

Consultation on the draft Renewable Transport Fuels Obligation Order 2007

Friends of the Earth England Wales and Northern Ireland Response

General Comments

- **Climate Change:** Climate change represents the single biggest threat to the global environment. The UK Government has recognised this threat and set a long term target of reducing emissions by 60% by 2050. The Government has failed however to enact the requisite legislation, policies and economic measures to set us on an effective path to meeting this target. Carbon emissions have risen in the UK since the Labour party came to power and transport emissions rose 10% between 1990 and 2004 despite the fact that we have to reduce our overall emissions by 3% a year if we are to have a chance of meeting our longer term 60% target.
- **Transport & Energy Policy Priorities:** Friends of the Earth is deeply concerned that the UK Government is failing to address the priority issues for bringing down transport emissions. These should include:
 - Greater investment in public transport. Since 1997 the cost of motoring in the UK has fallen by 8%, the cost of travelling by bus has risen by 14% and the cost of travelling by rail has risen by 5%. These trends must be reversed.
 - Tougher fiscal policies to tax far more heavily the most polluting vehicles.
 - Adoption of road-user charging as a way to tackle climate change as well as congestion.
 - Ending the expansion of British airports & growth in aviation emissions – emissions from air travel are rising faster than any other sector. The policies of the Government promoting both aviation expansion and emissions reduction are completely incompatible.
 - Pushing for far tougher mandatory fuel efficiency standards in cars at EU level.

Friends of the Earth believes that biofuels can contribute in a small way to reducing emissions from the UK transport sector. However we are concerned that the Government's enthusiasm for the development of biofuels is driven in part by its failure to effectively tackle the policy requirements outlined above.

- **Biomass Priorities:** The Government has also failed to develop the sustainable use of biomass for heat and electricity generation when there are clearly much higher emissions savings to be made by using first generation biomass in this way. The processing of biomass into fuel is very energy intensive. The Government's policy priorities on the use of biomass to tackle rising emissions are clearly wrong.
- **Mandatory Standards:** The Government appears to have failed to fully comprehend the serious environmental and social risks associated with biofuel development. This

is reflected in its decision to press ahead with the Renewable Transport Fuels Obligation before developing credible and tough carbon and sustainability standards. This is clearly the cart before the horse. Legal targets should not be set unless the standards have been put in place to ensure sustainability and significant greenhouse gas savings. The Government has had ample time to develop these standards, especially on global warming emissions.

- **Carbon Reduction Targets:** The RTFO's main purpose is to "*deliver carbon savings of approximately one million tonnes per annum from the transport sector by 2010/11.*" This target is however highly questionable for the following reasons:
 - **Variable Carbon Savings:** It assumes that the net carbon savings average at 50-60%. However for first generation biofuels the carbon savings are extremely variable depending upon the source. Imperial college has calculated that sugar beet can in a worst case scenario offer no carbon savings at all. A study by Wetlands International released in December 2006 revealed that palm oil which is sourced from an area where a peat forest has been destroyed and burned can lead to emissions which are ten times greater / tonne of palm oil compared to a tonne of conventional oil.
 - **No Blockage on Bad Biofuels:** No standard is planned under the RTFO to block out biofuels which lead to either negative or low emissions savings. It will therefore be perfectly legal for biofuels to be used which have extremely low or even negative emissions savings. The reporting mechanism which has been developed as part of the RTFO will not stop companies from using and importing biofuels with large carbon impacts. In fact, given that many biofuels such as palm oil with high carbon footprints are some of the cheapest on the international market, there will be strong financial incentives for companies to include them as part of their mix. That is why Friends of the Earth has argued that the RTFO should be linked to significant and proven greenhouse gas emission savings via a mandatory legal standard from the word go. Biofuels should not be used unless an emission saving of at least 50% is achieved and particularly high savings should be rewarded with a higher number of certificates.
 - **Leakage:** One of the biggest issues of concern is that even with strong, mandatory standards in place (which are not even considered in the first round of the RTFO proposal) there is a high risk that the increase in demand for biofuel crops will indirectly lead to negative social and environmental impacts. For example, in the case of palm oil or soy it is conceivable that even where they are obtained from a 'sustainable' plantation, it would merely displace the current demand for that palm oil or soy elsewhere. In the context of Indonesia this increased demand is highly likely to be associated with deforestation and forest fires as the overall plantation area is expanded. In the case of sugar from Brazil, it is not grown in the Amazon. However the expansion of the sugar crop leads to the expansion of the agricultural frontier and soy farmers and cattle ranchers are pushed further out into the Amazon.
 - The risk is that companies can be selling biofuels and receiving certificates for saving emissions when in reality their production is indirectly leading to an increase in emissions. This is a very difficult issue to resolve and can probably only be adequately addressed by having a policy which only allows biofuels to be used from a local region, over which there is much tighter control, and a cap on how much biomass can be used. Even with such a policy in place leakage will not be completely resolved as the use of crops for

