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El Salvador a Microcosm of the Biofuels Macrocosm

by Mike Leffert

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Having proved itself a worthy ally in the Iraq war by steadfastly continuing to send its troops into that inferno, El Salvador has earned a place on a new front in US global policy, the ethanol wars. US President George W. Bush has chosen El Salvador as the site of a feasibility study for producing the fuel. The plan calls for a biofuels plant to be built in the country, even though El Salvador is already producing and exporting ethanol to the US under the provisions of the Central America Free Trade Agreement (CAFTA). The recently ignited conflagrations pit biofuel producers like the US and Brazil against fossil-fuel producers like Venezuela and Cuba (see NotiCen, 2007-04-07).

The stakes are not so much energy consumption as they are influence in the hemisphere. Biofuel advocates cite cost and cleanliness as rationale for touting the burgeoning industry, even though current research leaves both those claims in doubt. Fossil-fuel advocates claim greater thermal and economic efficiency and play the environmental card differently. Increasing cultivation of biofuel crops is no less devastating than is oil drilling, they say, and burning ethanol pollutes the atmosphere and warms the planet even more than do the petroleum derivatives (see NotiSur, 2007-04-27).

In El Salvador, the global argument is reduced to fit the size of Central America's smallest country. Representing the anti-ethanol side, Bishop Medardo Gomez of the Salvadoran Lutheran Synod says, "Since corn and sugarcane are the raw materials for producing ethanol for fuel in the country, we are opposed to it because its negative impact on the family economy will be greater than the benefits that it could bring about." Gomez wonders, "Given that El Salvador is a small country, poor and deforested, we do not understand how the government has committed itself to carrying forward measures that beforehand are known to be damaging for the country. We are opposed to the developed countries continuing to tell us what to do and that as a country we do not have a plan as a nation to guide us."

On the other side, President Antonio Saca said his country's choice was "excellent news" and "confirmation that El Salvador is the best country in the region to develop biofuels and renewable energy." Economy Minister Yolanda De Gaviria added, "Spending on petroleum has reached US\$900 million, 10% of which is nearly US\$100 million. These savings will stay in the country, stimulating the economy." She said that plans call for increased internal consumption of biofuels rather than just increased exports of the products. There are also plans to institute price-stabilization measures.

Julio Arroyo, director of the Asociacion Azucarera de El Salvador, said, "The price of the commodity will be determined by the costs of production and a price ceiling based on the price of sugar and ethanol on the New York and Chicago markets." That would seem to indicate the elimination of intermediaries, a significant problem in Central American energy costs, but would not necessarily give the local market a discount off world prices. Bush and President Luiz Inacio Lula da Silva of

Brazil jointly announced the award of the pilot project to El Salvador on March 31. For Saca, moving toward ethanol is an obvious choice. "Betting on ethanol is betting on the future," he said. "Within 15 or 20 years, there could be no oil, and one must seek alternatives."

The handwriting is on the wall, in Saca's view, "when two serious presidents, especially with two totally different ideologies, like President Bush and President Lula, prepare to make a turn in one historical moment." Saca foresees a time, 10 or 15 years away, when the country will be running alcohol vehicles, as Brazil does now. Saca is unconcerned about the environmental and agricultural issues. He said he believes the country can grow additional sugarcane on now nonproductive lands, producing both fuel and jobs.

Not a cure for all that ails

The Salvadoran petroleum sector disagrees. Asociacion Salvadorena de la Industria Petrolera (ASAPETROL) director Salvador Rivas contends that consumers will lose ground in this arrangement because they will get 30% less mileage from ethanol-based gas than they would from regular gasoline. He said his organization is not categorically against ethanol, but he cautioned that "ethanol cannot be seen as medicine for the high cost of fuels because it could turn out to be worse than the disease." Rivas argued that, in the present market, ethanol has risen to over US\$5 a gallon, and, in addition to its lower efficiency, it also evaporates at a greater rate than gasoline, a rate that the consumer would quickly notice. He attributed the current high cost to world sugar prices, currently at historic highs.

