



Also in Europe: the impact of EU agrofuel policies in Central and Eastern Europe



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The EU Renewable Energy Directive (RED), *Directive 2009/28/Ec*, sets 10% mandatory targets for EU Member States by the year 2020 for renewable energy use, primarily biofuels, out of the total consumption of fuel for transport.¹ The increased demand in the market for biofuels has led to an escalation in rural land to use for biofuel production. The impact of this process on Africa has been looked at in detail in a report published by EuropAfrica, “(Bio)Fuelling Injustice? Europe’s responsibility to counter climate change without provoking land grabbing and compounding food insecurity in Africa”.² The present study adds a complementary perspective by investigating how the EU biofuel policy created or has the potential to create an environment that fosters land grabbing and human rights abuses in Central and Eastern Europe.

In “(Bio)Fuelling Injustice?”, it was shown how the EU biofuel policy can have devastating impacts on the local populations in developing countries. In particular, it was clearly demonstrated how the EU biofuel policy drives “land grabbing”, which refers to the phenomenon of concentration of land and associated natural resources, particularly water, due to domestic or foreign investments, with implications for human rights, food security and the environment. In addition, and as a consequence, the EU biofuel policy has negative effects on food security, governance and human rights, especially threatening the food security and the right to food of poor populations in Africa. This assessment led to the conclusion that the EU and its Member States are violating their obligation enshrined in EU law to ensure the coherence of their policies with the objectives of EU development cooperation and their obligation under international law to guarantee human rights beyond their borders.

While the negative impact of the EU biofuel policy in Africa, in Asia or in South America has been thoroughly analysed, countries in Central and Eastern Europe are also particularly affected but there is little record of this effect.³ This report intends to start to fill this gap by shedding light on how the EU biofuel policy has precipitated or has the potential to fuel land grabbing and human rights violations in its own backyard. In addition, if economic development in Central and Eastern European countries is often better than in Africa, and the challenges faced by poor people in these countries are not necessarily the same, many of the effects of the biofuels policies have effects that are in many respects comparable. Therefore, the hope is also that, when relevant, lessons can be drawn from the study of the impact of biofuels in Eastern and Central Europe to fuel the reflection on the risks of the increase of biofuels production in Africa and elsewhere, and vice-versa.

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¹ Directive 2009/28/Ec Of The European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC.

² S. Aubry, “(Bio)Fuelling Injustice? Europe’s responsibility to counter climate change without provoking land grabbing and compounding food insecurity in Africa” EuropAfrica (February 2012)

³ Visser, O. and Spoor, M. 2011. “Land grabbing in post-Soviet Eurasia: the world’s largest agricultural land reserves at stake”, *The Journal of Peasant Studies*, Vol. 38 (2) is one the most developed studies on the issue, and it constitutes the basis of this report.

This report is only a step towards a better understanding of the impact of biofuels in Central and Eastern Europe, and further work will be needed to detail the findings presented here and comprehensively review the situation in this region. The information introduced in this report is also designed to encourage civil society organisations and European authorities to consider Central and Eastern Europe in their studies, and, when possible, draw the necessary lessons from the comparison of these regions to take all necessary measures to avoid that further harm is done.

Agricultural and biofuel production are wholly linked, as biofuel production is generally a bi-product of agricultural production or done in the same manner. This report thus begins by providing a brief history of agricultural production in Central and Eastern Europe since the fall of the USSR, including examining the potential for investment and investment trends in the region, as well as the actors involved in agricultural production and how this production affects the EU. Next, the report examines the potential for biofuels production and threats of land grabbing in EU “new Member States”, giving the examples of Poland and Czech Republic, before looking at the situation of Ukraine, where a weak legal and political framework allows for dubious large investments in land and land grabbing.

1. Agricultural Production in Central and Eastern Europe

a. Post USSR

Agricultural production in former Soviet and Soviet satellite states decreased dramatically following the dismantling of the USSR, leading to a drastic decline in domestic food production. Because agriculture was state-controlled for years, investment in agriculture was needed in the former USSR, but was slow to come.⁴ In Russia, Ukraine and Kazakhstan, for example, area sown to grains has declined by 30 million hectares (ha) since the fall of the Soviet Union.⁵ As a result, many of these states became heavily dependent on Western imports for food.⁶

The region saw economic recovery beginning in the mid-1990s and investment in agriculture, foreign and domestic, increased as well.⁷ Much of the large areas of cropland used during Soviet times had fallen into disuse in the years following the collapse of the USSR. Many of these areas have now been turned into large farms, evidenced by the fact that the 70 largest producers of grain in Russia and

⁴ Visser, O. and Spoor, M. 2011. “Land grabbing in post-Soviet Eurasia: the world’s largest agricultural land reserves at stake”, *The Journal of Peasant Studies*, Vol. 38 (2), 299-323.

