

Vinyl 2010 Essay Competition Submission Template

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Summary:

The recent increase in food and oil prices has brought the question of sustainable energy again on the agenda. Over the last years a lot of attention has been devoted to biofuels as a way to ensure energy security. Both the US and the EU adopted ambitious biofuels strategies, with disastrous effects for the global agricultural markets. This essay argues that biofuels are not an appropriate solution to the food and energy crisis, since they have been identified as the main culprit for the rise in food prices. Instead, developing technologies for energy preservation are much more desirable.

Essay:

The year 2008 witnessed an unprecedented rise in both fuel and food prices, which had an especially adverse impact on the world's poorest population. This worrying trend could escape the attention of world political leaders and the global food security issue topped the agenda of both the June 2008 FAO Food Summit and the subsequent G8 summit.

There seems to be a growing awareness of the close correlation between climate change, energy supply and food production, repeatedly stressed in reports of various international organizations including FAO and the World Bank. Now it is up to global policy makers to respond with effective policies to tackle this double challenge. However, ensuring both secure energy supply and food security seems not to be an easy task.

First of all, much controversy has been caused recently by the issue of biofuels and their impact on food prices. On the one hand governments around the world, especially the US and the Member States of the EU, have been developing strategies to encourage the use of renewable energy sources, among which biofuels, as a way to fight climate change and decrease their dependence on imported fossil fuels. On the other hand, however, the increased production of biofuels from grains and other crops has exercised an upward pressure on food prices by increasing demand and shifting arable land to alternative usage.

Secondly, another major cause underlying the rise of food prices is the higher price of fuel. It automatically reflects in the price of agriculture since many fertilizers are derived from oil products and require energy to produce, transport, etc. The conundrum becomes apparent when one considers the relationships between these two underlying factors. As a result of higher energy prices and the impact of climate change (floods and droughts) agricultural costs soar. In response to both climate change and the prices of fossil fuels governments decide to diversify their energy sources and produce more biofuels, which for their part lead to an even greater increase of food prices.

Which way out of this vicious circle? It is apparent that steps need to be taken, because the food crisis affects the most vulnerable group of society, those who spend more than half of their income on food products. Surprisingly, the European Commission's impact assessment of the 2008 Climate change package in its part about biofuels does *not* include its impact on food security!¹ Such regulatory short-sightedness is staggering but unfortunately it is a common feature of many policy processes to fail to recognize the holistic nature of the problems they come to address.

Moreover, besides being a one-sided solution to a complex problem, the emphasis on biofuels as a panacea against the looming energy crisis has been flawed by its very nature. Cost-benefit analyses of the EU's biofuels strategy have shown that a target of 10% by 2020 is unlikely to reduce greenhouse gas emissions substantially and will only marginally replace fossil fuels in transport, while being extremely costly.² Besides, contrary to expectations it would bring only marginal benefits to small farmers, since biofuels production requires great economies of scale.

Apparently, investing in biofuels is not the best option to address an energy and food crisis. At best, their economic effect on local communities world-wide has to be carefully assessed. A better alternative would be to develop a technology using dedicated energy crops and agricultural and timber waste instead of food crops, but unfortunately for now this technology is not commercially viable.

So what can society do to improve its well-being without distorting the fragile equilibrium between natural resources and economic activity? First of all, we have to determine what we understand by the term "society". As already mentioned the "society" is divided between the rich developed countries, which are primarily consumers of energy and natural resources and the poor developing countries, which have to suffer under the negative effects of climate change and the volatility of food prices.

The developed countries see their major role in this uneven relationship as donors of development aid – granting the most affected countries cash transfers or emergency food aid distribution to cushion the blow in the short term and providing consultancy and other sorts of structural assistance for improving the agricultural sector and supporting their livelihood in the long term.

Assessing the merits of development policy is a broad topic which is beyond the scope of this essay. However, in my opinion, trying to reduce the damage once inflicted is not a satisfactory solution. I think that more important is the preventive aspect. Instead of investing money in alternative energy sources with dubious effect, society can try to limit energy consumption.

According to FAO around 80% of all biomass nowadays is for used for residential purposes.³ On the other hand lot of the energy we use for heating goes to waste

¹ European Commission, SEC/2008/0085 final , available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52008SC0085:EN:HTML> (29.01.2009)

² Commission scientists blast EU biofuels policy, in EurActiv, 18.01.2008, available at <http://www.euractiv.com/en/transport/commission-scientists-blast-eu-biofuels-policy/article-169668> (29.01.2009)

³ FAO: The State of Food and Agriculture 2008. Biofuels: Prospects, Risks and Opportunities, available at <http://www.fao.org/docrep/011/i0100e/i0100e00.htm> (29.01.2009)

because buildings are not properly insulated. Investment in energy preservation is just as important as in energy diversification and in most cases less costly and without the market distortion effects. Some steps have already been taken in this direction, especially by the development and marketing of energy saving light-bulbs and hybrid cars. In the future these technologies need to be given a further boost. At any rate, any plans to use agricultural production for energy production should only be subjected to a thorough impact assessment and by no means done unilaterally but in consultation with partners in international fora.

In essence, the vicious link between fostering new energy technologies at the expense of distortions of the global market for agricultural products should be broken, if society wants to cope with the energy and food crisis. An effective way of doing this is by investing in energy preservation technologies and consulting widely on the possible economic impacts of organic fuel substitutes.