Minister of Mines and Hydrocarbons Gina de Hernandez said the ministry has not evaluated these disadvantages. She could not refute Rivas' assertions and could only tell the media that the ministry has made no decisions. On the environmental side, "Increasing ethanol production means increasing sugarcane production, which in turn implies increasing the area of production for the product, thus contributing to global warming," said the head of energy science at the Universidad Centroamericana (UCA) in Nicaragua, Ismael Sanchez. He added, "We also know that expanding sugar-growing areas means sacrificing land used for grain production or raising livestock. This raises important questions about food security, which is already fragile in El Salvador." Expanded ethanol production would also damage soils and raise food prices by reducing availability of land for agriculture, said Sanchez.

Saca's vision for sprouted fuels goes beyond ethanol. On April 17, he officiated at the opening of a privately owned biodiesel plant for which the government provided 30% of the US\$2.5 million cost. Planta Bio Energia S.A. will use palm, coco, soy, and other oils to make 25,000 gallons of the alternative fuel a day. This, he said, "will contribute to a savings for the country of millions of dollars" in imported diesel. He said his government has always supported subsidizing private-sector production "if we really want to achieve stability in long- and medium-term fuel supply."

Saca called the plant "the first of a series of actions and strategies that constitute the national energy policy." That policy had not yet been articulated, but Saca said he would soon inform the public about a policy "to establish an energy system that satisfies the needs of present and future generations." In his remarks at the opening of the plant, Saca spoke of US and Brazilian support

for the pilot ethanol plant and said that he intended to parlay that with funds from the Inter-American Development Bank (IDB) for technical and design training to forge "a business climate that encourages this kind of investment and initiative."

Politically, Saca's conservative Alianza Republicana Nacionalista (ARENA) lines up with Bush's ethanol policy, while the leftist opposition, the Farabundo Marti para la Liberacion Nacional (FMLN), aligns with the anti-ethanol forces of Venezuela's President Hugo Chavez and Cuba's President Fidel Castro, both of whom have criticized both the economics of ethanol and the morality of diverting food stocks to automobiles while the world's poor go undernourished.

Left opts for a national energy policy

This has been the FMLN critique, but not the whole of it. Said FMLN Deputy Salvador Arias, "We don't say no to ethanol. We are talking about more than 400,000 manzanas [1 mz equals 7,000 sq meters] of land for this project, which means abandoning areas of corn production and importing more corn." He said it is a mistake to "marry ourselves to ethanol just because Bush says, 'start producing ethanol....'" Said Deputy Blanca Coto, "This project is not a part of a state energy policy nor is it framed within a national development plan of the agricultural sector."

Her critique is that the US is in an energy panic and is pressing countries like hers to become part of an alternative supply chain. "The president of the United States met recently with representatives of Ford, General Motors, and others to agree to increase the number of vehicles that use biocombustibles," she charged. "What [El Salvador] needs is an energy policy that could include the responsible production of biocombustibles in a form friendly to the environment and without affecting the production of food, and not what Saca and Bush are proposing." Coto counted among the ecological dangers cutting down the country's last forests to grow corn and cane and converting to ethanol production lands that now grow food. Of particular concern to Coto and her party was a bill Saca sent to the legislature for a law that would facilitate putting arable lands at the disposition of ethanol investors.

This, she said, is an ARENA scheme to roll back land reforms and return the land to the hands of a few by eliminating current regulations limiting individual holdings to 243 hectares. "Careful, Saca! That was one of the causes of the war," said Coto, emphasizing the seriousness with which the FSLN views this legislation. Saca has said previously that a total of 600,000 mz are available for the use of investors and that this is what it would take to produce enough cane to supply the new pilot plant. Minister of Agriculture Mario Salaverria said it would take at least two years to produce sufficient cane to make the ethanol program a reality. "The president will announce a law for the promotion of renewable energy, where there will be very important incentives for investors who want to invest in this kind of activity," Salaverria said.

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