fuel may lead to a shortage for their use in food – leading to higher imports of other commodity crops for food. For example, a greater use of rape oil for fuel in Europe could lead to the import of more palm oil, associated with deforestation, for use in food.

- **Biodiversity Loss & Deforestation:** Crops such as palm and soy are both associated with high levels of deforestation in south east Asia and Brazil. Research by Friends of the Earth has found that in Malaysia the development of oil palm plantations was responsible for 87% of deforestation between 1985 and 2000.
 - **Palm Oil Destruction:** We estimate that the palm oil industry is responsible for 10 million hectares of deforestation across the islands of Borneo and Sumatra. This has in turn led to critical impacts on biodiversity. Oil palm plantations could be responsible for at least half of the observed reduction in orang-utan habitat between 1992 and 2003. By 2020 Indonesia's oil palm plantations are projected to triple in size to 16.5 million hectares. Much of this expansion is likely to be at the expense of rainforests and the local indigenous communities that they support. This expansion is being driven in part by the desire to satisfy the European biofuel market and has been compounded by the failure of the European Commission and the UK Government to make it clear from the outset that they would not allow the import of any biofuel linked to either high carbon emissions or adverse social or environmental impacts. The Indonesian and Malaysian governments recognise that the proposed reporting scheme for biofuels is no barrier to their ability to export destructively sourced palm oil to the UK. We believe that biofuels which are derived from high risk crops such as palm oil should be banned from use in the UK from the outset.
- **Biodiversity Loss:** The biggest cause of biodiversity loss worldwide is the expansion of intensive agriculture. Intensive agriculture is also heavily associated with the depletion of water resources and soil erosion and a high level of pesticide and herbicide use. The development of the biofuel industry on a global scale risks seriously expanding these problems. Even within Europe itself we still have not surmounted the challenge of biodiversity loss linked to intensive agriculture. In the developing world the challenge is that much greater. Biofuel monoculture crop expansion clearly risks having devastating consequences for global biodiversity unless it is very carefully managed.
- **Social Standards:** Social impacts are a crucial element of a sustainability standard. However both the UK Government and the European Commission have not only made no commitment to mandatory sustainability standards for biofuels, they have also indicated that if they did adopt any mandatory standards, social impacts would not be included.
 - The failure to include strong social standards is a huge risk. Commodity crops, especially from the developing world are associated with a high level of worker exploitation, social conflict, land use conflict and in some cases human rights abuse. The demand for these crops to be used in fuel is likely to lead to a huge increase in the expansion of these crops. Without good governance in place and strong rights for local communities and indigenous peoples, such expansion is likely to lead to a significant rise in exploitation and conflict. According to the United Nations there are 60 million indigenous people who depend upon forests for their livelihoods and have customary rights over the use of forests. Many of these people are in danger of losing

access to their land as a result of commodity crop expansion linked to biofuel demand. This has been identified as a particular risk in countries such as Indonesia (palm oil) and Brazil (soy & sugar).

