

Posted on Mon, Feb. 05, 2007

ENERGY

Brazil, U.S. to forge ethanol alliance

Washington will roll out a strategic partnership with Brazil to expand ethanol and other biofuels usage in the hemisphere.

By Pablo Bachelet

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WASHINGTON - Move over, free trade. The Bush administration has a new theme to court Latin American nations: ethanol.

In the coming months, Washington will roll out a strategic partnership with Brazil to expand ethanol and other biofuels usage in the hemisphere, hoping not only to bolster energy security and generate more rural jobs for poor countries but foster goodwill toward the United States, according to several people familiar with the issue.

There's even talk that the Brazil deal could blunt the influence that Venezuela's Bush-bashing President Hugo Chávez exerts in the region by fomenting alternate fuels to Venezuela's oil wealth. U.S. officials, however, deny this, noting the arrangement would have happened regardless of Chávez.

"The United States and Brazil are the world's two largest biofuels producers so cooperation is natural," said Eric Watnik, a State Department spokesman. "Our goal is advance to global energy security by helping countries diversify their supply."

Still, the alliance between the two ethanol giants will be trumpeted as a major achievement by an administration that critics have long accused of allowing U.S.-Latin American relations to fall in a rut by focusing on a narrow range of difficult issues like free trade and drug trafficking.

FEW DETAILS REVEALED

Officials are revealing few details of the partnership -- first reported by the La Nación newspaper in Buenos Aires -- but people outside the administration with knowledge of the negotiations say the undersecretary of state for political affairs Nicholas Burns will iron out the deal next week during his visit to Brazil and Argentina. Brazilian President Luiz Inácio Lula da Silva may later visit Washington for a formal signing event.

The idea is to study the feasibility of introducing ethanol in countries and identify areas where the private sector could invest more. Other interested nations will be invited to join and the U.S. government will provide some money and Brazil may chip in some more. The Inter-American Development Bank (IDB) and the Organization of American States are also expected to participate.

Officials hope the agreement will tighten links between the hemisphere's biggest nations. Bush and the moderate socialist Lula da Silva have met frequently and exchanged warm words -- Bush even visited Brazil in 2005 -- but the two have disagreed over free trade and the Brazilians have been reluctant to publicly reprimand Chávez, viewed by Washington as an authoritarian ruler eager to use his oil wealth to spread his populist views.

Ethanol produced in Brazil is taxed to discourage its entry into the United States, although some Brazilian ethanol refined in countries such as Costa Rica and Jamaica -- that have trade arrangements with the United States -- are allowed in duty-free.

TRADEABLE COMMODITY

Brazil would like to send more ethanol to the United States, but above all, it wants more countries using the fuel, turning it into more of a tradeable commodity like oil is today. The United States can help it achieve that goal, specialists say.

The partnership idea was floated at a Senate Foreign Relations Committee hearing last year by Eduardo Pereira de Carvalho, a former Brazilian agriculture and finance minister who heads the Sao Paulo Sugarcane Agroindustry Union. The committee's ranking Republican, Sen. Richard Lugar of Indiana, has been pushing the administration to pursue a deal with Brazil.

"In our view, there is not going to be a global market until we see ethanol being produced and consumed in many countries," Pereira de Carvalho said. "We need more players."

One IDB study shows Mexico could save \$2 billion a year on its fuel bill and create 400,000 farm jobs by including a 10 percent ethanol mix in its gasoline.

On the downside, there are environmental concerns and devoting farmland to grow biofuels means food can become more expensive.

But overall, analysts believe the deal is a winner.

Luis Giusti, an energy specialist at the Center for Strategic and International Studies (CSIS), said Brazil is five times more efficient at converting sugarcane into ethanol than U.S. firms are at converting corn into ethanol.

"This alliance will probably serve for U.S. producers to learn more about the efficiency of the Brazilian process," he said.

JEB BUSH'S SUPPORT

One enthusiastic supporter of ethanol diplomacy is former Florida Gov. Jeb Bush.

The biofuel, he recently wrote in a Miami Herald op-ed, 'can strengthen the United States' relationship with Latin America, serving as a catalyst to remove barriers to free trade within the region.'

That's because ethanol bridges the gap between agriculture, one of the big stumbling blocks to negotiate a hemispheric free-trade agreement, and energy security.

Last December, Jeb Bush teamed up with Brazil's former minister of agriculture and president of the Superior Council of Agrobusiness, Roberto Rodrigues and IDB chief Luis Alberto Moreno to launch the Interamerican Ethanol Commission, a privately funded group that plans to promote biofuels in poor countries.

Many advocates believe energy realities will ease obstacles to ethanol trade.

Ethanol In The Americas

- **The Inter-American Development Bank** is working on biofuel projects in Mexico, Paraguay, Costa Rica, El Salvador and other Central American and Caribbean countries.
- **One IDB study**, partly funded by the United States, showed that Mexico would save up to \$2 billion a year on its fuel bill and create 400,000 new agriculture-related jobs if its gasoline contained 10 percent ethanol.
- **Ethanol produces stillage**, an oxygen absorbing byproduct, which kills kills fauna if dumped in rivers and lakes.
- **Many countries use more diesel then gasoline.** For them, the so-called 'biodiesels' are better, but the cost benefits are less attractive than for ethanol.



NATI HARNIK/AP

IN THE U.S: A construction worker works on pipes at an ethanol plant in Mead, Neb. Across the country, ethanol plants powered by methane instead of costly natural gas or coal are on the drawing board. This is a movement that could be a win-win situation for the environment and the industry.