

Latin America: Biofuels – Banks fuelling argument

Biofuels have been blamed for soaring food prices and now campaigners want banks to stop financing agrofuel production

Behind the smiles during May's summit of Latin American and Caribbean countries and the European Union, a row was brewing over the cause of rising food prices.

Bearing the brunt of the crisis, Latin American leaders took aim at a new culprit: biofuels. They claim that the European Union's proposal for all transport fuel to be at least 10 per cent biofuel by 2020 would considerably increase the amount of agricultural land given over for fuel – contributing to food price inflation.

Campaigners Greenpeace called for EU and Latin American leaders at the summit to adopt sustainability criteria for future biofuel production. To qualify, crops would have to be grown in an environmentally responsible manner, not cause land-use changes and not threaten food security. The motion failed to pass.

Predictably Brazil came out in defence of biofuels. Yet relations between the world's largest sugar-based ethanol producer and the EU are strained after allegations by the latter that Brazilian sugarcane plantations are rife with labour and environmental abuses.

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Attention is now moving onto Europe's banks. Environmental group Friends of the Earth (FoE) is demanding that commercial banks withdraw their financing of agrofuel – which is biofuel specifically produced from cultivated material – projects until a comprehensive impact study of the biofuel industry has been carried out.

Barclays, Deutsche Bank, BNP Paribas and HSBC are among those singled out for investing heavily in Latin America's sugar, soya and palm oil industries, according to a new FoE report, "European financing of agrofuel production in Latin America".

Such investments contribute to deforestation, water contamination and the forced migration of small farmers, argues Paul de Clerk, FoE's corporate campaign co-ordinator. "From a financial perspective, these banks are of course doing very well because it's a booming business," de Clerk says. "But private banks have a responsibility not to finance projects that have a very negative environmental or human rights impact."

The majority of the banks cited in the report are members of the Equator Principles, the United Nations-backed ethical benchmark for the project finance industry.

Opposition to the unsustainable production of palm oil, soya and other sources of edible oils is not new. What has changed is that such oils are now destined for car engines not dinner tables. The more money that pours into the biofuels business, the more fractious relations between the EU and Latin American will become.

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