

4-27-2007

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Recommended Citation

NotiSur writers. "Brazil pushes to expand ethanol industry with multiple international deals." (2007).
https://digitalrepository.unm.edu/la_energy_notien/130

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BRAZIL PUSHES TO EXPAND ETHANOL INDUSTRY WITH MULTIPLE INTERNATIONAL DEALS

Brazil's government has been aggressively promoting its ethanol industry, seeking to capitalize on high fuel costs by selling the fuel derived from various crops like corn and sugar. In the drive to triple the volume of ethanol exports, Brazil has signed multiple international energy agreements, most notably with the US, its biggest customer. President Luiz Inacio Lula da Silva's effort to expand ethanol production has faced criticism externally from Latin American leaders like Venezuela's President Hugo Chavez and Cuba's President Fidel Castro and internally from poor people's movements and environmentalists. Among these criticisms are assertions that using food crops for fuel could lead to a food-price crisis for millions of poor people and that monoculture could exacerbate Brazil's already-chronic economic inequality and environmental problems.

Brazil signs large-scale agreement with US

Lula and US President George W. Bush signed a memorandum of understanding in March to promote international ethanol use and production. The two countries are the leading producers of the alternative fuel, together producing about 70% of the world's ethanol. Brazil dedicates 5.6 million hectares to sugarcane production for the fuel, producing 18 billion liters annually, making it the second-largest ethanol maker in the world. Brazil has also taken the lead in producing soybean-based biodiesel. In the US, the main source of ethanol is corn production.

At a megafuel depot for tanker trucks on March 9, Bush praised the agreement as a way to boost alternative-fuels production across the Americas. Bush and Lula said increasing alternative fuel use would lead to more jobs, a cleaner environment, and greater independence from the whims of the oil market. In Brazil, nearly eight in 10 new cars already run on fuel made from sugarcane.

"It makes sense for us to collaborate for the sake of mankind," Bush said at Lula's side, after touring the depot. "We see the bright and real potential for our citizens being able to use alternative sources of energy that will promote the common good."

"I want to say to President Bush that we don't have to be captives of petroleum," said Lula, "that ethanol can be converted into the energy matrix for the world. But that cannot be the work of only one country, associations are necessary."

The agreement was signed by Secretary of State Condoleezza Rice and her Brazilian counterpart, Foreign Minister Celso Amorim. Bush's stop in Brazil came during a tour of Latin America in which he tried to undo the perception that he has neglected the region (see [NotiCen, 2007-03-15](#)). President Chavez took a countertour at the same time, hoping to demonstrate the depth of his influence around the region and promoting his socialist vision as the better one for Latin American development.

At the fuel depot, Bush, sporting a white hard hat, fingered sunflower seeds and stalks of sugarcane and sniffed beakers of yellowish biodiesel and clear ethanol. About 100 trucks come and go daily at the depot, operated by a subsidiary of the state-owned Petrobras. About a half mile from the site, a large white balloon hung in the sky emblazoned with blue letters that said "Bush Out" in both English and Portuguese. The "s" in Bush was replaced by a swastika.

On the 45-minute ride from the airport to the hotel the night of March 8, Bush's motorcade sped by a dozen or so gas stations where drivers in the traffic-clogged city of Sao Paulo can pump either gasoline or ethanol.

Bystanders gawked at Bush's limousine, but only a few people waved. Anti-American sentiment runs high in Brazil, especially over the war in Iraq. Bush missed the demonstrations earlier in the day protesting his visit. Demonstrators upset with Bush's visit worried that Bush and Lula really have visions of an OPEC-like cartel on ethanol.

Riot police fired tear gas and beat some protesters with batons after more than 6,000 people held a largely peaceful march through the financial district of Sao Paulo. About 4,000 agents, including Brazilian troops and FBI and US Secret Service officers, were working to repress opposition to Bush's one-day stay in the city.

Authorities did not disclose the number of injuries in demonstrations on March 8, but Brazilian news media said at least 18 people were hurt and news photographs showed injured people being carried away.

Some protesters, carrying stalks of sugarcane, protested the ethanol agreement. The demonstrators warned that increased ethanol production could lead to social unrest because most operations are run by wealthy families or corporations that reap the profits, while the poor are left to cut the cane with machetes.

"Bush and his pals are trying to control the production of ethanol in Brazil, and that has to be stopped," said Suzanne Pereira dos Santos of Brazil's Movimento dos Trabalhadores Rurais Sem Terra (MST), the landless-workers movement.

