



September 20, 2007

The Honorable Angel Gurría
Secretary-General
Organization for Economic Cooperation & Development
2, rue André Pascal
F-75775 Paris Cedex 16
France

Dear Mr. Secretary-General:

As representatives of the world's ethanol producing industry, we are deeply concerned with the release of a publication by the Chair of the Round Table on Sustainable Development at the Organization for Economic Cooperation and Development (OECD) critical of worldwide development of biofuels. This document was released not by the OECD on whose website this document cannot be found, but by a third party with an anti-ethanol agenda. While containing the disclaimer that it does "not necessarily reflect the views of the OECD or the governments of its Member countries," this document has been described in the media as an OECD report ("Biofuel push damaging, disruptive, OECD says," *Globe and Mail*, September 11, 2007). Thus far, we have seen no official word from you or anyone else in authority at the OECD explaining that this report does not reflect OECD's views or policies.

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.

Just 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." While this article also raised questions regarding land use, impact on agriculture and food and cost, it concluded, "Given the benefits there

is little wonder that many IEA countries, including the US, Canada, several European countries, Australia and Japan are considering, or have already adopted policies that could result in significantly higher biofuel use over the next decade.” Finally, and quite importantly, the article concluded, “If all policies and targets are fully implemented, biofuel use could more than double worldwide over the next five years or so. Even though that means an ethanol share of gasoline of only 4% or 5%, that would be a huge leap in a petroleum industry that has not faced real competition in over a century.”

Similarly, in April 2004 in an official OECD Paper, “Special Issue on Climate Change Climate Change Policies: Recent Developments and Long Term Issues” stated, “Transport systems in the latter half of this century could be dominated by vehicles, ships and aircraft with very low CO₂ emissions. This scenario could feature a mix of vehicle types – fuel-cell vehicles powered by hydrogen, electric vehicles, vehicles running on biofuels, and hydrogen-powered aircraft. The hydrogen, biofuels and electricity used in transport could be produced with near-zero well-to-wheel CO₂ emissions.” The report also stated, “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.”

What is so disappointing about the document released without apparent OECD approval is a failure to appreciate many of the changes that are rapidly taking place in the production, transportation and consumption of biofuels.

- 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 is devoid of any real analysis of the factors affecting food prices – the most important of which is energy. In the US, the high cost of energy has had far more effect than a higher price for corn – by a margin of two to one.
- 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.
- In the United States, while the price of corn rose initially and peaked in January, it has since decreased by 40%. Why? Because market forces responded, farmers planted more corn and are expected to harvest a record crop.
- 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.
- The claim that there are technological and economic problems with cellulosic or second-generation biofuels is particularly disturbing. The authors provide no support for their claims. They fail to acknowledge the existence of one company in the European Union and one in Canada that are already producing cellulosic ethanol or mention those in the US and the EU that are under construction.
- 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.

It is unfortunate that the OECD has allowed this publication to receive widespread media coverage at a time when countries around the world are seeking alternatives to the economic and environmental problems caused by oil dependence. Brazil, the United States, the EU, Japan and other nations have recognized the importance of biofuels as one means of reducing global warming gases and strengthening energy security. While we must have a balanced approach to developing new energy sources, especially renewable sources, we must also get the facts right.

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.

With hopes for a more sustainable energy future, we are

Sincerely,



Bob Dinneen
Renewable Fuels Association



Rob Vierhout
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