⁵ Deininger, K. 2011. “Challenges posed by the new wave of farmland investment”, *The Journal of Peasant Studies*, Vol. 38 (2), 217-247.

⁶ Visser, O. and Spoor, M. 2011. “Land grabbing in post-Soviet Eurasia: the world’s largest agricultural land reserves at stake”, *The Journal of Peasant Studies*, Vol. 38 (2), 299-323.

⁷ Visser, O. and Spoor, M. 2011. “Land grabbing in post-Soviet Eurasia: the world’s largest agricultural land reserves at stake”, *The Journal of Peasant Studies*, Vol. 38 (2), 299-323.

Ukraine own more than 10 million ha of land.⁸ In Kazakhstan, 60% of agricultural land is controlled by large corporate farms and in the Slovak Republic this figure rises to 90%.⁹

b. Potential for Investment and Investment Trends

There are several reasons for the increased investment in agricultural land observed in Central and Eastern Europe. According to a report by the Food and Agriculture Organization (FAO) quoted by two academic authors who wrote on the topic, only four countries in the world “have significant untapped capacity to make a major impact on meeting the growing global food demand”, three of which are countries in the former Soviet Union.¹⁰ Between 20 and 40 million ha of unused agricultural land is located in the former Soviet Union. Moreover, the price of this fertile land – referred to as “Black Earth” – is rather low – 10 to 15 times lower than land in Argentina, for instance. These low prices are a result of a combination of lack of clear property rights law, a large supply of unused land and political instability. Prices spiked between 2006 and 2008 due to increased interest in this land but have since levelled out as a result of the financial crisis. Much land is leased in the region; in Ukraine, for instance, there is a moratorium on land sales so all land is leased. According to the World Bank, land rents in Central and Eastern Europe are relatively low in comparison to other areas of Europe.¹¹ The region also has a developed infrastructure relative to African countries where the majority of foreign investment in agricultural is taking place. Finally, because of changes in climate, the region is experiencing longer seasons that benefit agricultural production.¹²

The World Bank categorises countries in Eastern Europe as “Type 2” in their land availability/yield gap typology. Type 2 countries are those with suitable land available and with low yield gap (the “amount that actual yields...fall short of potential production”¹³). Typically, these countries have a history in which investment in “technology, infrastructure, institutions, and human capital” has helped increase productivity.¹⁴ If property rights are well protected, Type 2 countries provide well-functioning markets in which investors and citizenry can benefit. However, if land rights are not well protected, the risk of large-scale land acquisition that can clash with the local population rises.¹⁵

⁸ Deininger, K. 2011. “Challenges posed by the new wave of farmland investment”, *The Journal of Peasant Studies*, Vol. 38 (2), 217-247.

⁹ Deininger, K. and Byerlee, D., with Lindsay, J., Norton, A., Selod, H. and Stickler, M. 2011. “Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits?”, The World Bank.

¹⁰ Visser, O. and Spoor, M. 2011. “Land grabbing in post-Soviet Eurasia: the world’s largest agricultural land reserves at stake”, *The Journal of Peasant Studies*, Vol. 38 (2), 300.

¹¹ Deininger, K. and Byerlee, D., with Lindsay, J., Norton, A., Selod, H. and Stickler, M. 2011. “Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits?”, The World Bank.

¹² Visser, O. and Spoor, M. 2011. “Land grabbing in post-Soviet Eurasia: the world’s largest agricultural land reserves at stake”, *The Journal of Peasant Studies*, Vol. 38 (2), 299-323.

¹³ Deininger, K. and Byerlee, D., with Lindsay, J., Norton, A., Selod, H. and Stickler, M. 2011. “Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits?”, The World Bank.

¹⁴ Deininger, K. and Byerlee, D., with Lindsay, J., Norton, A., Selod, H. and Stickler, M. 2011. “Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits?”, The World Bank.

¹⁵ Deininger, K. and Byerlee, D., with Lindsay, J., Norton, A., Selod, H. and Stickler, M. 2011. “Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits?”, The World Bank.