The White House dismisses talk that the ethanol agreement between Bush and Lula is aimed at setting up an "OPEC of ethanol" cartel led by Washington and Brasilia. Bush said he wants to work with Brazil, a pioneer in ethanol production for decades, to push the development of alternative fuels in Central America and the Caribbean. He and Lula also want to see standards set in the growing industry to help turn ethanol into an internationally traded commodity. "It's not about production-sharing, it's about encouraging development and encourage the Caribbean and Central American countries to get into the game," Bush's national security adviser, Stephen Hadley, said.

In January, Bush called on Congress to require the annual use of 35 billion gallons of ethanol and other alternative fuels such as biodiesel by 2017, a fivefold increase over current requirements. To help meet the goal, the president also is pushing research into making ethanol from material such as wood chips and switchgrass.

One roadblock in the Bush-Lula ethanol talks is a US\$0.54 tariff the US has imposed on every gallon of ethanol imported from Brazil. Bush says it's not up for discussion, although agricultural lobbyists who use corn as animal feed hope to see the tariff removed from this year's farm bill. Business Week reports that livestock producers, free-market groups, and environmental groups are teaming up to lobby against ethanol subsidies.

"Why are we supporting ethanol with a mandate, but not wind and solar?" says Randy Swisher, executive director of the American Wind Energy Association. "There's a lack of consistency in policy."

Advocates for plug-in hybrid vehicles, including wind and solar producers, as well as utilities, argue that they can produce the electric equivalent of a gallon of gas for less than US\$1, less than half the cost of ethanol-based fuels.

"The amount of subsidies provided for ethanol could easily be used to switch this country to plug-in hybrid vehicles, and ultimately have a much greater impact on reducing oil dependency," says Jigar Shah, CEO of SunEdison, a solar-power company.

US law mandates that 7.5 billion gallons of the nation's annual gasoline consumption--or roughly 5%--come from renewable fuels by 2012. In this year's State of the Union address, Bush proposed quintupling that figure. That comes on top of the US\$0.51-per-gallon subsidy, which started in 1978.

Brazil deals with Ecuador, Italy, Asian countries

In its quest to almost triple ethanol exports in the next seven years, Brazil is making many more international agreements and overtures. Brazil needs investments of about US\$13.4 billion to boost output, said the nation's Agriculture Minister Luis Carlos Guedes Pinto in mid-March.

Brazil plans to more than double production of ethanol to 35 billion liters, Guedes said. Exports may account for as much as 10 billion liters, he said. Brazil expects to build 89 new ethanol-production plants in the next seven years, Guedes said. The nation's sugarcane output may rise to 627 million tons from 427 million tons during the next seven years, he said.

Japan, under pressure to set out decisive measures and cut emissions of greenhouse gases, will expand use of the supposedly environmentally friendly fuel.

In a meeting with Japanese business leaders in Brasilia on March 7, Guedes said Brazil can ensure supply to Japan should the Asian country mandate gasoline containing 3% of the biofuel. There have also been discussions between China and Brazil, with China and India representing major sectors of growth for energy consumption in coming years.

Italian Prime Minister Romano Prodi said in March that Brazilian and Italian energy companies were planning to build four biodiesel plants in Brazil together. Prodi made the announcement on a tour of Brazil. The four biodiesel plants are likely to cost about US\$480 million. The new plants will be built as part of an agreement between Italian energy company Eni, which is 30% government-owned, and Brazil's Petrobras.

European Union (EU) leaders have undertaken to produce 20% of their energy from renewable sources such as biodiesel and ethanol by 2020.

Closer to home, Ecuador has been working on a biocombustibles agreement with Brazil, with Andean coastal zones in Ecuador set to play host to production operations. In late March, Ecuador and Brazil set up agreements for Brazilian businesses to finance and develop infrastructural works in Ecuador worth about US\$800 million, according to the two countries' Foreign Relations Ministries.

Chavez attacks US-Brazil deal

Venezuela's Chavez pledged to undermine the US-Brazil ethanol agreement. In a televised speech on April 10, Chavez said he planned to "knock down" the ethanol proposal in the same way he lobbied against a US-backed hemispheric trade pact. "We are working on an alternative proposal," he said without elaborating. "Just as we overthrew the Free Trade Area of the Americas (FTAA), we will now overthrow" the ethanol plan.

