Response of Oxfam GB to the Consultation on the Renewable Transport Fuel Obligation

This response to the UK Department for Transport's Renewable Transport Fuel Obligation (RTFO) Consultation has been prepared by Oxfam GB.

Oxfam GB is a development, relief and campaigning organisation that works with others to find lasting solutions to poverty and suffering around the world. The current push for biofuels, as exemplified by the RTFO and the EU Biofuels Directive, has potentially important implications for poverty and development. Firstly, *if* produced sustainably, biofuels have the potential to reduce the carbon intensity of vehicle fuel. Because climate change represents one of the most significant obstacles to overcoming poverty in the world today, we welcome in principle the Government's efforts to reduce emissions from transport, although note that to achieve meaningful reductions, this needs to be part of a much broader strategy including measures to reduce overall demand for transport fuels. That said, we have serious reservations regarding the current proposal for the RTFO which we outline in what follows.

We also note that the current push for biofuels will have more direct impacts on poverty and development. On the positive side, biofuel demand in advanced countries could potentially help to stimulate agricultural development in many poor producer countries, providing livelihoods to agricultural workers and producers, developing technology and infrastructure, and providing an important source of export earnings and foreign exchange. However, without proper standards in place to protect the most vulnerable people, unchecked biofuel production could result in environmental degradation, rising inequality, deepening poverty and human rights abuse. For these reasons, we focus primarily on the questions of the consultation pertaining to carbon intensity and sustainability standards.

Question 13: Should the Government specify that, from a given date, credits under the RTFO should be linked to the GHG-saving of the fuel? If so, what arrangements should operate and how quickly should this requirement be introduced?

If calculated properly, i.e. using a full lifecycle analysis that incorporates the effects of land use change, the carbon intensity of different biofuels can vary massively. Indeed, biofuels produced from feedstocks grown on land cleared from natural carbon sinks such as rainforest and peatland can have carbon intensities far in excess of the fossil fuels they are supposed to replace. In order to incentivise companies to maximise their contribution to emissions reduction, it is crucial that the RTFO rewards the most carbon efficient biofuels, and prevents the consumption of biofuels which actually make emissions worse. We therefore propose that:

- The carbon intensity of each fuel is calculated using a full lifecycle analysis that incorporates the effects of land use change, and utilises appropriate placeholder values in the event of a "don't know" answer.
- Fuels which do not meet a statutory minimum GHG saving of 50% are not eligible for certificates.
- Fuels which meet or exceed the statutory minimum GHG saving are issued certificates in proportion to the GHG saving of the fuel.

This should be introduced with immediate effect, to ensure that the RTFO incentivises emissions reduction from day one, and perhaps more importantly, doesn't end up exacerbating climate change.

Question 14: Should the Government specify that, from a given date, only those biofuels meeting certain minimum environmental and social standards should qualify for credits under the RTFO? If so, what standards should be applied, and from what date?

It is absolutely essential that only biofuels meeting minimum environmental and social standards should qualify under the RTFO. The proposed meta-standard approach poses obvious problems in the short-term, as few of the underlying accreditation systems are yet operational. But minimum standards should be introduced as soon as is practicable. We also urge the Government to provide funding as appropriate to underlying certification schemes in order to speed-up this process, and to consider introducing minimum standards incrementally, as and when underlying certification schemes become operational. In the meantime, companies should report comprehensively on social and environmental criteria. The currently proposed sustainability reporting framework should be revised so that companies are not allowed to answer "don't know" to questions regarding the source or nature of their fuels.

Experience in our programme, and involvement in standard setting initiatives such as the Roundtable on Sustainable Palm Oil (RSPO) has revealed the extent to which poorly regulated large-scale plantation agriculture is linked to the destruction of rural livelihoods through for example:

- Land-grabbing and land conflict
- Labour standards in contravention of internationally accepted norms, poor health and safety conditions, child labour and forced labour
- Discrimination on the basis of gender, nationality, caste or other basis
- Spiralling land prices driving increasing inequality and marginalisation of vulnerable people
- Water scarcity and pollution
- Pesticide poisoning
- Loss of biodiversity and important resources such as natural habitats and soil

