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## **Future work on biofuels**

### ***Recommendations by BIAC***

Energy security, one of the top priorities of the G-8 this year, is high on most OECD governments' policy agendas. In the context, biofuels have attracted a lot of political attention. With the Kyoto Protocol having entered into force, promoting biofuel production and consumption has become a key objective for many member countries. While biofuels have the potential to reduce overall greenhouse gas emissions and local air pollution, due attention needs to be given to other impacts, including economic as well as other environmental and social considerations.

The current price trends of fuel commodities have led different countries to take actions for fostering biofuel production and consumption, including economic incentives to increase their production. Therefore, biofuels represent a growing and important source of demand for agricultural commodities, which will undoubtedly have impacts on the food industry and others.

Last February, the OECD Agriculture Committee released an excellent paper on "agricultural market impacts of future growth in the production of biofuels", which gives an objective assessment of the implications of growing biofuel production on agricultural markets. BIAC very much welcomes this work and encourages the Agriculture Committee to continue and refine its analysis and impact assessments in this area.

The International Energy Agency (IEA) has also carried out work on bioenergy resources and will include a section on this issue in this year's World Energy Outlook, its annual flagship publication. We appreciate this focus as it is important to contribute objective figures and analysis to often emotional policy discussions in this area.

We strongly recommend that both OECD and IEA give due attention to the following issues in their current and future work on biofuels:

- Develop full sustainability impact assessments of biofuel policies, taking into account long-term considerations, including the following criteria: energy yield, cost effectiveness, public health, sustainability of biofuel production, market based development, and implications for all affected industries.
- Take a life cycle approach in order to give a realistic picture of increasing and/or decreasing environmental impacts. Incorporate environmental and economic costs along the chain of production and distribution of the various uses of biomass and ensure the overall efficiency of its use.
- Provide a balanced picture of the economic, environmental and social challenges of current and future generations of biofuels, including liquid and gaseous (biomethane, hydrogen) biofuels and bio-fermentation possibilities.

- Give due attention to the range of uses of biomass, including biofuels, electricity, heat, food and industrial feedstock.
- Pay due attention to technological improvements, including biotechnology, to reduce the cost and increase the efficiency of biofuel production and utilization. Ensure a comprehensive well-to-wheel analysis, with a strong focus on R&D. Particular attention is to be paid to 2<sup>nd</sup> generation biofuels, which are better performing in terms of GHG emission reduction, energy yield per hectare, and which can make use of a broader range of raw material input.
- Give particular attention to water resources necessary for biofuel production as water is our most essential resource. In many countries water availability and quality is already a major challenge and could be seriously impacted by a sharp increase in biofuel production.
- Refine analysis of land requirements in OECD countries for increased use of biomass for energy as well as of the availability of remaining land for agricultural or forestry purposes.
- Assess implications for food, electricity, heat and industrial feedstock prices in OECD and non-OECD countries.
- Assess implications for the availability of bio-based raw materials for the food, chemical and energy sectors.
- Analyse the impact of trade barriers and restrictions of many OECD countries for biofuels on the price and supply of biofuels. Ensure open market and competition to balance supply and demand.
- Include an examination of the implications relative to the U.N. Environmental Program, Convention for Biodiversity (CBD).
- Ensure that, where appropriate, analysis includes key non-OECD nations, such as Brazil and others, in order to gain a more accurate understanding of international markets related to biofuels, reflecting both OECD and non-OECD dimensions.
- Make good use of already existing information, such as, for example, the work by JRC of the European Commission with Eucar and Concawe on the well-to-wheel analysis of biofuels.

We therefore recommend that:

- OECD committees, including agriculture, economics, and environment, and IEA work closely together to portray a balanced picture of the prospects and implications of biofuels and other uses of biomass giving due attention to the range of challenges to be addressed.
- OECD and IEA develop a communication strategy to highlight their policy analysis at the highest political level and to get the necessary attention from policy makers who need to base their decisions on objective analysis.

BIAC would be pleased to work with and support the Organisations in their current and future work in this area.