

Seminar on the Brazilian Perspective on the EU Transition to More Sustainable Biofuels - Brussels, Belgium, 6/3/13 - STATEMENT BY AMBASSADOR RICARDO NEIVA TAVARES -BRAZILIAN AMBASSADOR TO THE EU

Mrs. Elizabeth Farina, CEO of the Brazilian Sugarcane Industry Association (UNICA);

Ladies and Gentlemen,

First of all, I would like to say that it is a great pleasure for me to participate in this seminar in partnership with the Brazilian Sugarcane Industry Association (UNICA) and APEX-Brasil. Let me congratulate CEO Elizabeth Farina for this timely initiative. It is a pleasure, in particular, to take part in a Seminar organized to promote our common interests and defend our common priorities related to the sustainable research, production and use of biofuels. Above all, this event constitutes an invaluable opportunity to discuss how biofuels can be part of a balanced energy solution to global economic, environmental and social challenges.

As many of you know, the history of biofuels in Brazil, in particular sugarcane ethanol, dates back to the late twenties and early thirties of the 20th century.

From the first fuel mixing decrees to the more recent production of revolutionary flex-fuel-vehicles, the Brazilian experience in the research, production and use of sugarcane ethanol, which has been systematically tested and approved throughout almost a century now, is a successful case study on sustainable development in all its dimensions.

Sugarcane is one of the most efficient plants in carbon conversion. Biotechnological and molecular advancements have promoted the rapid development of the sugar and alcohol sector. Sugarcane can be used to develop multiple forms of energy, including ethanol, bioelectricity and biohydrocarbons.

In the United States, for example, sugarcane ethanol, which is not produced in that country, is recognized as a highly advanced biofuel that cuts CO2 emissions by up to 90% compared to gasoline.

In the European Union, according to the Renewable Energy Directive, sugarcane ethanol, including eventual ILUC criteria, reduces such emissions by 56%.

In Brazil, the sugarcane industry generates US\$ 50 billion gross annual revenue and employs more than 1 million people. In sum, the sustainable production of sugarcane provides energy security, reduces CO2 emissions and creates jobs.

The examples of best practices found in the Brazilian experience with sugarcane ethanol production provides a solid framework and baseline of sustainability, having the smallest impact on food prices, as well as high levels of productivity, lower inputs of water, fertilizers and agrochemicals.

Moreover, sugarcane crop expansion is controlled by agroecological zoning, a national program that defines a set of specific sustainability criteria aimed to reduce significantly the impact of agricultural production on natural resources and the environment.

Furthermore, the benefits of the sustainable research, production and use of ethanol in Brazil can also serve as a platform and model for further promoting renewable sources of biomass for sustainable production of biofuels in other parts of the world. Bioethanol can also be employed as an input for a wide range of traditional petrochemical products, by means of first and second generation conversion processes.

Given Brazil's interest in biofuels, we follow very closely the operation and evolution of the European regime. And frankly, I'm disappointed - with good reasons I believe - with the European Commission's proposal to amend the Directives on Fuel Quality and on Renewable Energy.

First of all, the proposed 5% cap, or whatever it is called, on first generation biofuels is obviously a setback. It doesn't foster the market because it corresponds to the current level of biofuels production in Europe. Thus, it will make very hard for exporters to place its product - which already is, for all purposes, a recognized advanced biofuel - in the EU.

Secondly, Brazil has serious misgivings about the use of ILUC factors in the proposal. Although the sources of ILUC can be formally established from a theoretical perspective, the difficulties associated with isolating and separating the contribution of each source to the correspondent indirect effect make, in our view, empirical analysis very problematic.

Above all, the proposal ignores the on-going and constructive role of the production of sustainable first generation biofuels in providing the scientific critical mass that is inevitably leading to technological breakthroughs for the production of second and third generation biofuels.

The very essence of such evolving process is the continuous improvement towards quality, while preserving and even promoting the current technological solutions that sustain it. We cannot ignore the potential negative impact of the proposal on the efforts of many developed and developing countries towards sustainable and inclusive economic development.

This circumstance must be taken into consideration in the current debate around the EU transition to more sustainable biofuels. We don't need to close the doors of the present in order to open new ones in the future.

Let me take Sweden for an European example. The Swedish have long ago decided that sugarcane ethanol is the way to go. You can fill up with E85 in more than 1,500 locations in Sweden, where, by the way, more than 600 busses also run on E95.

Sweden's distribution system for E85 is unique in Europe; no other European country has carried out such large and consistent efforts to make biofuels available to everyone.

The result is that production of ethanol in Sweden is expected to be greater by using more raw materials and better utilising old ones - a clear example of the continuous improvement towards more advanced biofuels that builds on available and current ones.

The proposal to amend the Directives on Fuel Quality and on Renewable Energy penalizes the sustainable production of biofuels worldwide. It penalizes the production and exports of the most sustainable biofuel currently available in the market - ethanol from sugarcane. It can undermine the prospects of trilateral cooperation with developing and least developed countries for the promotion of development opportunities associated with the production of biofuels.

In this context, we should remind ourselves of the Rio+20 commitments to green economy policies in the context of sustainable development and poverty eradication. It is agreed language that the lasting success of such policies resides on their contribution to avoid unilateral actions to deal with environmental challenges outside the jurisdiction of the importing country and to ensure that environmental measures addressing global environmental problems be based on international consensus.

On January 24, the VI Brazil-EU Summit was held in Brasilia. Once again, our shared values and principles, on which the Brazil-EU Strategic Partnership stands, were reflected on the firm commitment of the Leaders to strengthen our ties. Within such Strategic Partnership, our Leaders once more reiterated the importance of biofuels as a viable alternative and complement to fossil fuels. Our Joint Action Plan 2012-2014 recognizes the potential of sustainable production and use of bioenergy to generate income and jobs, increase access to clean energy and develop agriculture production.

Indeed, biofuels offer significant opportunities for economic development and poverty alleviation for which Brazil and the EU could partner with third countries to ensure that production occurs in a sustainable and socially equitable way. Brazil and the EU are key stakeholders for the creation of an international market for biofuels on the basis of clearly defined environmental sustainability criteria.

In this sense, I'm pleased to announce that Brazil and the European Union, on January 22nd, in the context of the IV Meeting of the Regular Dialogue on Energy Policy, held in Brasilia, have committed to start immediate bilateral negotiations in order to sign an equivalence agreement on biofuels sustainability legislation - a major step forward for our partnership. Such solid and strategic outcome is a clear signal that we must keep working to transform our Leaders' political understanding into real action and concrete results.

And we must work even harder to make sure that our regulatory approaches are fully consistent with this objective, in order to deliver on the promise of sustainable development, not only in Brazil and the European Union, but also in other countries of the world.

Thank you very much.