In addition to these threats to vulnerable people's livelihoods, the anticipated surge in global demand for biofuels poses a threat to food security both on a global and a local level. As demand for biofuels increases, staples may be forced to compete with biofuels for agricultural inputs such as land, water and pesticides. And by competing for commodities such as corn and wheat (which are used as both food and fuel) increasing biofuel demand will inevitably lead to higher food prices. We are already seeing this all over the world. For example in 2006, US corn prices increased by around 70% in large part due to the boom in bioethanol, with the price rise spilling-over into Latin American countries including neighbouring Mexico, causing widespread unrest. Prices for other crops such as wheat and rice also reached record highs as farmers switched away from them into corn, constraining supply. China placed a halt on new bioethanol projects at the end of last year following concerns over rising corn prices and the implications for food security. Institutions such as the United Nations Food and Agriculture Organisation (FAO) and the International Food Policy Research Institute (IFPRI) both predict strong rises in commodity prices as a result of increasing biofuel demand, posing a serious threat to the food security of food importing countries. Whilst biofuel production in some poor countries may increase rural incomes, there is no reason to suppose that these gains should accrue to the poorest and most marginalised people whose food security is most threatened.

It is therefore of grave concern that the current proposal for sustainability criteria makes no mention of food security whatsoever. Without standards to protect the food security of vulnerable people, the RTFO risks placing the fuel demands of relatively wealthy consumers in the UK in direct competition with the food needs of poor people in other countries.

We recognise that the meta-standard approach which the RTFO plans to adopt is limited in that none of the underlying certification schemes include standards and criteria for food security, but we do not accept that this is a reason to ignore the issue. The RTFO's proposed sustainability reporting must be extended to acknowledge food security as a criterion. In addition, the Government should develop a framework to monitor and manage the impacts of biofuel production on food security as part of a cross-departmental initiative including DFID and DEFRA as well as DfT. Any such framework should monitor the impacts of biofuel production on food availability, access to food and stability of food supply, and include early warning systems and market-based counter measures to prevent food shortages, with safety nets in place to protect the most vulnerable. Ideally, such a framework should be operated at an international level, and involve the main importing and exporting countries, as well as the least food secure. The FAO could be a suitable institution.

Finally, DfT should engage with other biofuel standard-setting initiatives, such as that of the Netherlands or the Roundtable on Sustainable Biofuels, which are developing standards for food security, to ensure that any such standards can be adopted as soon as is practicable.

With regards to other environmental and social standards, those proposed in the current RTFO sustainability reporting framework provide generally good coverage of the above mentioned issues, food security excepted.

Finally, experience shows that smallholder producers can find it difficult to engage in supply chains that are subject to demanding standard regimes. This is often because compliance costs exhibit economies of scale. Whatever the reason, the result is that the poorest farmers are all too often excluded from supply chains, resulting in growing inequality and marginalisation. Yet in certain cases smallholders could have the potential to engage in biofuel chains – for example the RSPO estimates that over 30% of Indonesian Palm Oil comes from smallholdings – with positive implications for rural poverty. Oxfam's experience has shown that when smallholders are engaged in agricultural value chains on an equitable basis, positive impacts on poverty and inequality are greatest.

The issue of smallholder exclusion is not acknowledged in the sustainability reporting framework. Whilst it may be the case that some of the underlying standard-setting bodies attempt to address the issue through initiatives such as group certification or the development of special accreditation frameworks for smallholders, the RTFO itself does not differentiate between certification systems that accommodate smallholders and those that don't. We suggest that underlying certification schemes without effective mechanisms to mitigate against smallholder exclusion receive additional funding from the Government to develop such frameworks.

Conclusion

In summary, we do not believe that the RTFO, as it currently stands, provides a strong enough framework to ensure that biofuels used in the UK do not:

- Threaten vulnerable people's food security
- Worsen poverty and inequality
- Contribute to climate change
- Contribute to environmental degradation

To address this, Government must:

- Introduce mandatory minimum requirements for GHG-savings, and link the issuing of certificates to GHG performance
- Work at the international level to develop frameworks and mechanisms to monitor and manage the impact of biofuels on global food security
- Introduce minimum sustainability standards as soon as is practicable and in the meantime provide support to underlying certification schemes to speed up their development
- Assist underlying certification schemes to develop smallholder certification mechanisms