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European, American Ethanol Industries Counter OECD Report Urge OECD to Disavow Report As Not Reflecting Official Policy

Washington, DC – The leaders of the European Bioethanol Fuel Association (eBio) and the Renewable Fuels Association (RFA) are calling upon the Organization for Economic Cooperation and Development (OECD) to disavow a paper issued last week critical of world ethanol production. The paper, written by the Chair of the Round Table on Sustainable Development at OECD, explicitly states the paper does “not necessarily reflect the views of the OECD or the governments of its Member countries.” Yet, media reports are portraying the paper as the official position of OECD.

In a letter to OECD Secretary-General Angel Gurría, eBio Secretary General Rob Vierhout and RFA President Bob Dinner wrote:

“Specifically and just as disturbingly, this potentially unauthorized document fails to make its case, is highly one-sided and seemingly conflicts with previous OECD positions supporting biofuels as a component in reducing CO₂ gases. In short, whether deliberate or not, the OECD’s imprimatur is on this document and it is the OECD that must now be accountable for what is a biased assessment of expanding the worldwide production and consumption of renewable biofuels. We respectfully, but urgently, request that OECD specifically disavow this report as not reflecting the official policy of the organization.”

The paper released last week by a third-party, anti-ethanol website runs counter to statements made in official OECD publications. Two years ago, the OECD Observer published an article stating, “increasing the use of biofuels can improve energy security, greatly reduce greenhouse gases and many pollutant emissions, and improve vehicle performance. Their production can also enhance rural economic development.”

Additionally, an April 2004 official OECD Paper entitled “Special Issue on Climate Change Climate Change Policies: Recent Developments and Long Term Issues” came to the conclusion that, “Biofuels may also be used as a replacement for gasoline. In such a capacity they offer significant advantages for energy security as well as possible new potential for agricultural development.”

Moreover, the paper contains a number of inaccuracies and omissions that call into question the validity of the findings. Notably:

- While adopting the scare scenario about potential “food shortages,” the document fails to recognize the significant increases in productivity per acre. In the United States, for example, U.S. corn yields per acre have doubled over the last 30 years. More importantly, this has occurred with reduced inputs per acre.

- The document fails to reflect a realistic assessment of what is happening to the price of grains and other biofuel feedstocks. In Europe, for example, biofuel production consumes just 1.5% of grains. The price increases, however, are clearly based on a number of other factors in a worldwide market including: strong demand in China, a drought in Australia (an outcome of global warming many would argue) and speculation by investors.

- The document seems to ignore why OECD and other nations decided to pursue biofuels in the first place – namely to reduce the consumption of oil which contributes mightily to global warming, whose major production areas are in the volatile Middle East and whose prices are controlled by an international cartel.

- Implicit in this paper is a belief that the world can continue to rely on oil for its liquid fuel needs. But the world price of oil is now at \$80 a barrel and will likely go higher given emerging market conditions. The incentives provided by OECD countries and others help level the playing field and encourage investors to finance a new and developing industry.

- The paper also overlooks all of the incentives that have been and continue to be provided to the production of oil. Without comparing the benefits received by oil producers, it is hardly a fair comparison to look at incentives for biofuels in an energy policy vacuum.

- Finally, the paper disregards the efforts that are currently being undertaken to set up efficient, effective and international standards on the sustainability of biofuels. Both unilateral (several EU member states) and multilateral (Roundtable on Sustainable Biofuels) initiatives hold promise for an international standard for sustainable biomass and biofuel production in the very near future safeguarding biodiversity and guaranteeing GHG savings.

In conclusion, Veirhaus and Dinneen wrote, “Based on the foregoing, Mr. Secretary-General, we urge you to publicly disavow the OECD’s support for this document; forcefully state that it was released by a third party and not by the OECD; that OECD governments strongly support and encourage the development of biofuels as one means of addressing the problems of global warming and energy security.”

The complete letter is below as well as available at www.ethanolrfa.org

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For more information, visit the Renewable Fuels Association website at: www.ethanolRFA.org.