not based on a thorough assessment, or are in disregard of social, economic and environmental impacts, including the way they are gendered; (iv) not based on transparent contracts that specify clear and binding commitments about activities, employment and benefits sharing, and; (v) not based on effective democratic planning, independent oversight and meaningful participation.

The Centre for international forestry research (CIFOR) provides some revealing details of biofuel projects in Sub-Saharan Africa (SSA)²⁴:

- **109 biofuel projects in SSA are from the Europe and North America covering 6.9 million ha** illustrating “the comparatively significant role of the North American and EU biofuel demand (linked to domestic blending mandates) in driving large-scale farmland acquisitions in Africa.”²⁵

The CIFOR findings (some of which are yet unpublished) are entirely consistent with an ActionAid database of European biofuel company activities in Africa covering a time period from 2009-2013. We have documented 98 biofuel projects covering 6 million hectares.²⁶

- The biggest investors of biofuels in Sub-Saharan Africa (SSA) are from the UK (30 projects), Italy (18) and Germany (8) – total number of European biofuel projects (including Norway and Switzerland) is 98. The average size of investment is 68,000 hectares (ha) – many with the explicit intention of exporting back

into the EU in the near future, for example Addax in Sierra Leone and Principle Energy in Mozambique.²⁷ Together, these projects will export about 300 million litres of ethanol per year, enough to supply half the UK's current ethanol demand with exports due to start 2013/14.

- Average size of biofuel project: 48,000 ha
- Average size of jathropha plantation: 60,000 ha

These data confirm the significant impact European biofuel policies are having on the distribution of land and land rights in developing countries. Even if very little biofuels from Sub-Saharan Africa shows up in European biofuel import statistics, investments have been made and land in many cases cleared. Biofuel plantation projects take time to establish, and many go bust for different reasons - from unexpectedly low crop yields to credit falling through - such that the exports never actually come through. However in all of these cases, the plantations have started and the damage is already done to the communities living there (see case from Tanzania below). European renewable energy - or in effect biofuel target - were set in 2009, and it is still very early to see the exports coming through because it takes years between initial investment and plantation to see exports materialise. Any claims that the EU doesn't import bio-fuel from "poor countries" is therefore an irresponsible short term view.

EXAMPLES OF RECENT LAND GRABS

TANZANIA - In 2009, UK company Sun Biofuels began clearing land to establish a 8,200ha jatropha plantation in Tanzania. 11 villages would be affected; as of mid-2011, 2,000ha had been cleared and replanted. The company cited EU biofuel targets as an important driver for the development of the project. In August 2011, the company went into administration and was purchased by new owners, who at the time of writing were still looking for new financial investment. The previous owners had failed to sufficiently consult affected communities and there were many problems including inadequate compensation for land taken; failure to provide promised amenities such as wells; and poor wages (\$50/month). Local communities, supported by ActionAid, made a series of public demands on the company; if not met, they wanted their land back.²⁸

KENYA - The Italian company Nuove Iniziative Industriali, through its local subsidiary Kenya Jatropha Energy Ltd, applied for lease of 50,000 ha in 2008. 20,000 people of the Watha and Giriama communities live on the land and their access to shelter and food was threatened. Local organisations mobilised, resulting in the suspension of the project in mid-2010. At the time of writing, biofuel plantations have been banned in this region of Kenya (the coastal region).²⁹

SENEGAL - Since 2011, citizens in the Fanaye region in Senegal have been struggling to hold on to their land for food and livestock production and safeguard wild life areas amidst presidential decrees and shifting private sector interests. Social conflict has increased and arrests and deaths have occurred. The Italian company Senhuile-Sénéthanol is currently scheduled to cultivate 10,000 hectares of land to produce biofuels

and food from sunflower and sweet potatoes in Ngith, one of three rural communities in Ndiael in the Fanaye region. This area includes 37 villages where about 9500 people could be displaced to a 6550 hectares zoned bounded for the occasion. But no document signed by the company or state authorities provides guarantees regarding land use by the company and land or resources access for communities, compensation for displaced people, job creation or working conditions and wages in the project area. Similarly, the risks to food security have not been evaluated even though the project will necessarily have an impact on local food crops and above all on livestock farming – estimated 100 000 heads - while the company plans to export all or part of its production to the European market.

Communal right of commons often exists within a community where each member has a right to use land, independently of the holdings of the community, for grazing or collecting resources. In SSA, 77% of land falls under such a classification. As the HLPE conclude: “there is rarely any valuable land that is neither already being used in some way, nor providing an important environmental service”.

The scale of the land acquisitions results in a land grab, violating the human and land rights of many communities. Women are particularly affected; they own or control very little land, do much of the farming but are often entirely excluded from land negotiations.

The Solutions

Member states and the European Parliament must work for the following in the current revision of the Fuel Quality and Renewable Energy directives:

- Include in the 5% cap all dedicated land based biofuels, not just food based, and ensure that the cap will be phased down to zero per cent land based biofuels by 2020. The cap must also be included in the Fuel Quality Directive.
- End all support to dedicated food and land based biofuels with immediate effect
- Ensure that CO2 emissions from indirect land use change (ILUC) are consistently accounted for in the carbon accounting system for the RED and the FQD. ILUC impact must also be accounted for in all bio energy assessments, including cellulosic ethanol and wastes, residues and by-products where applicable.³⁰

The European Commission must urgently act to recognize the social impacts of EU biofuel policy by:

- Updating and revising the baseline study. Ensure that future social assessments are more comprehensive and based on qualitative and quantitative information including the role of women.

