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Biofuels and Agricultural Commodity Prices

IEEP, the Institute for European Environmental Policy (<http://www.ieep.eu/>), has produced a review of the evidence base on the impacts of EU biofuel policies on global agricultural commodity prices, commissioned by ActionAid. Following up on the debate on indirect land use change, this is another complex dimension for EU policy makers responsible for renewable energy targets to consider. Given that the mandated use of biofuels in the EU and elsewhere constitutes a "demand shock" for biofuel crops, price levels are projected to increase for these crops; the extent of these increases ranges widely across studies, however.

In line with the dominance of biodiesel use in the EU, projections tend to indicate larger impacts of EU biofuel use on oilseeds than on ethanol feedstocks. But EU policies do not take place in isolation, with other countries such as the US pursuing their own biofuel targets. Taking global policies into account, projections tend to yield higher price effects for ethanol crops, such as wheat and other cereals, as well as sugarcane. This literature review identifies impacts that are clearly significant and therefore warrant increased attention by policy makers. The Commission is under an obligation to report on the social impacts of the Renewable Energy Directive's transport target by the end of 2012. In this context, IEEP's report provides a first discussion of some policy responses.

Download: Biofuels and Agricultural Commodity Prices: A Review of the Evidence Base
http://www.ieep.eu/assets/947/IEEP_Biofuels_and_food_prices_June_2012.pdf