

Bio-fuels Unilever Position Statement

WHO WE ARE AND WHAT WE STAND FOR

Unilever is a leading Fast Moving Consumer Goods company in both 'Foods' and 'Home & Personal Care', and has acquired profound expertise in dealing with the vegetable oil market. The availability of raw materials is essential for our business and therefore, Unilever has undertaken several significant sustainability initiatives in partnership with other stakeholders. For example, Unilever is chair of the Roundtable for Sustainable Palm Oil (RSPO).

We have also been reducing the impacts of our manufacturing operations and eco-efficiency is a core part of our environmental strategy. For example, 17% of our energy intake comes from renewable sources. Over the past 5 years we achieved reductions of 12% GJ/tonne in energy intake and some 13% CO₂ emissions/tonne. Unilever's approach to energy and climate change can be found in our "Environmental and Social Report 2005".

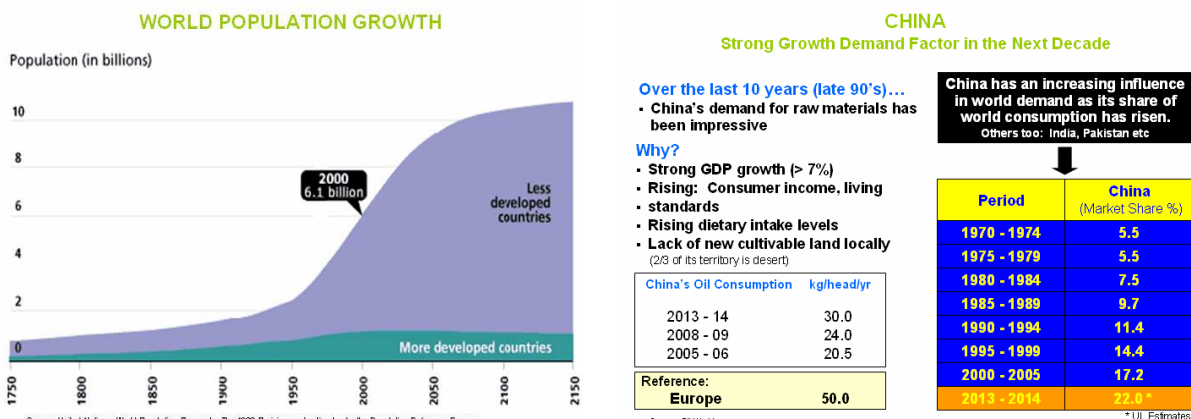
(http://www.unilever.com/ourvalues/environmentandsociety/env_social_report/default.asp)

Guided by our "Vitality" mission, Unilever is contributing to improve public health and our consumer's quality of life through our brands such as Flora/Becel, Bertolli, Knorr etc.

Unilever supports initiatives to improve energy efficiency and the use of renewable energy with the aim of combating climate change causes; meeting the requirements of the "Kyoto Protocol" and reducing the dependency on fossil fuels. We believe bio-fuels have an important role in accomplishing it and support sustainable and energy efficient alternatives in a market-based environment.

However, Unilever is concerned about the current bio-fuel policies for the following reasons:

- **Availability of Raw Materials** - World population growth, together with increased economic health, especially in developing countries such as India and China, will require a doubling of the world food production in the coming decades. The additional use of food-grade feedstock for bio-fuel on a large scale, would destabilise world food supply and increase local food shortages and prices. The "fuel dollar" competes with the "food dollar", especially in developing countries. Therefore, we believe that bio-fuel policies which promote the use of vital sources of nutrition for transport purposes have to be challenged for ethical reasons.



- **Public Health** - For decades Unilever has been working hard to contribute to healthier diets of consumers worldwide. The use of healthy rapeseed oil, for example, contributes to the implementation of the guidelines of the World Health Organisation (WHO). The artificial promotion of food crops for energy will create unjustifiable price increases and a shortage of vegetable oils. This would stimulate consumers to switch consumption from healthy vegetable oils to animal fats and hence, increase the risk of heart disease and higher cholesterol levels.

¹ Rheinisch-Westfaelisches Institut fuer Wirtschaftsforschung (RWI) Study

FINAL DRAFT

- **Sustainability** – The rush for land and the use of valuable food crops for energy purposes will increase pressure on eco-systems and bio-diversity, mostly in developing countries. Deforestation, particularly in the case of palm oil and soybeans, could lead to the devastation of the last remaining rain forests in Borneo and the Amazon region. There will not be sufficient quantity of sustainable oil available to cover the new demand from bio-fuels and the current consumption growth in the rest of the world (China, India etc).

