Impacts of EU Agrofuel Policy on Latin America – Argentina and how to curb them

The Gran Chaco region, in the north of Argentina, is one of the biggest dry forests in the world and a fragile eco system of high biodiversity. It is sparsely populated and many of its inhabitants are indigenous communities. However, during the last decades it has attracted growing interest of large scale farmers and investors.

The region has become especially attractive in the light of economic crisis. Land is up to ten times cheaper than in the traditionally agricultural region of Pampas. And the demand for agricultural land is rising.

In 2009 the EU in its renewable energy directive set a target of 10% renewable energy in the fuel mix by 2020. In order to meet this objective, fuel from agricultural products like soy beans plays a key role. Increasing areas are hence deforested and cleared by fire in order to serve as farm land for mostly soy bean crops. Argentina is the biggest exporter of soy beans and fuel made from soy to the EU and world’s third biggest producer. At the same time European companies invest massively in land for agricultural use. In the Gran Chaco region the rates of soy bean production are growing every day. Whereas in the year of 2005 an amount of 38 million tons of soybean were produced, numbers grew up to 49 million tons in 2010.

Despite various laws to protect land rights of indigenous and local communities as well as areas
of high biodiversity in order to prevent deforestation, the buying and taking over of land is the daily business in these regions. Locals suffer from a lack of enforcement of these laws on the one hand and on the other from an ever stronger economic interest in farming land. Since the native forest law, aiming at the prevention of deforestation, has been passed in Argentina another million hectares of land have been deforested.

Along with this goes a series of Human Rights and environmental problems. Indigenous communities often do not have the borders of their lands guaranteed by the law and local governments make, often illegally, land deals with investors who do not hesitate to deforest and fire clear huge territories, depriving local communities of their livelihoods. Inhabitants are forced to leave for bigger cities, unable to make a living and hence forced to live on social plans. Small scale farmers are pushed towards marginal areas. Until 2010 there have been 153 cases of land conflicts recorded in the region. Notably, 136 of these occurred after 2000.

30 to 35 percent of the deforested land is now used for soy bean crops. The agro-industrial production of soy beans leads to various changes in farming methods like the use of genetically modified organisms (GMO), the indiscriminate use of pesticides and the mechanization of farming in order to adapt to large scale production.

As it is illegal in the EU to use GMO crops for food production 100% of imported soybeans from Argentina is used for agrofuels. The use of fertilizers and pesticides has increased enormously during the last years in Argentina. Whereas in 1990 about 50 million liters of pesticides were used per year, nowadays quantities go up to 350 million
liters with devastating consequences for the degradation of the soil, erosion and pollution of ground water with heavy health impacts.

Agrofuel production is said to raise living standards in third countries: According to public consultations with developing countries initiated by the European Commission these countries welcome and support the agrofuel industry, still, the question remains who actually benefits from the resulting raises in income. The high tech agro industry only provides few jobs, the most benefitting are companies and the industry as well as governments of the respective countries who have a higher tax revenue. What remains for local communities are the above mentioned problems.

Responsibilities are not easy to assign in the soy bean production chain. Trade is complex and so it is not always obvious who to hold accountable for the damages done. Soy bean and agrofuel production becomes more and more profitable through the rising European demand, raising price levels for food crops at the same time.

**The state of play at EU level**

At the moment a reviewed version of the EU 2009 Renewable Energy Directive is under discussion. The version from 2009 addresses problems of direct land use changes and sets up mandatory sustainability criteria for agrofuel production. These include binding greenhouse gas savings through the use of agrofuels, no deforestation through the cultivation of fuel crops as well as protection of areas of high biodiversity or carbon stock. Whereas on one side, agrofuels are said to contribute strongly to Green House Gas emission savings, other opinions hold that the savings are rather marginal, especially when indirect land use
change factors are taken into consideration: These are factors causing CO2 emissions that do not directly evolve after the purpose of land use was changed, but have an impact on the long term. When new farmland has to be acquired for food production because other land is already used for fuel production, CO2 emissions can emerge as indirect result of agrofuel production. At the same time, as trade chains are complex and it seems difficult to ensure that imports to the EU definitively do not originate from deforested land.

The 2009 directive also aims at providing incentives for other renewable sources, not only agricultural products. The problem of indirect land use changes (ILUC) through increasing demand for agricultural products like soybeans is still not dealt with in a definitive manner. There are ongoing discussions taking place how to actually measure CO2 emissions resulting from ILUC factors. In the eyes of the commission scientific basis for this kind of measurement is still very weak but ILUC factors need to be included in a new directive. Therefore further discussion is needed regarding how to include ILUC factors. Furthermore, social monitoring and reporting requirements regarding impacts on developing countries are necessary to ensure compliance with above mentioned criteria. Voluntary schemes address this issue already and in the eyes of many political stakeholders, mandatory schemes are legally not possible, especially when it comes to cooperation with third countries. Along with this lack of governance on the international level goes the fact that there are no legally binding rules of Corporate Social Responsibility either.

Others impacts of soybean production for fuel on food security, food prices as well as the environment are rather low since the majority of agrofuel is produced within the EU and therefore underlies sustainability criteria.
In the meantime the race for profitable farming land has become faster and more ruthless with the raised European demand for agrofuel. Existing figures imply that the 10% target of renewables in the transport sector would need up to 30 million hectares of land. By no means can this be covered solely on EU farming land.

One may also concentrate on the need to stay realistic and focused on the high demand for transport despite the conflicts that arise from the agrofuel production. In addition, and due to the EU policies, huge investments in the agrofuel industry have already been made. The industry’s representatives state that a movement towards second generation agrofuels (meaning agrofuel not made from food crops but from biomass, residues and waste) is necessary but impossible without the first generation of agrofuels. But also second Generation fuels face criticism: For example wood, as an example for a second generation material, is not feasible to serve as fuel and biomass is not indefinitely available either.

With regard to the situation of exporting third countries the EU needs to take its full responsibility to its commitment on policy coherence in its external politics according to Article 208 on Human Rights in the Treaty of Lisbon.

**Towards solutions: What can be done?**

The issue becomes more complicated in the light of interconnectivity of different industries. Soy beans are not only grown for agrofuels but for animal feed in the first place. In the case of Argentina, this accounts for 80% of soy bean production. So in order to mitigate negative effects of the agro industry, the focus needs to be widened from growing demand for agrofuels towards worldwide growing demand for cheap and high protein animal feed - in the end for meat.

The EU institutions now discuss different approaches to tackle above mentioned problems with the objective of changing the 2009 renewable Energy Directive. One of these approaches is to introduce a maximum of 5% from food crops in the fuel mix. Some statistics suggest that this might even be covered from EU grown crops only. In addition
the EU could introduce sustainability criteria for imports from third countries, demanding strict implementation and enforcement of laws.

There is a broad consensus that apart of investing our energy in a certain fuel quality a fundamental change in transport politics is necessary in order to save more fuel and consequently Green House Gas emissions. In this regard the EU can also be a role model encouraging efficient transport policies.

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