

**A Brazilian perspective on the EU Transition to more Sustainable Biofuels  
Residence Palace, Brussels - March 6, 2013**

**Welcoming remarks – Elizabeth Farina, CEO of UNICA**

- Ladies and Gentlemen, good morning. My name is Elizabeth Farina, I am the President of the Brazilian Sugarcane Association and I am very pleased to welcome you all to this event on the Brazilian perspective on the EU transition to more sustainable biofuels.
- I'd like to extend my respectful greetings to His Excellency, Mr Ricardo Neiva Tavares, Brazilian Ambassador to the European Union and thank him for the support and the work of the Mission of Brazil in organizing this event. I'd also like to thank Apex-Brasil, and his President Mauricio Borges, our partner for this event and for our international activities.
- Let me warmly welcome His Excellency, Mr. Andre Amado, Ambassador of Brazil to Belgium and Luxembourg, and the distinguished Members of the European Parliament. We're very honored by your presence.
- We are here this morning to discuss the new European proposal on biofuels and its impacts on third countries, especially on developing countries.
- Brazil has 40 years of experience in the production and use of biofuels and it has successfully transitioned from importing almost 80% of its total oil consumption in the 1970s to becoming a key player in conventional energy production and a leader in renewable energy.
- Today, Brazil has one of the cleanest energy mixes in the world with, renewable energy accounting for 45% of its total consumption. And sugarcane, used to produce ethanol and bioelectricity, is the first source of renewables.
- We have no lessons or preaching to give to the rest of the world, but I am convinced that European policy-makers and stakeholders will find some inspiring elements in our successful, 40-years' experience with biofuels.
- What we are currently discussing in Brussels, and in many countries of the world, is a regulatory framework for biofuels. That's why I'd like to share with you what has been the evolution of our policy framework in Brazil and how it has contributed to the development of a large environmentally and economically sustainable ethanol sector.
- The Proálcool Program was established in 1975 with a clear objective: to increase energy security by reducing oil imports. A mandatory blend was established and the development and demand of pure ethanol-fueled cars was promoted by public policies. The sector received subsidies and prices were fixed. Measures to increase sugar production and exports were implemented at the same time, in order to boost the development of the sugarcane sector as a whole.
- Public policies have evolved over the years toward less and less government intervention. I think that the best word characterizing the current Brazilian ethanol policy is **FLEXIBILITY**.

- Government intervention is now limited to the mandatory blend that can vary between 18 and 25%. The government decides on the proportion of ethanol that must be mixed with gasoline and adjust it, inside this band, when it considers it is necessary. In fact, this mandate has been reduced 4 times in the past decade. Yes, the Brazilian regulatory framework for ethanol has evolved over time. And yes, there have been losers and winners in this process, as some have better adapted than others to the phasing-out of government intervention and to technological changes. However, the mandatory blend established in Brazilian legislation has never been questioned.
- Two-third of the ethanol consumed in Brazil is now market-driven: consumers decide at the pump to use ethanol, and in what amounts, in their Flex Fuel vehicles. Flex-fuel engines account for 57% of the light vehicle fleet and 15% of the motorcycle fleet and their share is increasing year after year. Brazilian policy provides adjustment flexibility in case of market tensions as consumers with flex-fuel vehicles can use gasoline and ethanol in whatever ratios they prefer.
- Finally, Brazil has zeroed its import tariff to allow ethanol from abroad to come into the country at no extra-cost for consumers in case of major crop failure.
- Ladies and Gentlemen, UNICA welcomes the intention of the European Commission to promote the best performing biofuels. But we are skeptical about the accuracy of the instruments proposed to reach this goal. For example, we don't believe an artificial accounting mechanism such as multiple counting will be effective in promoting the deployment of new technologies and would actually just lead to more fossil fuel demand.
- We also have issues with the black and white approach of the Commission's proposal that divides the biofuels universe into two irreconcilable categories that simply do not reflect market realities. On the one side, we have the biofuels produced with conventional technologies. These are deemed unsustainable by definition and are capped without any possibility to improve their performance. On the other side, we have the biofuels, produced with technologies that have not been successfully deployed at commercial scale, but that are considered to be so good that they are extra-incentivized.
- There is a middle ground between these two extremes. Conventional biofuels with excellent environmental credentials, like sugarcane ethanol, already exist; thus, there are no environmentally sound reasons for capping these particular products. Sugarcane ethanol, a renewable fuel, is classified as an advanced biofuel in California and in the US in general because of its strong environmental qualities. But by limiting the use of all conventional biofuels, without any distinction, the Commission's proposal will push these sustainably produced and EU-compliant biofuels out of the market to the profit of far less sustainable biofuels. As perversely, the Commission's proposal will promote the consumption of additional quantities of fossil fuel.
- Brazilian sugarcane ethanol accounts for a small share of the European ethanol market. Less than 1% in 2012. However, thanks to its proven track record in reducing greenhouse gas emissions and environmental credentials, I am convinced that sugarcane ethanol can make a relevant contribution to the EU 2020 targets.

- I look forward to a productive debate around this topic this morning and I thank you all once again for your participation. And without any further proceeding, I invite His Excellency, Ambassador Neiva Tavares to provide his views about biofuels policies. Your Excellency, the floor is yours.