Chavez has accused the US of trying to promote an ethanol cartel to divide the region and warned that ethanol production would end up destroying the environment if the aim was to replace US gasoline consumption with fuel from industrial agriculture. But he denied having any conflict with Lula and accused Washington of trying to manufacture a confrontation. "There is a strategy to try to make us fight with Brazil," Chavez said. "We will never fight with Lula, we will never fight with Brazil. We are very clear about this: our enemy is the US empire."

Chavez calls the boom in ethanol the equivalent of starving the poor "to feed automobiles." If the price for staple food items rises across the globe because of demand, Latin America will be one of the hardest hit regions. "We're not against biofuels," Chavez has said. "They are viable alternatives, as long as they don't negatively affect the lives of the inhabitants of the region."

Some analysts have conjectured that Chavez fears being outflanked by a shift toward ethanol and away from petroleum, Venezuela's primary export. He and Castro have both criticized using food for fuel, with Castro saying Bush was condemning billions of people to "premature death" by promoting the use of biofuels. It was the Cuban leader's first signed article since he had intestinal surgery in July 2006. In the March 29 article titled, More Than 3 Billion People in the World Condemned to Premature Death from Hunger and Thirst, in the Partido Comunista de Cuba's official newspaper Granma, Castro argued, "This is not an exaggeration. It is very cautious."

"I think people worry that rich Americans are trying to fuel cars at the expense of hungry people in poorer countries," says Janet Larsen, director of research at the Earth Policy Institute in Washington. "This increased push for ethanol production could be an incredible foreign-policy blunder."

By contrast, Evanan Romero, an international energy consultant in Venezuela, says he does not believe that increased ethanol production--whether with corn or sugar--will contribute to drastically higher prices or hunger among the poor. Instead, he sees ethanol as a development opportunity for poor countries that lack substantial natural energy resources. "Central America will no longer be known as the Banana Republic but rather the Alcohol Republic," he says, referring to potential production there.

Mexico has already seen massive protests over rising tortilla and food prices, and Central America is bracing for the changes the ethanol economy will make (see SourceMex, 2007-01-10, 2007-01-31 and 2007-02-07 and NotiCen, 2007-02-07 and 2007-04-12).

Poor people's movements deplore Lula's love of ethanol

Domestically, poor people's movements have grave concerns about Lula's effort to multiply the size of the ethanol industry, alienating many of his former political constituencies. "The era of biofuels will reproduce and legitimize the logic of the occupation of rural areas by multinational agribusiness and perpetuate the colonial project to subvert ecosystems and people to the service of the production and maintenance of a lifestyle in other societies," says the Forum of Resistance to Agribusinesses, a consortium of nongovernmental organizations (NGOs) throughout South America states.

The group alleges that Brazil's effort to supply the global north with ethanol is simply a repeat of the same model of economic growth via agroexport that has been practiced since Portuguese colonization.

"Agricultural production for export in Brazil has traditionally been a model imposed on the country by more powerful nations in the north along with a small group of Brazilian landowners," wrote freelance journalist Isabella Kenfield in the political newsletter Counterpunch. "Agroexport generates vast amounts of wealth for a few Brazilians, and exploitation and poverty for many others. Brazil's high rate of income inequality is inseparable from the fact that it also has one of the most unequal rates of land distribution. The sugar industry is a classic example of Brazil's land and income inequality."

Marluce Melo of the Catholic Church's Commissao Pastoral da Terra (CPT) in the northern Brazilian city of Recife, Pernambuco, says, "Rural poverty has always been intrinsically related to the economy of sugarcane. Even in the 1970s, when Pernambuco was the largest national producer of sugarcane, the levels of poverty were among the highest in the world." He added, "The Lula government has strengthened the historical cane-production model imposed on the country based on monoculture, and concentrated landholdings and large companies. He has not shown any interest in creating alternatives to this perverse model."

"Our evaluation is that the government needs to combat hunger," says Maisa Mendonca, director of the Sao Paulo-based NGO Rede Social. "The government wants to become a factory to supply rich countries with cheap energy. This is compromising agrarian reform and food production."

Ethanol production a potential threat to the Amazon

Achim Steiner, executive director of the UN Environment Program, said growing international demands for ethanol and other biofuels could threaten the Amazon rain forest if safeguards are not put in place because the world's largest remaining tropical wilderness is a target area for agriculture.