Eastern and central European countries are considered specifically to be good places to invest in biofuel feedstock production. According to the European Commission:

Many of the regions assisted by the Structural and Cohesion Funds, particularly in rural regions in central and eastern Europe, have the potential to use biomass to generate economic growth and employment. Low labour costs and high resource availability can give these regions a comparative advantage in the production of biofuel feedstocks. Supporting the development of renewable and alternative energy sources such as biomass, including biofuels, is therefore an important objective for cohesion policy.¹⁶

c. **Actors Involved**

In the Black Earth area, Western investors have dominated the foreign involvement. The investors come mainly from Western Europe and Scandinavia, while several investor firms that have purchased land are US based. Recently, Middle Eastern countries and Chinese investors have purchased or have been actively searching for land in Central and Eastern Europe.¹⁷

The International Financial Corporation (IFC), the private sector arm of the World Bank Group, has been active in this region, developing projects for agricultural production in Ukraine.¹⁸ Likewise, the European Bank for Reconstruction and Development (EBRD) also has a number of projects in Central and Eastern Europe, including numerous projects on biofuel production in the region.¹⁹

Various investment and energy companies are involved in agricultural production in Central and Eastern Europe. Some of these include US investment firm Morgan Stanley, French agricultural commodity company AgroGeneration, German investment fund Nordcapital, Danish firm Jantzen Development, Chinese company Tianjin State Farms Agribusiness Group, UK investment companies Landkom International and Aston Lloyd Holdings PLC and the Libyan government.²⁰

2. Potential for biofuels production and threats of land grabbing in EU “new Member States”: the examples of Poland and Czech Republic

a. **Poland**

Land transfers in Poland operate in a specific a legal and political framework which is useful to quickly outline. So far, most land acquisitions in the country have focused on purchasing shale basins that can be used for natural gas production. The US Energy Information Administration (EIA) declared that Poland has shale gas resources of 5.3 trillion cubic metres (cm) of gas, making them the largest in

¹⁶ European Commission, “An EU Strategy for Biofuels” COM(2006)34 final (8 February 2006), 11.

¹⁷ Visser, O. and Spoor, M. 2011. “Land grabbing in post-Soviet Eurasia: the world’s largest agricultural land reserves at stake”, *The Journal of Peasant Studies*, Vol. 38 (2), 299-323.

¹⁸ http://www.ifc.org/ifcext/spiwebsite1.nsf/ProjectDisplay/SPI_DP26271

¹⁹ See <http://www.ebrdrenewables.com/sites/renew/energyTech.aspx>

²⁰ <http://farmlandgrab.org/post/view/19270>; <http://farmlandgrab.org/post/view/19609>; Visser, O. and Spoor, M. 2011. “Land grabbing in post-Soviet Eurasia: the world’s largest agricultural land reserves at stake”, *The Journal of Peasant Studies*, Vol. 38 (2), 299-323.

Europe.²¹ As a result, the Polish government has encouraged foreign investment acquiring exploration rights. The outcome has been large-scale acquisitions by small companies such as Realm Energy and San Leon Energy and large multinationals such as ConocoPhillips.²² Recently, companies involved in land acquisition have had a difficult time in Poland. In early 2012, the head of Poland's Department of Geology and Geological Concessions at the Ministry of Environment was among 6 people arrested in connection with alleged corrupt practices related to exploratory licenses.²³

The Polish government also recently made it harder for foreign companies to develop biofuels in the country. Polish transport fuel producers can now decrease their biofuel-blending requirements by 15 % if they buy 70 % of their supplies from approved producers, which include domestic producers and some foreign producers. As a result, it will be much easier for domestic biofuel companies to compete with foreign producers.²⁴

Regarding biofuels, there is a significant potential for production in Poland, mainly due to plentiful sources of biomass. According to the EBRD biomass is "the most promising source for renewable energy in Poland, with the greatest opportunities being available in the forestry, wood processing and agriculture sectors".²⁵ Approximately 47% of Poland's lands, nearly 14 million ha, are agricultural lands, which could be used for biofuel production.²⁶ In 2007, alone, farmland prices in Poland increased by 31 %.²⁷

Biofuel production has increased greatly in recent years. The following table displays biofuel production in toe (tonnes of oil equivalent) between 2007 and 2009:²⁸

²¹ BusinessNewEurope. 2011. "Shale-acked in Poland". http://www.bne.eu/story3063/Shaleacked_in_Poland.

²² BusinessNewEurope. 2011. "Shale-acked in Poland". http://www.bne.eu/story3063/Shaleacked_in_Poland;
The Economist. 2009. "Bubbling under: Oil firms hope to repeat a trick that yielded big gas supplies in America". <http://www.economist.com/node/15022457>

²³ Natural Gas Europe. 2012. "Shale Gas Licensing Scandal in Poland". <http://www.naturalgaseurope.com/shale-gas-poland-scandal-4402>.

