

## **Response of Oxfam GB to the Gallagher Review**

Whilst Oxfam GB welcomes in principle the Renewable Fuel Agency's Call for Evidence on the Indirect Effects of Biofuels ('the Gallagher Review'), we have several significant concerns. Namely:

1. The pursuit of the UK' biofuel mandates regardless of the review's findings
2. The very short period provided to third parties in which to provide evidence
3. The apparent conflict of interest involved in the Renewable Fuel Agency conducting the review, the findings of which have significant implications for the Agency's future
4. The omission of other important impacts such as displacement of people

### **List of Evidence Submitted**

All of the following evidence has been produced by third parties and need not be treated as confidential. To the best of Oxfam's knowledge, all the evidence is genuine and in the public domain. Oxfam is content that this should be used as part of the review.

The evidence is submitted in response to questions i. and ii., specifically:

- i. What are the key drivers of land use change and food insecurity to date and to what extent is increasing demand for biofuels significant?
- ii. To what extent may global demand for biofuels contribute to land use change and food insecurity to 2020 given known current proposed targets?

### **Summary of the main findings**

The attached evidence shows:

- Despite only being the tip of the iceberg, global biofuel demand is already a significant driver of food price inflation. In its latest World Economic Outlook, the IMF asserts that "Rising biofuel production in the United States and European Union has boosted demand for corn, rapeseed oil, and other grains and edible oils. Although biofuels still account for only 1.5 per cent of the global liquid fuels supply, they accounted for almost half the increase in consumption of major food crops in 2006-07, mostly because of corn-based ethanol produced in the United States. Biofuel demand has propelled the price of corn, but also other grains, meat, poultry, and dairy through cost-push and crop demand and substitution effects." (IMF, 2008)
- Given projected consumption, the effect of biofuels on food prices will increase in the future. For example, recent analysis from the International Food Policy and Research Institute predicts that forecast demand for biofuels will push corn prices 26.3% higher by 2020 than would otherwise be the case (von Braun, 2007).

- The effect of higher food prices is most detrimental for the food security of the global poor, reflecting the fact that most of the rural poor are in fact net consumers (rather than producers) of food. It is not simply the urban poor at risk as has been argued in the past. (von Braun, 2007).
- Poor people spend in the region of 60-80% of their income on food (Nugent, 2000, and also quoted in DFID, 2005). Therefore food price hikes of this magnitude will be catastrophic for the poor. For example, a food price hike of 25% (as envisaged by IFPRI) for a household spending 80% of its income on food would result in no money available for non-food expenditure – an untenable situation.
- For every percentage point increase in food prices, it has been estimated that an extra 16 million people worldwide become hungry – therefore anticipated biofuel demand will have a significant and detrimental impact upon achieving the first Millennium Development Goal of eradicating poverty and hunger. Estimates include an extra 600 million people being hungry by 2025 as a result of biofuel policies (Runge and Senauer, 2007).
- This is also reflected in projected declines in worldwide nutritional intake as a result of biofuel targets, most pronounced of all in Africa (von Braun, 2007).
- For its part, the EU target, which is forecast by the European Commission to have an inflationary impact on world cereal prices in the region of 3-6% (Fischer Boel, 2008), could therefore lead to an extra 50-100 million people being hungry in 2020.

## Evidence

DFID, 2005, *Growth and poverty reduction: the role of agriculture*, DFID, London. Available at <http://www.dfid.gov.uk/Pubs/files/growth-poverty-agriculture.pdf>

Fischer Boel, M., 2008, Biofuels: not a magic wand, but a valuable policy tool, speech to the 2008 World Biofuels Market Congress, Brussels, 13 March 2008. Available at <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/08/145&format=HTML&aged=0&language=EN&guiLanguage=en>

IMF, 2008, *World Economic Outlook*, April 2008, IMF, Washington, DC. Available at <http://www.imf.org/external/pubs/ft/weo/2008/01/index.htm>

Nugent, R., 2000, *The impact of urban agriculture on the household and local economies*, in N, Bakker, M. Dubbeling, S. Grundel, U. Sabel-Koscella and H. de Zeeuw (eds.) *Growing Cities, Growing Food*, DSA, Eurasburg. Available at <http://www.trabajopopular.org.ar/material/Theme3.pdf>

Runge, C.F. and Senauer, B., 2007, *How Biofuels Could Starve the Poor*, *Foreign Affairs* May/June 2007. Available at <http://www.foreignaffairs.org/20070501faessay86305/c-ford-runge-benjamin-senauer/how-biofuels-could-starve-the-poor.html>

Von Braun, J. 2007, *The World Food Situation: New Driving Forces and Required Actions*, Food Policy Report, International Food Policy and Research Institute, Washington, DC. Available at <http://www.ifpri.org/pubs/fpr/pr18.pdf>

### **Contact Details**

This response to the Gallagher Review has been prepared by Robert Bailey on behalf of Oxfam GB.

Contact details:

Robert Bailey  
Policy Adviser  
Oxfam GB  
Oxfam House  
John Smith Drive  
Oxford OX4 2 JY

Email: [robailey@oxfam.org.uk](mailto:robailey@oxfam.org.uk)

Tel: 01865 472331