

Brazil, US look for an ethanol alliance

Bush's visit will focus on a partnership promoting a fuel that's cleaner, cheaper, and more readily available than oil.

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CERQUILHO, BRAZIL - It is a boiling hot summer day in rural São Paulo state and all you can see for miles is sugar cane. Jose Pilon and his family have been producing cane here since 1946, and they've been turning it into ethanol for fuel since 1975.

More than 10 years ago, a host of US and Brazilian officials visited the plant and went away convinced that ethanol was the fuel of the future. The US Governors' Ethanol Commission and the Brazilian Committee of Ethanol and Sugar Producers signed an agreement then to work together "to expand production and use of ethanol worldwide."

Nothing happened. Until now.

"Finally," Mr. Pilon says of the sudden US interest. "[President] Bush is finally paying attention. Oil prices are high and there is a lot of environmental pressure. You get what you want if you persist."

Mr. Bush arrives in Brazil Thursday on the first leg of a five-nation Latin American tour. The main focus of his two-day stop here is how the US and Brazil – which together produce more than 70 percent of the world's ethanol – can work together to promote a fuel that is both cleaner, cheaper, and more readily available than oil.

In his State of the Union speech in January, Bush set a target to boost ethanol and other alternative fuel production to 35 billion gallons a year by 2017 – a fivefold increase. But production of ethanol from US corn, which is more expensive and less efficient than Brazilian ethanol made from sugar cane, is expected to fall far short of meeting such an increase.

Brazil's 'window of opportunity'

Thanks to the experience of people like the Pilon, Brazil is in an excellent position to take advantage of America's growing interest. Brazil has decades of experience in producing sugar cane and a pool of scientists with the research, development, and logistical expertise to turn it into ethanol.

"Brazil is considered the world leader and this is a window of opportunity for Brazil because we know that in the near future we are going to increase renewable energy sources," says Alessandro Teixeira, president of the National

Agency for Industrial Development (ABID) and one of the Brazilian officials scheduled to meet with Bush. "Brazil has developed technologies, research, people, and production. The world's leading economy recognizes that we are the leader."

Ethanol was first developed here as a fuel in the 1920s and it took off 60 years later when the military government reacted to high oil prices by forcing car makers to make vehicles that run on it.

That experiment failed when sugar prices rose and producers decided their raw materials would make them more money on the dinner table than in fuel tanks. But ethanol made a resurgence at the turn of the millennium when car makers began producing cars that run on both gasoline and ethanol. These vehicles now account for two of every three new cars sold here.

The success of the Flex cars and the realization that older cars can run on a mix of the both gas and ethanol – all gas sold in Brazil is a mix of 77 percent gasoline and 23 percent ethanol – has led Brazil to invest heavily in ethanol production.

Brazil will spend \$14.6 billion dollars on adding around 90 distilleries to the 300 or so existing ones, according to Antonio Simoes, the minister in charge of energy issues at Brazil's Foreign Ministry. The country produced 4.5 billion gallons of ethanol a year in 2006 and the planned investment should help it almost double that amount to 9.4 billion gallons by 2013, according to ABID figures.

Goals for Bush's visit

One of the main goals facing Presidents Luiz Inácio Lula da Silva and Bush during their two days of meetings is to standardize the definition of ethanol, a move that would enable it to be bought and sold as a commodity like oil.

Brazil will also use the presidential summit to pressure the US into reducing its \$0.54-a-gallon tariff on Brazilian ethanol, a toll that Brazilian producers said contradicts America's claims that it wants clean fuel and free trade.

"The high tariff that the United States imposes on ethanol makes no sense," Lula said in his weekly radio address Monday. "We are asking the United States to remove the subsidies.... They talk a lot about free trade but they like to protect their own products."

US officials have said Bush will not even discuss changing the tariff.

That annoys Brazilians, but they stress that they want to use their influential role not just to make hay while the sun shines. Officials repeatedly said Brazil wants to export its expertise to help other – especially poorer nations – develop their own agriculture and ethanol industries.

Exporting Brazil's expertise

"I'll give you the example of Jamaica, we helped them build two distilleries," Mr. Simoes said in a telephone interview. "They import \$1 billion of oil. It's a small country and that's a huge figure. Starting this year, they will mix ethanol 10 percent with gasoline and they will save 100 million dollars. Can you imagine what 100 millions dollars is to Jamaica to resolve social problems? They are also exporting this ethanol to the United States so they are not only saving money, they are also receiving an income. This is something very important, imagine the multiplication effect for other countries."

Out here in the fields, the Pilon cousins agree. The family firm will boost ethanol production 20 percent this year in anticipation of increased demand.

They have seen sudden spurts of interest before. But this time they are confident that the time is ripe for Brazil to take its biofuel to the world.

"A lot can go wrong," says Otavio Pilon. "But when the Americans get involved, things take off. Everyone is unanimous. The time is right."