²⁴ Platts. 2012. "Poland to allow blenders to cut biofuel mandates by 15%: source". <http://www.platts.com/RSSFeedDetailedNews/RSSFeed/Petrochemicals/3875029>; Biofuels Digest. 2012. "Poland steers biofuels mandate toward domestic producers". <http://biofuelsdigest.com/bdigest/2012/01/09/poland-steers-biofuels-mandate-toward-domestic-producers/>.

²⁵ European Bank for Reconstruction and Development: Poland country profile. <http://www.ebrdrenewables.com/sites/renew/countries/Poland/profile.aspx#biomass>.

²⁶ European Bank for Reconstruction and Development: Poland country profile. <http://www.ebrdrenewables.com/sites/renew/countries/Poland/profile.aspx#biomass>.

²⁷ von Braun, J. and Meinzen-Dick, R. 2009. "Land Grabbing" by Foreign Investors in Developing Countries: Risks and Opportunities", International Food Policy Research Institute Policy Brief. <http://www.ifpri.org/sites/default/files/publications/bp013all.pdf>.

²⁸ Ecofys, Agra CEAS, Chalmers University, IIASA and Winrock, "Biofuels Baseline 2008" Report to the EU in response to Tender No. TREN/D1/458/2009 (January 2012).

2007	2008	2009	% Growth
110	296	429	97

The examples given above of various companies involved in land acquisition for energy production and Poland's large amount of biomass sources thus makes the country a prime target for land grabbing. Although the Polish government has taken steps to discourage such activities though, the future remains unclear.

b. Czech Republic

In Czech Republic, the issues related to biofuels production and land grabbing are still relatively new and not very well known. Glopolis, a Czech-based NGO, is one of the few non-profit organisations working on the topic in the region, and it recently organised a number of workshops and published two reports on land grabbing and biofuels to raise awareness about the issue.²⁹ This work has revealed the lack of understanding of the risks. In a 2011 report about land-grabbing, the situation in Czech Republic is described as follows³⁰:

In the Czech Republic, the term "land grab" is used in a different way. Especially in 2011, Czech farmers started to speak about the land grabbing of local land because the government approved the amendment allowing foreigners to buy farmland. This new regulation effectively ends the seven-year ban on foreign ownership of land in the Czech Republic which was agreed upon by the European Union in 2004. "EU and Swiss investors – and those covered by European Economic Area pacts – will now be permitted to buy farm and forestry acreage being sold by the Czech government." Some new member countries (Slovakia, Hungary, Lithuania, Latvia, and Poland) have asked for the prolongation of this ban.³¹

The government has an estimated 147,000 hectares of land (or 3.5 % of the country's agricultural land) ready to be sold. Figures from the Czech Ministry of Agriculture show that farmland costs € 1,200 - € 2,000 per hectare, depending on the quality of the land. These values are approximately one-third of the sale price of agricultural land in Britain.³² This is the reason why there is such a strong opposition among Czech farmers. "Our farmers cannot compete in capital with the foreign ones when buying land,"³³ says Jan Veleba, who heads the Agrarian Chamber of the Czech Republic.

According to the Association of Private Farming, large-scale land acquisitions complicate the situation of agriculturalists. Due to the fact that in the Czech Republic land is cheap in contrast to other European countries (fees are still at the level of 1992), 10 - 15 hectares of agricultural land

²⁹ <http://glopolis.org/en/>. Glopolis is a member of EuropAfrica.

³⁰ Milerová Prášková, D. January 2012. "Land Grabs In Africa: A Threat To Food Security" Prague Global Policy Institute – Glopolis, 12-13.

³¹ <http://www.asz.cz/redakce/index.php?clanek=52626&lanG=cs&xuser=&slozka=5880&xsekce=6068>

³² <http://farmlandgrab.org/post/view/19143>

³³ <http://farmlandgrab.org/post/view/17311>

diminishes every day because of the enlargement of agglomerations and massive house building. Another problem is land management because land is not protected adequately even though it is a fundamental and irreplaceable commodity for agriculture.³⁴ As a result, there is a strong call for a law which would regulate the handling of agricultural land and territorial planning in general.

From a different perspective, two researchers from the Institute of Agricultural Economics and Information in Prague conducted a study on the effects of energy production from agricultural biomass in Czech Republic.³⁵ Starting from the assessment that there are limited land and other biomass resources available in the country, they compared the different ways these limited resources could be used. They conclude that producers are those who would benefit the most from increased biofuel production, and that biofuels (based on wheat and rape-seed) are the least optimal renewable energy source from the consumers' perspective. They also note that providing energy through biofuels would require more land than others using lands in different ways, which thereby increases the risk of land grabbing.