- **Food Security:** Friends of the Earth is also concerned about food security issues. Fuelling the world's 800 million cars with crops puts them in direct competition with 800 million of the world's poorest people who are malnourished. Not only is it likely that commodity crops needed to help feed them will be diverted for use in fuel, but the price of these crops is also likely to rise leading to a rise in food prices too. The price of a number of commodity crops has already risen substantially in the last year and the dash for biofuels appears to be one of the contributory factors. It is extremely difficult to predict how this conflict will play out in the future. Although some commentators suggest that there is enough land available to expand crops for biofuels or that demand can be met via intensification, adverse impacts on food prices and food security may still arise. Both 'solutions' are also still likely to lead to adverse environmental and social impacts.
- **More Economic Alternatives:** The Regulatory Impact assessment should have compared the RTFO with other measures to reduce emissions from road transport. The cost of subsidising the biofuel industry is unlikely to be the most economic or efficient means of bringing down transport emissions in the UK.
- **Future Expansion of the RTFO target:** In order to meet the EU's 5.75% target in 2010 from European sources you would have to use approximately 14 million hectares of land according to the IFP. However there is probably less than 13 million hectares available. The best chance of guaranteeing sustainability of supply and avoiding leakage problems is for Europe to meet its biofuel and biomass needs from Europe. However it appears even this 5.75% target cannot be met sustainably from Europe. If you take into account that the priority should be to use much of this biomass for the generation of heat and electricity then it leads to the conclusion that the 5.75% target for biofuel was overambitious and is likely to lead to destructive outcomes. A 10% target is likely to be disastrous.
- **WTO Conflicts:** The Government has cited concerns about conflicts with WTO rules as a reason not to back mandatory standards in terms of either emissions or sustainability. Friends of the Earth believes that this risk is being exaggerated. In any case we believe that the Government should be putting in place whatever standards are necessary to guarantee sustainability. If this does put the Government in conflict with the WTO then it should work with the European Commission to lead the reform of the WTO to remove this risk. It is utterly unacceptable that international trade rules should prevent countries from developing effective policies to bring down global warming emissions. If this is the case then Governments should prioritise the reform of these rules.
- **Conclusion:** The RTFO proposal clearly does not favour lower carbon fuels and the projected carbon savings of 1MtC will almost certainly not be met. In fact the policy is so flawed that when taking into account indirect impacts and leakage there is a possibility that the RTFO could actually cause an overall increase in emissions.
 - The Government must include a mandatory standard for emissions savings when the RTFO comes into effect in April 2008 and set a minimum threshold of 50% for biofuels to meet. Higher emissions savings should be rewarded with more certificates.

- The Government should also make reporting requirements on sustainability, both social and environmental, mandatory with strong independent audits to check on the authenticity of the claims being made. Biofuel crops, such as palm oil, linked to very destructive social and environmental impacts should be banned from use from the outset.
- Serious consideration should be given to ensuring that only European crop sources are used in European biofuel and that the amount of biofuel used is capped well below 5%. This is a far more sustainable approach and would ensure that the European Commission and European governments focus their attention on addressing the priority issues for reducing transport emissions.
- Biomass does have a valuable role to play in reducing global emissions and has to be one of the solutions we must develop to address the overwhelming challenge of climate change. However the risks are significant and this means that the Government must firstly prioritise efforts to reduce demand for fossil fuel in transport and fight for much tougher engine efficiency standards.
- It must also ensure that first generation biomass is used in the most efficient way in terms of reducing emissions, which is in the generation of heat and electricity rather than for use in fuel.
- Biofuels if used in a truly sustainable way can be a very small but useful part of the solution to bringing down transport emissions. Tough mandatory standards must be established at the outset to ensure sustainability. Failure to adopt such an approach will be a disaster for both the global battle against climate change and the Government's credibility in tackling the UK's emissions.