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Calderon Vetoes Ethanol Legislation; Corn, Sugarcane Shortages a Concern

by LADB Staff

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Citing the priority to ensure that Mexico's food needs are secure, President Felipe Calderon has vetoed legislation to create an ethanol industry in Mexico. The veto does not end the effort but requires that Congress make several modifications to the bioenergy law (Ley de Promocion y Desarrollo de los Energeticos), which the Chamber of Deputies approved near the end of its legislative session in April (see SourceMex, 2007-06-06). The initiative that came out of the lower house was based on a similar measure approved in the Senate in 2006.

In vetoing the measure, Calderon sent the legislation back to Congress with seven recommended changes. He said it was a serious mistake to build an industry that relies almost exclusively on corn and sugarcane, which could have negative implications for the supply and the price of those products. He recommended that Congress push for developing other sources for ethanol such as fibrous plants, marine algae, and a laboratory process using bacteria and enzymes.

The president's concern about a potential shortage of corn in Mexico is justified, given recent trends in the domestic and global corn markets. Strong demand for corn by the US ethanol industry was a primary reason for a surge in the price of corn and tortillas in Mexico late last year and into this year (see SourceMex, 2007-01-10, 2007-01-31, 2007-02-07 and 2007-06-06).

Under the legislation, the state-run oil company PEMEX would be required to begin using ethanol to produce more environmentally friendly fuels through the process of oxygenation. The fuel would be sold primarily in the country's three largest metropolitan areas: Mexico City, Guadalajara, and Monterrey. "This would imply strong demand for large amounts of ethanol in a short period of time, without a guarantee that we have sufficient supply," Calderon in his comments to Congress.

Calderon's veto coincides with PRD, PVEM positions

In rejecting the legislation, Calderon offered some of the same arguments presented by two opposition parties, the center-left Partido de la Revolucion Democratica (PRD) and the environmentally oriented Partido Verde Ecologista Mexicano (PVEM). The PRD has warned about the possibility of food shortages, while the PVEM had raised concerns about the legislation's failure to promote companion programs for the agriculture sector, which would help ensure an adequate supply of raw material.

PVEM legislators, like their PRD counterparts, praised Calderon for following through with the veto. "We agree with the executive that this vetoed law does little to promote agricultural development and does not promote the creation of new technologies to develop bioenergetic fuels," the PVEM said on its Web site. The opposition from the PRD, PVEM and several small parties was not

sufficient to overcome the overwhelming majority formed by the governing Partido Accion Nacional (PAN) and the opposition Partido Revolucionario Institucional (PRI) during the debate of the bill in April.

Still, PRD leaders in the lower house said the center-left opposition had heard rumors in April that Calderon was not entirely pleased with the approved legislation and would veto the initiative. "At the time [the PAN and PRI] were asking us for our support, we also heard that the president was not going to approve this bill," said Deputy Javier Gonzalez Garza, who heads the PRD delegation in the lower house. "We were always against this law, and we demonstrated this through our vote."

Even with his decision to veto the bill, Calderon was careful to express his support for the ongoing effort to reduce emissions of greenhouse gases in Mexico. In recent years, Mexico has begun to take actions to address global climate change (see SourceMex, 2006-10-11 and 2007-08-01). Still, the president said the law approved by Congress did not contain sufficient actions to guarantee that Mexico would reduce greenhouse emissions enough to meet its obligations under the Kyoto Protocol, which imposes limits on emissions of carbon dioxide and other gases scientists blame for increasing world temperatures, melting glaciers, and rising oceans (see SourceMex, 2005-03-02).

There was no immediate reaction from members of Calderon's PAN to the veto, but Deputy Emilio Gamboa Patron, who heads the PRI delegation in the lower house, offered reassurances that the Chamber of Deputies would reopen debate on the bill quickly. Gamboa did not say, however, how open the PRI is to making the changes recommended by Calderon.

Farm groups oppose use of corn, sugarcane for ethanol

Debate on the use of corn and sugarcane in producing ethanol has extended beyond the Mexican Congress, with many environmental and agriculture groups rejecting such use. "If the next Congress does not make changes to the bioenergy law, Mexico risks mortgaging its future by dedicating its harvests of corn and sugarcane to producing biofuels," said Gustavo Ampugani, director of grassroots campaigns for Greenpeace Mexico.

This same issue was prominent at a meeting of the Foro Internacional Campesino in Mexico City in August. Participants at the gathering urged the governments of Mexico and other countries to place a higher priority on meeting the nutritional demands of the population rather than on producing biofuels to "feed machines." "[Speakers noted] that 200 kg of corn is needed to produce 80 liters of ethanol, which a tractor can consume in a mere eight hours," said the Mexico City daily newspaper La Jornada. "In contrast, this same amount of corn can sustain one person for several months."

Farm leaders from Mexico, the US, Uruguay, Brazil, and Portugal were represented at the forum, which also focused on the negative impact of international free-trade agreements (FTAs) on agriculture. Not all agriculture groups oppose creating an ethanol industry in Mexico. While not openly advocating the use of corn and sugarcane in producing ethanol, the Confederacion Nacional Campesina (CNC) has urged the government to help build a domestic biofuels industry rather than relying on imports.

One proposal is for Congress to modify the Mexican Constitution to allow ejidos and other organizations comprising small and medium-sized farmers to create companies that would be dedicated entirely to producing ethanol and biofuels, said CNC director Cruz Lopez.

The plan would require that the Mexican government provide ample subsidies to producers. After all, said Lopez, the US government provides about US\$9 billion in subsidies to its ethanol industry. The Congress may find some role for the CNC's constituency as it considers the revisions proposed by Calderon.

"The Mexican campesino sector should be allowed to participate in cultivating the agricultural products that will be used for producing biofuels," said PRI Deputy Hector Padilla Gutierrez, chair of the agriculture committee (Comision de Agricultura y Ganaderia) in the lower house. "We need to develop alternatives to corn, which should be used for human consumption rather than ethanol production," said Padilla.

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