3. Weak legal and political framework for large investments in Ukraine

a. Legal and Political Framework

Political instability leading to a weak institutional environment in Ukraine has created an atmosphere very conducive to land grabbing. Despite the fact that Ukraine has a moratorium on foreign land deals, the weak institutional environment provides opportunities for illegal land deals that acquire "large tracts of land through bypassing official regulations", to the detriment of the rights of the local landowners.³⁶ According to former Ukrainian Minister of Foreign Affairs Boris Tarasyuk, "[it is] no secret that although there is a legislative ban on buying land, the land is being sold."³⁷ Additionally, there is nothing stopping investors from leasing land. Investors usually lease between 5,000 and 300,000 hectares of land for 5 to 25 year terms.³⁸ According to a paper presented by two authors at the 2011 International Conference on Global Land Grabbing:

In Ukraine, investors are not permitted to buy land. They are kept out of the market by a moratorium on the sale of agricultural land established in 1995. However, this obstacle to the "proper functioning" of the real estate market has not in fact slowed down the process of land concentration. In fact, the opposite has happened. By signing leases with official landowners—the former workers of the kolkhozes and the sovkhozes—investors have access to land at very low prices. It costs investors less than €25 / ha / year, a rate much lower than in Western Europe, to gain

³⁴ <http://www.zemedelskytydenik.cz/webmagazine/articles.asp?idk=206&ida=2637>

³⁵ Jelínek, L. and Medonos, T. 2011. "Private and Social Effects of Energy Production from Agricultural Biomass" Institute of Agricultural Economics and Information, Prague.

³⁶ Visser, O. and Spoor, M. 2011. "Land grabbing in post-Soviet Eurasia: the world's largest agricultural land reserves at stake", *The Journal of Peasant Studies*, Vol. 38 (2), 299-323.

³⁷ Visser, O. and Spoor, M. 2011. "Land grabbing in post-Soviet Eurasia: the world's largest agricultural land reserves at stake", *The Journal of Peasant Studies*, Vol. 38 (2), 299-323.

³⁸ Gazizullin, I. 2010. "Social impact of large scale agroinvestments in the FSU: Lessons from Ukraine's experience". <http://siteresources.worldbank.org/EXTARD/Resources/336681-1236436879081/5893311-1271205116054/gazizullin.pdf>.

access to the most fertile lands in the world. Investors benefit from secured access to land thanks to long-term leases without having to tie up a significant amount of capital.³⁹

As a result, in Ukraine 25 companies control approximately 3 million hectares of farmland, which makes up 10 % of the country's total.⁴⁰ As the following table illustrates, Ukraine has moved from large, private mixed farming operations with multiple crops in the Soviet period (type 1) to the more recent agro holdings with their tens of thousands of hectares (type 4), which was accompanied with a sharp decline in labour compensation, from 38 % to just 3 %. Meanwhile, the share allocated to investors has increased from 54 % to 89 %.⁴¹

Distribution of Value Added between Salaries, Cost of Land (rent), Taxes and Return on Capital (in %) in the Different Types of Large Farms in Ukraine. Example for the Regions of Jytomyr and Kirovograd				
Type of farm	Salaries	Rental costs	Taxes and income tax	Return on capital
1. Mixed cropping and livestock operations of the privatized former Soviet structures: 2000 ha of barley, wheat, oats, rapeseed, soybean and sunflower, and some corn and temporary pasture land, 100 dairy cows for 2200 l, 80 employees, heterogeneous equipment, partly used.	38	6	2	54
2. Farms specializing in cereals and oil and protein seed crops: 500 to 3000 ha of barley, wheat, oats, rapeseed, soybean and sunflower, minimum tillage, precision seed drills, new and imported high capacity equipment. Economic performance given for 1000 ha (11 employees)	19	9	3	69
3. Agro holdings specializing in large-scale farming: 5000-30,000 ha. Results for one of the agro holdings: 5,000 ha of barley, wheat, oats, rapeseed, soybean and sunflower, new and imported equipment, 33 employees.	10	9	2	79
4. Agribusinesses specializing in large-scale farming: > 20,000 ha rented (straw and reserve land), new equipment, powerful and imported. Shareholders (number N/A), 210 employees working the equivalent to full time (for 20,000 ha).	3	7	1	89

³⁹ Cochet, H. and Merlet, M. 2011. "Land grabbing and share of the value added in agricultural processes. A new look at the distribution of land revenues", Paper presented at the International Conference on Global Land Grabbing, April 6-8 2011.

