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The Americas must work to maintain their advantage in biofuels

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From President Bush signing an ethanol cooperation accord with Brazil to green conferences to a flurry of alternative energy ventures, biofuels have graduated from science page to front page.

"It is like we are in an Internet boom," said David Rothkopf, president and chief executive of Garten Rothkopf, an international advisory firm based in New York and Washington. "Good things happen, but there are going to be a lot of people betting on the wrong thing in the new energy paradigm."

That new energy focus has emerged as a result of skyrocketing gasoline prices, fears of environmental catastrophe from global warming and concern over U.S. dependence on foreign oil imports from unstable areas.

The result is a boom in interest, investment and production in biofuels in the United States and elsewhere. Even China, on schedule to overtake the United States as the largest generator of greenhouse gases in the next few years, has announced investments of \$187 billion in clean energy through 2020.

Much of the attention has focused on ethanol, a biodegradable alcohol usually distilled from sugar. Brazil is the leading producer of sugar-based ethanol while the United States makes most of its ethanol from corn. But just about any biodegradable product, from grasses to citrus waste, can be used as a fuel or gasoline additive.

In South Florida, interest in hemispheric biofuels is generating the same sort of buzz that surrounded the Latin American trade boom of the 1990s.

At an April 19 conference on Latin America organized by the University of Miami's Center for Hemispheric Policy, Rothkopf pointed out that "biofuels [are] the first technology trend that you can think of in a century that Latin America can lead."

Garten Rothkopf has written a report, "Blueprint for Green Energy in the Americas," for the Inter-American Development Bank, that concludes investment in innovation is critical for the region to maintain its ethanol ascendance.

Today, about 40 percent of biofuels are produced in Latin America; the Western Hemisphere accounts for 80 percent of the world's production.

PROSPERITY POTENTIAL

The ethanol rush also offers the possibility of boosting Caribbean economies, which once derived their prosperity from sugar because it supplied the fuel of the pre-engine age -- the calories for human labor.

Central and South America and the Caribbean are all potential sources for new sugar crops, palm oil or sorghum, the Garten Rothkopf report said.

Brazil's leadership in biofuels is the result of a decision by its former military rulers to fund the development of sugar ethanol along with flex-fuel vehicles.

Some experts have placed the price tag for Brazil's efforts at \$10 billion, but the result is that Brazil has ethanol for domestic use and is also the world's largest exporter. Last year it exported some 900 million gallons, with about half going to the United States.

The mandate for the Brazilian/U.S. ethanol cooperation agreement, signed recently by President Bush and his Brazilian counterpart Luiz Inácio Lula da Silva, is limited to promoting ethanol use in the region.

But following in Brazil's footsteps, Washington has stepped in with its own inducements, especially a 51 cent tax incentive for producers who blend ethanol into gasoline.

State and local governments are also promoting biofuels with other incentives.

U.S. EnviroFuels, a Tampa company, is putting the finishing touches on a project for a corn ethanol plant at Port Sutton.

CitrusEnergy, a new Boca Raton company, has announced plans to build plants to make the fuel out of citrus waste feedstock.

"There are dozens of new plants in construction; there are dozens and dozens of new ethanol projects in development," said Bradley Krohn, the president of U.S. EnviroFuels. "The federal renewable fuel standard will likely get increased and that will spur new investment."

U.S. ethanol production has tripled from 1.6 billion gallons in 2000 to 5 billion gallons produced last year in 110 ethanol plants. In 2007, production is set to surpass the renewable fuel standard set at 4.7 billion gallons.

Keith Collins, chief economist at the Department of Agriculture, told Congress in January that producers have plans to expand capacity to 11.4 billion gallons by 2009.

FLORIDA FEASIBILITY

Florida sugar growers have studied the feasibility of getting into the ethanol business but say that so far it would cost more than corn-based fuel. Biofuels are not only drawing investment into rural America but also pushing up prices of corn and other commodities.

This might have the unexpected outcome of boosting the incomes of poor farmers in Mexico and other areas who have not been able to compete against U.S. subsidized corn exports.

Investors, meanwhile, are lining up to invest in Brazil. One group, led by venture capitalist Vinod Khosla and including former World Bank President James Wolfensohn, has formed Brazilian Renewable Energy Co., or Brenco, with plans to produce an additional billion gallons of ethanol annually.

A private equity venture led by the Carlyle Group and Riverstone Holdings has announced plans to invest another \$240 million in plants in Brazil.

To boost its exports, Brazil is asking the United States to eliminate a 54-cent per gallon import duty. But given the growing mandate to boost the U.S. industry, no one is expecting to see the tariff eliminated soon.

"Not unless there is a global supply chain disruption of oil and the price of oil goes to \$100 a barrel," said Krohn.