

The biofuel challenge

Speech by Peter Mandelson

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Two weeks ago the booming Chinese economy overtook the United States as the largest emitter of greenhouse gasses – which is years earlier than expected. China reminds us that the demographic and economic growth of the developing world means that we have a *double* challenge ahead of us: we must somehow *expand* the global supply of energy for a growing global population with higher standards of living, while *reducing* global greenhouse gas emissions. This is one of the greatest challenges of our time.

The biofuels option

Although it can only be a small part of our collective response to climate change, biofuel is an important plank in a global strategy and an inevitable part of our future energy mix in Europe. At least in terms of today's technology, biofuels are the best available alternative to fossil fuels for transport.

But they are no panacea – there are legitimate worries about the demands that heavy biofuel production could itself put on the environment in terms of land and water use. We have all seen the maps showing the vast tracts of land that would be required to replace petrol to any significant degree. That is why research and development into second generation biofuels that are cleaner, more versatile, and can be used on more marginal land is so important.

But provided we develop and implement our biofuel policies intelligently, biofuels can be positive both for the environment - and for development. There are of course other considerations linked to agricultural policy and issues of security of supply. But our fundamental benchmark in biofuel policy must be an environmental one.

Environmental sustainability

Because of course, all biofuels are not equal. Different biofuels show big variations in carbon impact across their whole lifespan depending on what they are made of and how they are farmed and transported.

We must commit to meeting our targets through the use of those biofuels that are most effective in relative terms in reducing global carbon impact. European consumers, - who will pay a higher price for petrol to help combat climate change - will expect that any push into biofuels has the greatest possible net positive environmental outcome. It would be self-defeating if it did not.

That means that Europe should be open to accepting that we will import a large part of our biofuel resources. Even if it theoretically is possible, it is unlikely that our 10% target for biofuels in the EU's energy mix could be met without wider sourcing from imports.

We should certainly not contemplate favouring EU production of biofuels with a weak carbon performance if we can import cheaper, cleaner, biofuels. Resource nationalism doesn't serve us particularly well in other areas of energy policy – biofuels are no different.

Benefits for global development

A welcome side-effect of increased trade in biofuels – worth encouraging for its own sake - is the fact that developing countries stand to gain from biofuel expansion. Many developing countries have spare agricultural capacity and a genuine comparative advantage in production. They also have the climate and land profile that suits energy-rich biofuels.

But globally, as in Europe, the development of such a market must be tempered by environmental reality. Europeans won't pay a premium for biofuels if the ethanol in their car is produced unsustainably by systematically burning fields after harvests. Or if it comes at the expense of rainforests. We can't allow the switch to biofuels to become an environmentally unsustainable stampede in the developing world. Again, such a policy would be self-defeating.

This is why we have argued for putting in place sustainability schemes in the European Union and elsewhere to pull producers towards more durable production methods – these rules would apply to importers and domestic producers. Striking a sustainability balance is hard enough in the developed world: it is even harder for those developing countries with limited capacity to regulate and verify. So the EU and others should help expand the capacity of developing countries in this area.

Conclusion

So, a couple of words to sum up. You don't have to be an eternal optimist – although it probably helps - to think that the urgent challenge of addressing global warming can also bring opportunities. Biofuel production can benefit farmers both in Europe and the developing world. But it also pays to be a realist: biofuels have their own impact on the environment and have to be managed sustainably. Biofuel policy is not ultimately an industrial policy or an agricultural policy - it is an environmental policy, driven above all by the greenest outcomes.

Climate change is a global problem, and there will not be any purely national solutions. President Bush announced a US push for greater biofuel production on a Tuesday last January. The following Monday there were riots in Mexico City over the subsequent rise in the price of corn flour for tortillas. Every decision we make in tackling climate change will have a global dimension. Biofuels will be the same.

We do not usually think about the immense complexity of the infrastructure that supplies our energy. No industry works with a longer time horizon. It takes five years to build a pipeline. Ten years for a power station or refinery. So we must recognise the need for a stable regulatory framework, and for dependable signals from governments to guide investment and trade.

We need to act quickly. The pace of environmental, technological and scientific change is accelerating. Our shared commitment to a stable climate and environment must accelerate with it.