⁴⁰ GRAIN. 2010. "Global agribusiness: two decades of plunder". http://www.grain.org/article/entries/4055-global-agribusiness-two-decades-of-plunder#_ref.

⁴¹ Cochet, H. and Merlet, M. 2011. "Land grabbing and share of the value added in agricultural processes. A new look at the distribution of land revenues", Paper presented at the International Conference on Global Land Grabbing, April 6-8 2011.

b. Potential for Production

Two elements make Ukraine especially attractive for agricultural and biofuel production: large amounts of usable land and low prices. The price of land is particularly low in Ukraine because of its political instability and moratorium on land sales.⁴²

According to the EBRD, Ukraine has a biomass potential of 4 million toe, which includes livestock manure, straw and lumber mill waste.⁴³ In the latest Ernst and Young Renewable Energy Country Attractiveness Indices, Ukraine was listed as an “emerging market” and Ukraine’s resource potential is considered “impressive”.⁴⁴

Many Western investors have realised this potential in recent years and have been purchasing large amounts of land in Ukraine. For instance, US investment firm Morgan Stanley purchased 40,000 hectares of farmland in the Ukraine, and Goldman Sachs took over the rights of China’s poultry and meat industries in 2008. Swedish investment groups Black Earth Farming and Alpcot-Agro joined British investment group Landkom in acquiring nearly 600,000 hectares of farmland in Russia and Ukraine.⁴⁵ In 2009, the Ukrainian and Libyan governments agreed on a deal that would allow Libya to grow wheat on 100,000 hectares of land to export to North Africa. In exchange, Libya was to provide oil for a Ukraine refinery.⁴⁶

A large part of the investments in Ukraine is driven by biofuels, whose demand is in turn driven by the EU. A study conducted for the European Commission indeed reveals that as of 2008, Ukraine was one of the main suppliers of biofuel feedstocks for biofuels consumed in the EU, and it is one of the countries that appears to have been mostly influenced in their land use by biofuel export to the EU market.⁴⁷ According to the study, there was no domestic rapeseed biodiesel production in the country at the time, but 26.5% of the total area under rapeseed cultivation was used for production of biodiesel feedstock for the EU market.⁴⁸

⁴² Visser, O. and Spoor, M. 2011. “Land grabbing in post-Soviet Eurasia: the world’s largest agricultural land reserves at stake”, *The Journal of Peasant Studies*, Vol. 38 (2), 299-323.

⁴³ European Bank for Reconstruction and Development: Ukraine country profile. <http://www.ebrdrenewables.com/sites/renew/countries/Ukraine/default.aspx>.

⁴⁴ Ernst and Young: “Renewable Energy Country Attractiveness Indices”, Issue 31, 2011. [http://www.ey.com/Publication/vwLUAssets/Renewable_energy_country_attractiveness_indices_-_Issue_31/\\$FILE/EY_RECAI_issue_31.pdf](http://www.ey.com/Publication/vwLUAssets/Renewable_energy_country_attractiveness_indices_-_Issue_31/$FILE/EY_RECAI_issue_31.pdf).

⁴⁵ Daniel, S. and Mittal, A. 2009. “The Great Land Grab: Rush for World’s Farmland Threatens Food Security for the Poor”, *The Oakland Institute*. http://www.oaklandinstitute.org/pdfs/LandGrab_final_web.pdf.

⁴⁶ Farmlandgrab.org. 2009. “Libya agrees deal to grow wheat in Ukraine”. <http://farmlandgrab.org/3052>

⁴⁷ Ecofys, Agra CEAS, Chalmers University, IIASA and Winrock, “Biofuels Baseline 2008” Report to the EU in response to Tender No. TREN/D1/458/2009 (January 2012).

⁴⁸ Ecofys, Agra CEAS, Chalmers University, IIASA and Winrock, “Biofuels Baseline 2008” Report to the EU in response to Tender No. TREN/D1/458/2009 (January 2012), 406.

c. Current Issues

Ukraine has seen foreign direct investment increase dramatically in the last ten years: between 2000 and 2009, foreign direct investment in Ukraine’s agriculture has increased by approximately 1,000 %, a result of land reform and economic growth in the country.⁴⁹ Consequently, large private companies owe large amounts of land, as 85 agriholdings together operate more than 6 million ha of land.⁵⁰

Year	Foreign Direct Investment (Million USD) ⁵¹
1995	483.5
2000	3281.8
2005	9047.0
2006	16890.0
2007	21607.3
2008	29452.7
2009	35616.4
2010	40053.0
2011	44708.0

Combined with a weak legal framework and political instability, the country represents a perfect opportunity for dubious land deals and land-grabbing, as the two following example illustrate.