- Introducing robust, measurable and mandatory social criteria for all bioenergy feed stocks, including biofuels.
- Proposing corrective action to the Fuel Quality and Renewable Energy Directives as suggested in the above section.
- Strengthen focus on food security in its programmatic and political dealings with third countries. This includes supporting increased democratic governance around large scale land deals. The EU has a legal obligation, through international conventions, to respect, protect and promote human rights and must encourage other countries as well as European companies to improve transparency around land deals and follow the UN Voluntary Guidelines on the Responsible Governance of tenure of Land, Fisheries and Forests in the Context of National Food Security. It must also support food security initiatives focused on providing small scale and in particular women farmers with better access to other natural resources, input, technical assistance, capacity building and credit.

End notes

- ¹ ActionAid calculated this figure as follows: 1) how much ethanol would be consumed in an average EU car 2) then how much maize would it take to produce this amount of ethanol; 3) then using various conversion factors, translate the amount of maize into calorific value 4) using UN figures for calories required to feed a child, calculate how many days this amount of maize would feed a child.
- ² Database compiled by ActionAid UK (as of March 2013). For more information please contact Tim Rice at ActionAid UK. ActionAid UK has built a database of European companies investing in biofuels in Africa through a compilation of information from ActionAid's own offices in Africa, several investigative country visits as well as other NGO's analysis.
- ³ Schoneveld, G., unpublished data, 2013. For earlier version of paper where data was presented, please see The Anatomy of Large-scale Farmland Acquisitions in sub-Saharan Africa. CIFOR. Page 8.
- ⁴ OECD-FAO, 2012. Agricultural Outlook 2012-2021. Page 90
- ⁵ OECD-FAO, 2011. Agricultural Outlook 2011-2020. http://www.fao.org/fileadmin/user_upload/newsroom/docs/Outlookflyer.pdf
- ⁶ Treaty of Lisbon article 208
- ⁷ [http://www.europarl.europa.eu/registre/docs_autres_institutions/commission_europeenne/com/2012/0595/COM_COM\(2012\)0595_FR.pdf](http://www.europarl.europa.eu/registre/docs_autres_institutions/commission_europeenne/com/2012/0595/COM_COM(2012)0595_FR.pdf)
- ⁸ European Commission, 2012. Biofuels – Land Use Change http://ec.europa.eu/energy/renewables/biofuels/land_use_change_en.htm
- ⁹ Hamelinck, C et al, 2011. http://ec.europa.eu/energy/renewables/studies/doc/biofuels/2011_biofuels_baseline_2008.pdf
- ¹⁰ Schoneveld, 2011. Op cit.
- ¹¹ HLPE, 2013. Biofuels and Food Security. V0 Draft. Page 35 www.fao.org/fsnforum/forum/discussions/biofuels-v0
- ¹² OECD-FAO, 2012. Agricultural Outlook 2012-2021. Page 90
- ¹³ World Bank et al, 2011. Price Volatility in Food and Agricultural Markets: Policy Responses. <http://www.oecd.org/agriculture/pricevolatilityinfoodandagriculturalmarketspolicyresponses.htm>
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- ¹⁷ IEEP (2012) EU Biofuel Use and Agricultural Commodity Prices: A Review of the Evidence Base, http://www.ieep.eu/assets/947/IEEP_Biofuels_and_food_prices_June_2012.pdf
- ¹⁸ HLPE, 2013. Op cit. Page 1 of Executive Summary
- ¹⁹ Official Journal of the European Union, 2009. Directive 2009/28/EC. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:140:0016:0062:EN:PDF> Para 14 of the Preamble
- ²⁰ ILC, 2011. Land Rights and the Rush for Land and Anseeuw et al, 2012. Transnational Land Deals for Agriculture in ther Global South <http://landportal.info/landmatrix/media/img/analytical-report.pdf> International Land Coalition
- ²¹ Deininger, k. et al, 2011. Rising Global Interest in Farmland. The World Bank
- ²² Schoneveld, 2011. Op cit.
- ²³ For a definition of land grabbing, see the Tirana Declaration.
- ²⁴ Schoneveld, 2011. Op cit.
- ²⁵ Schoneveld, G., unpublished data, 2013. For earlier version of paper where data was presented, please see The Anatomy of Large-scale Farmland Acquisitions in sub-Saharan Africa. CIFOR. Page 8.
- ²⁶ ActionAid's own reearch as of March 2013.
- ²⁷ ActionAid 2013. Internal data base of European biofuel companies in Africa.
- ²⁸ See ActionAid 2012. Fuel for Thought for more details
- ²⁹ See ActionAid 2012. Fuel for Thought for more details
- ²³⁰ See ActionAid 2012 Fuel for Thought for more information on ILUC factors.

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ActionAid is a partnership between people in rich and poor countries, dedicated to ending poverty and injustice. We work with people all over the world to fight hunger and disease, seek justice and education for women, hold companies and governments accountable, and cope with emergencies in over 40 countries.

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