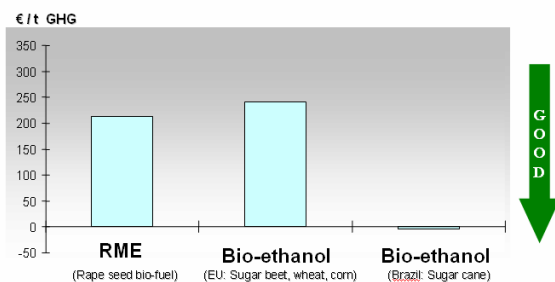
SUSTAINABILITY Ranking of Alternative Bio-fuels

		Rapeseed Oil	Soybean Oil	Palm Oil	Bio-ethanol (Sugarcane - Brazil)	BtL (Brazil - 1.000t)
Fuel Production per Hectare	tons/ha	1.2	0.5	4	4 (appr.)	4 - 7*
Region for Acreage Expansion	-	Existing agricult. land	"Cerrado" (Savannah)	Tropical rainforest	"Cerrado" (Savannah)	Any forest region
Chemicals (fertilizer and pesticides)	kg/ton	High	Medium	Low	Medium	Low
Competes with food use						

Legend:
 ■ All negative impacts
 ■ Tending to moderate negative impacts
 ■ Comparatively positive or neutral

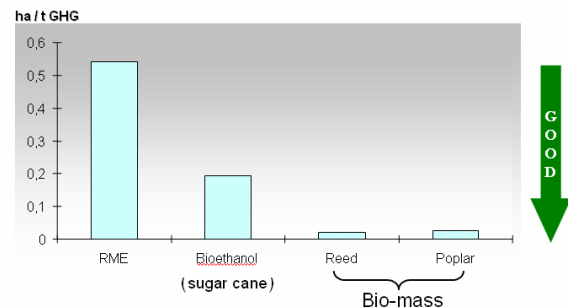
- **Low Performance Biofuels (Environmental, Cost and Energy Yield Aspects)** – First generation bio-fuels are neither environmentally efficient nor cost-effective ways to reduce Green House Gas (GHG) emissions¹. Vegetable oil feedstock crops, in particular rapeseed oil, are very intensive users of fertilisers and pesticides. This results in increased emission of nitrous oxides (N₂O) which not only contributes to global warming, but also causes ozone depletion. In addition, their energy yield per hectare is low and European studies¹ show that current available agricultural land would not be sufficient to cover food, non-food and bio-fuels needs. Thus, low performance bio-fuels would not contribute to reduce dependency on external supply.

COST OF BIOFUELS GHG (Greenhouse Gas) Reduction Costs for Several Bio-fuels



Source: Turkey 2002; Schmitz 2005; IEA 2004

LAND EFFICIENCY Acreage Requirement per Ton of CO₂ Reduction



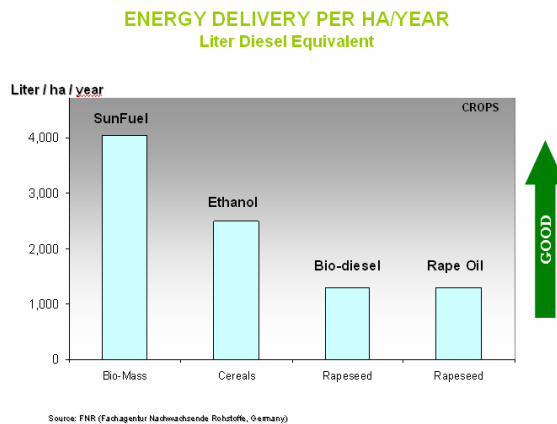
Source: Calculations based on Schmitz 2005, Kalkschmitt 2002, IEA 2004

Policies promoting first generation bio-fuels from vegetable oils feedstock support the development of a particular industry. This creates distortions in the competition for raw materials without delivering a substantial positive environmental result. The uneven playing field is compromising other industries' competitiveness, where better solutions could be implemented.

WAY FORWARD

- **High Performance Second Generation Bio-fuels** - (e.g. wood, pulp, straw, residues, waste etc) would deliver more benefits compared to first generation products from vegetable oils. Bio-ethanol from ligno-cellulosic biomass or biodiesel from biomass gasification are better performing in terms of GHG emission reduction, energy yield per hectare etc¹ which would not create distortions to the food ingredients market and promote agricultural development.

¹ Rheinisch-Westfaelisches Institut fuer Wirtschaftsforschung (RWI) Study



Unilever supports policies which accelerate the introduction of second generation fuels and other environmentally/cost effective sustainable sources for renewable energy. This would create a potential win-win for all economic actors and provide a strong incentive to develop renewable energy technologies.

CONCLUSION

For the reasons stated above, Unilever opposes to policies which promote the 'burning' of food raw materials for fuel purposes, especially mandatory targets, obligations, subsidies and incentives.

We believe the European Commission and governments worldwide have the responsibility to subject their proposed policies to a full sustainability impact assessment covering both domestic and foreign dimensions including the following criteria:

- Energy yield
- Cost effectiveness
- Public Health
- Sustainability of bio-fuel production
- Market-based development
- All affected industries

Unilever is willing to contribute constructively to the development of a responsible, sustainable and market oriented solution.