Aston Lloyd Holdings PLC
<p>Aston Lloyd Holdings PLC London is a UK based investment firm that manages a large amount of farmland in central Ukraine. Aston Lloyd uses a Ukrainian-based management company, Eurofarms LLC, to “oversee all farmland operations and implement western management techniques, technology and state of the art equipment to provide high yields for these investors in the Ukrainian agricultural land project.”⁵² They cultivate wheat, barley, rapeseed, sunflower and maize (corn) and promise investors they will receive 45% of the total net profit from the harvest in December 2011, and then 30% of the net profit annually from January 2013.⁵³</p> <p>In cooperation with a Ukrainian real estate advertising company, Aston Lloyd released an investment</p>

⁴⁹ Gazizullin, I. 2010. “Social impact of large scale agroinvestments in the FSU: Lessons from Ukraine’s experience”. <http://siteresources.worldbank.org/EXTARD/Resources/336681-1236436879081/5893311-1271205116054/gazizullin.pdf>.

⁵⁰ Deininger, K. and Byerlee, D., with Lindsay, J., Norton, A., Selod, H. and Stickler, M. 2011. “Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits?”, The World Bank, 32.

⁵¹ State Statistics Service of Ukraine. http://www.ukrstat.gov.ua/operativ/operativ2007/zd/zd_rik/zd_u/pi_07u.html.

⁵² www.astonlloyd.co.uk/investments-agricultural-land-ukraine.php

⁵³ Campagna per la riforma della Banca Mondiale (CRBM). 2010. “The Vultures of Land Grabbing: The involvement of European financial companies in large-scale land acquisition abroad”.

brochure citing “high oil prices and the desire for energy independence” as factors contributing to the investment potential of agriculture in Ukraine.⁵⁴ Aston Lloyd researchers referred to the EU legislation mandating alternative energy consumption as a compelling reason to invest with the company.⁵⁵

An investigation by Campagna per la riforma della Banca Mondiale (CRBM), an Italy based advocacy program devoted to reforming practices of the World Bank, discovered that there is significant evidence that shows Aston Lloyd’s investment plan is a scam.⁵⁶ According to the CRBM report, Aston Lloyd claims to invest in Northern Cyprus, an area not recognised as a country by anyone except Turkey and also a known haven for money laundering. Moreover, there appears to be no financial investment supporting Aston Lloyd itself, rather it looks like a group of unsuccessful real estate investors are now attempting to capitalise on the need for agricultural land. Aston Lloyd lists Barclays Plc as an “associate”, but CRBM’s investigation could uncover no links between the two enterprises.⁵⁷ The report found that Aston Lloyd has ties to Emerald Knight Consultants Ltd and Sterling Knight Consultants Ltd⁵⁸, and that it appears the three companies are involved in some sort of scam.⁵⁹

Landkom International

Landkom International was founded in 2005 and incorporated in the Isle of Man in 2007 with subsidiaries in Cyprus in Ukraine. The company began harvesting wheat, rape seed, soya beans and sunflower seeds, operating over 115,000 ha.⁶⁰ In 2009, the company harvested 60,000 tons of wheat.⁶¹ In 2009, Landkom signed an initial cooperation agreement with Sunfuel Ukraine LLC to process and develop a non-edible oil seed variant for biodiesel. Landkom’s stock rose close to 16% immediately following the news of the agreement.⁶² The oil seed, referred to as “Isis”, is similar to oil rape seed but, according to Landkom, has the potential to be considerably more cost effective for production.

⁵⁴ www.uaproperty.com/images/Ukraine-Product-Brochure-4.pdf

⁵⁵ Biofuel Investing Made Easy? London Investment House Launches A New Monthly Investment Opportunity For All Green Energy Investors. <http://www.topenergyresources.com/biofuel-investing-made-easy-london-investment-house-launches-a-new-monthly-investment-opportunity-for-all-green-energy-investors/>

⁵⁶ Aston Lloyd also claims to be involved in a biodiesel production project in Indonesia: <http://www.astonlloyd.co.uk/investments-biofuels-jatropha-indonesia.php>

⁵⁷ Campagna per la riforma della Banca Mondiale (CRBM). 2010. “The Vultures of Land Grabbing: The involvement of European financial companies in large-scale land acquisition abroad”.