While sugarcane cultivation is minimal now in the Amazon, some environmentalists fear that growing demand for the fuel could push cane growers into the rain forest.

"I think at the end of the day...it's a question of whether the Amazon is sufficiently protected and whether the expansion of the ethanol production happens in the context of government policies that try and direct that growth potential in a sustainable base," Steiner told the Associated Press after meeting with Brazil's ministers of environment, energy, and foreign relations in the capital of Brasilia.

Steiner praised Brazil for reducing Amazon deforestation by 11% last year. But many environmentalists say much of the reduction in deforestation was the result of an overvalued currency and stagnant prices for soybeans on the international market, which made it far less lucrative to cut down remote forest plots to grow soybeans.

In the near term, soybean growers likely will continue to expand into the Amazon as farmland in Brazil's south and central regions move to sugarcane, which requires greater infrastructure.

"While the whole process of alcohol fuel is less damaging to the climate than fuel from gasoline or oil, what can be positive for the environment can turn negative depending on the extension of the plantations," said Paulo Adario, director of the Greenpeace's Amazon Campaign.

The Amazon region, which covers nearly 60% of Brazil, has lost 20% of its forest--4.1 million sq km--to development, logging, and farming.

Study: ethanol pollutants could be worse than gasoline

As a cure for the global addiction to oil, ethanol turns out to have some nasty side effects, reported the New Scientist on April 18. Concerns that the nation's cars are contributing to global warming have led automobile manufacturers and policymakers to promote ethanol as the fuel of the future, since it is made from renewable crops. Pollution from gasoline engines accounts for 10,000 deaths in the US each year, along with thousands of cases of respiratory disease and even cancer. The widely touted ethanol-based fuel E85 (15% gasoline, 85% ethanol) could result in similar numbers of deaths or even make matters worse, according to a new study.

Mark Jacobson at Stanford University in California modeled emissions for cars expected to be on the road in 2020. An E85-fuelled fleet would cause 185 more pollution-related deaths per year than a petroleum-fuelled one across the US, the model predicted--most of them in smoggy Los Angeles, California.

The findings run counter to the idea that ethanol is a cleaner-burning fuel. Cars running on gasoline emit a number of pollutants--including nitrogen dioxide and organic molecules like acetaldehyde--that react with sunlight to form ozone. However, ethanol is an even bigger polluter. Along with many of the same pollutants as gasoline, a large amount of unburned ethanol gas escapes into the atmosphere. That vapor readily breaks down in sunlight to form acetaldehyde, which can send ozone levels soaring.

While ethanol-burning cars will emit fewer carcinogens such as benzene and butadiene, they will spew out 20 times as much acetaldehyde as those using conventional fuel, Jacobsen found.

Ozone is one of the main constituents of smog, which carries a number of health risks. Out of a total fleet of more than 240 million cars, trucks, and other vehicles in the US, there are only about 6 million that can run on E85 fuel. But this is widely predicted to rise in coming years.

"There are so many people barking pretty loud about biofuels," Jacobsen said. "They've been pushing these things before the science is done. Now the question is: will people listen?"

However, the small potential increase in pollution-related deaths predicted in the study could be a risk worth taking for a renewable fuel, environmentalists may argue. The study was set to be published in an upcoming issue of Environmental Science & Technology.

[Sources: Latinamerica Press, 02/22/07; Reforma (Mexico), 03/08/07; Associated Press, 03/05/07, 03/09/07; Clarin (Argentina), www.counterpunch.org, 03/09/07; La Razon (Bolivia), 03/12/07; El Universo (Ecuador), 03/14/07, 03/15/07; El Comercio (Ecuador), 03/09/07, 03/13/07, 03/15/07, 03/16/07; Business Week, www.narconews.com, 03/19/07; Cambio (Colombia), 03/20/07; Bloomberg, 03/02/07, 03/06/07, 03/12/07, 03/14/07, 03/23/07, 03/26/07; BBC News, 03/27/07, 03/29/07; www.telesurtv.net, 03/09/07, 03/26/07, 04/02/07; El Nuevo Herald (Miami), 03/12-14/07, 03/19/07, 04/02/07; International Herald Tribune, 04/10/07; www.salon.com, 02/13/07, 03/26/07, 04/18/07; NewScientist.com news service, 04/18/07; The Christian Science Monitor, 04/20/07]