

Biofuel drive is simply another form of aid for Europe's farms

CARL MORTISHED
 EUROPEAN BRIEFING



BRUSSELS is pushing for more power from plants. Biofuels, such as ethanol, sound good - fewer harmful emissions, a renewable resource and less dependence on oil imports.

Instead of subsidies for sugar mountains and wine lakes, European farmers would have a ready market for their surplus produce - converting plant starches and sugars into vegetable oil or alcohol-based road fuels. The European Commission is directing us to use more biodiesel and if oil companies are less than enthused, that adds to the attraction - liberation from the multinational merchants of crude.

Why, then, are some Europeans reluctant converts to biofuels? Britain and six other European states were reprimanded by the European Commission last month for failing to set a target of 2 per cent biofuel content in petrol and diesel by the end of this year. Britain, a champion of ever more aggressive targets for the reduction of

greenhouse gases, is looking sheepish - its target for biofuel content is just 0.3 per cent.

We look out of step with Brazil which has been motoring on a diet of sugar cane-based ethanol for decades and last week the US Congress told American oil refiners that they must double their consumption of ethanol to 7.5 billion gallons by 2012. The move is a boost to farmers in the US Midwestern corn belt whose grain is converted into spirit which upgrades the petrol used by American motorists.

Do not be fooled; this is not a clean fuel boost, it is an expensive subsidy and in terms of energy economics - the input of energy required to produce a given output of fuel, it is still questionable.

Large-scale farming is energy-intensive, from combine harvesters to phosphate fertilisers and pesticides. On a well-to-wheel analysis, the energy gain from manufacturing a litre of biodiesel might be 20 per cent but for a litre of conventional diesel it is well over 90 per cent.

The European Commission is touting biodiesel as a green solution but it would be more honest to say it is addressing a green problem. Biofuels are seen as a fresh market for exploitation by subsidy-hungry farmers. Sugar-beet growers

threatened by the loss of protective subsidies and quotas could fill our tanks with ethanol. A harvest of rapeseed is transformed into tonnes of biodiesel. It is no accident that those EU

countries that embrace biofuels happen to have powerful farming lobbies: France, Germany and Spain.

Take biodiesel. At an oil price of \$25-\$30 a barrel, the manufacture of diesel from vegetable oil is uncompetitive - refiners are buying a food product at an inflated European market price to make fuel. Of course, the current oil price is much higher but no oil refiner would invest assuming that \$60 a barrel is sustainable.

To make it work the German Government offers biodiesel makers a 47 cents a litre rebate on the fuel duty paid for the biodiesel. The British Government reckons the benefits are doubtful and grants just 30 cents (20p) a litre rebate. This is not enough, say most UK refiners, who are dragging their feet until a change of heart or technology alters the economics.

There are new technologies on the way; Shell is working on a venture in Canada that converts straw into ethanol, a more efficient process that produces



less CO₂. Argent Energy, a Scottish biodiesel manufacturer, is converting tallow (rendered animal fat) into road fuel, a process that might invite Esso to change its tiger slogan to "put a carcass in your car".

Until then, Brussels will attempt to solve new problems by throwing old problems at them. If we want cheap biofuels (and we do) it makes no sense throwing another subsidy at a French farmer. After all, Brazil produces very cheap sugar cane.

EU slips on banana subsidies

UNFORTUNATELY, the Windward Islands produce expensive bananas and the latest decision from the World Trade Organisation could be worse than a hurricane for Caribbean farmers. Arbitrators in Switzerland rejected as too high a proposed EU tariff of €230 (£59) a tonne intended to protect the islanders from competing US-branded bananas from Central America. There will be more talks but the Windward Islands reckon they need a tariff of €275 to survive.

A chill wind is blowing from the Alps that could bring a frost to the islands. Amid all the fuss about rich Europeans treading on the poor, has anyone noticed that the real story is rich Europeans protecting our poor from their poor.

carl.mortished@thetimes.co.uk