⁵⁸ Sterling Knight Consultants Ltd is also involved in a reforestation project in Panama, which evidence points to being a scam as well.

⁵⁹ Campagna per la riforma della Banca Mondiale (CRBM). 2010. “The Vultures of Land Grabbing: The involvement of European financial companies in large-scale land acquisition abroad”.

⁶⁰ http://www.landkom.net/pages/Food_id114; Visser, O. and Spoor, M. 2011. “Land grabbing in post-Soviet Eurasia: the world’s largest agricultural land reserves at stake”, *The Journal of Peasant Studies*, Vol. 38 (2), 299-323.

⁶¹ BBC NEWS. 2009. “A storm brews over food, water & power”. <http://news.bbc.co.uk/2/hi/programmes/newsnight/8218104.stm>

⁶² <http://www.proactiveinvestors.co.uk/companies/news/6594/landkom-international-in-biodiesel-venture-with-ukraines-sunfuel--6594.html>.

Landkom has been harvesting Isis for three years, and planted approximately 1,000 ha of the seed this last spring. Richard Spinks, Landkom's former CEO said: "There is plenty of scope for us to grow more seed for this venture, which eventually could be licensed for sale worldwide."⁶³ In December 2011, Landkom was acquired by Alpcot Agro, which operates farms in Russia and Ukraine.⁶⁴ Per 30 June 2011, Alpcot Agro controlled approximately 183,200 ha of farmland in Russia and 18,500 ha in Ukraine.⁶⁵

In 2009, Spinks quit as the CEO of Landkom and founded biofuel start-up Alternativa. Alternativa aimed to open four or five biofuels production plants over the following four years producing biofuels and potentially jet fuel. Alternativa is partnering with GreenShift, a US biofuels specialist and is also planning on opening similar facilities in Russia and Canada.⁶⁶

4. Conclusion

It has become clear that the EU biofuel targets cannot be met by domestic production only, leading to investments across the world. The cheapest and most available land in Africa and Latin America was targeted first, but as investors widen their gaze, Europe's backyard has become a target for investment.⁶⁷

As biofuel-driven investors are looking at Central and Eastern Europe, this can have dramatic consequences for the local populations, as it does in other parts of the world. Food security, local environment, governance and human rights can be affected. For example, local populations commonly do not benefit from large investments in land. The World Bank has reported that investors bringing in migrants from elsewhere to work in the farms where jobs were supposed to partly compensate for loss of access to local resources was a frequently cited social issue particularly in countries such as Ukraine.⁶⁸ In Ukraine, rural households are still net buyers of grains,⁶⁹ and considering the already perilous situation many find themselves in regards to grain prices, further biofuel production instead of food production could be disastrous for the rural poor.

⁶³ <http://www.landkom.net/news/story.php?newsId=17>.

⁶⁴ Farmlandorg.org. 2011. "Alpcot Agro to acquire Landkom International." <http://farmlandgrab.org/post/view/19795>

⁶⁵ <http://www.alpcotagro.com/land%20in%20control.aspx>.

⁶⁶ http://www.biofuels.ru/bioethanol/news/newcomer_alternativa_to_build_biofuel_plants_with_us_greenshift/;
<http://www.agrimoney.com/news/landkom-founder-emerges-at-head-of-biofuels-group--1430.html>.

⁶⁷ Daniel, S. and Mittal, A. 2009. "The Great Land Grab: Rush for World's Farmland Threatens Food Security for the Poor", *The Oakland Institute*.

⁶⁸ Deininger, K. and Byerlee, D., with Lindsay, J., Norton, A., Selod, H. and Stickler, M. 2011. "Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits?", The World Bank, 69.

⁶⁹ Gaslushko, V., Von Cramon-Taubadel, S. 2004. "Agricultural Productivity Growth" A Vehicle for Rural Poverty Reduction in Ukraine?", in *The Role of Agriculture in Central and Eastern European Rural Development: Engine of Change or Social Buffer?*, Petrick, M. and Weingarten, P. (Eds.). Institut für Agrarentwicklung in Mittel-und Osteuropa (IAMO). http://ageconsearch.umn.edu/bitstream/93082/2/sr_vol22.pdf.

These are just a few of the many negative consequences of land grabbing and uncontrolled investments in land that exist in Central and Eastern Europe. This brief survey immediately shows that the concerns and challenges are very similar with those described in detail in the “(Bio)Fuelling Injustice?” report, and cross-analysis of these regions should help to further identify the threats of expanding biofuels production, the role of the EU policy and potential solutions.