

Posted on Sat, Mar. 03, 2007

## U.S., Brazil launch biofuels forum

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UNITED NATIONS - The world's two top ethanol producers - the U.S. and Brazil - announced the creation of an international forum to help expand the global market for biofuels, just days before the two countries are expected to sign a separate agreement promoting ethanol across the Western Hemisphere.

The International Biofuel Forum will meet regularly for a year to draft global standards for biofuel production, find ways to open markets and encourage investment in countries with the potential to develop the industry, officials said Friday.

"By working together we will be able to identify ways to help countries with agricultural potential become major energy suppliers," said Thomas A. Shannon, Assistant Secretary of State for Western Hemisphere Affairs. "We think this is a huge step forward in the development of a new international understanding of energy."

The announcement comes a week before President Bush travels to Brazil for talks in which renewable biofuels will top the agenda. Bush and Brazilian President Luiz Inacio Lula da Silva are expected to sign an agreement - separate from the international forum - to share scientific and technological research for an industry that has grown in both countries.

Brazil is the world's biggest ethanol exporter, using sugar cane to produce it. Eight out of 10 Brazilian cars run on ethanol, which emits far less greenhouse gases than fossil fuels. In the United States, where farmers use corn to make ethanol, production surpasses that in Brazil.

The promotion of ethanol could eventually help wean the U.S. off its need for foreign oil, officials say, lessening the energy dependence on volatile Middle Eastern nations and Venezuela - whose President Hugo Chavez has long been a political thorn in the Bush administration's side.

But teaming up with Brazil on the promotion of ethanol hasn't pleased everyone: Corn farmers in the U.S. don't like the idea of the government helping Brazil's industry, which they see as a competitor. Lawmakers from corn-growing states have registered their complaints with Bush.

But Silva said the issue of moving the world off of fossil fuels was more important than any bickering over a Brazil-U.S. agreement.

"Biofuel cannot be promoted by just one country," Silva told journalists in Brazil on Thursday. "It is a global issue."

Brazil's method of producing ethanol is better than the American way, Silva suggested, noting that sugarcane-based ethanol is far cheaper to make than corn-based ethanol, and warm-weather climates like Brazil are the only places where sugar cane thrives.

Neither country produces enough ethanol to meet growing domestic demand. And while countries from Asia to Europe are pursuing biofuels as a way to reduce dependency on oil imports, international trade of alternative fuels is minimal.

Hoping to promote the emergence of such a market, participants in the forum created Friday will try to come up with technical quality standards for biofuels production, said Antonio Patriota, Brazil's Ambassador to the United States. Although the forum can only make recommendations for the rest of the world, Patriota said the eventual goal is to convene an international biofuel conference in Brazil next year.

Along with Brazil and the U.S., the forum includes China, India, South Africa and the European Union Commission in an effort to involve the world's biggest potential consumers and producers.

Biofuels make up less than two percent of the world's fuel market - mostly Brazilian and American ethanol and biodiesel from the European Union, said Eduardo Pereira de Carvalho, the head of Brazil's UNICA association of ethanol producers. He estimated biofuels could potentially gain a 20 or 30 percent market share.

"For sure biofuels will not be a silver bullet to finish off oil within 10 to 20 years or 30 years," Carvalho said. "What is important is that we want to be an important participant."

Yet there are significant obstacles. Brazil wants the U.S. to lift a \$0.53 per gallon tariff on Brazilian ethanol imports, and Patriota said Silva would raise the issue at his meeting with Bush next week. Patriota said there was "justifiable concern from the private sector and this is an obstacle that should be removed."

Noting that there are no tariffs on oil, Carvalho insisted trade restrictions would be a serious impediment to making biofuel an internationally traded commodity.

Shannon said the matter must be decided by the Congress, where many lawmakers oppose lifting tariffs that protect American farmers who have been increasing ethanol production to meet rising demand.

"What is going to drive the growth of biofuels will not be removing a tariff in the United States," he said. "It will be expanding markets elsewhere in the world."

In a letter sent to Bush this week, Sen. Chuck Grassley, an Iowan Republican, expressed concern about the U.S. plans for an agreement with Brazil, in which the two countries

would also promote sugarcane based ethanol production in Central America and the Caribbean.

"I appreciate that increased consumption of ethanol in such countries might eventually benefit the U.S. ethanol industry and U.S. farmers," said Grassley, a ranking member of the Senate Committee on Finance. "I fail to understand, however, why the United States would consider spending U.S. taxpayer dollars to encourage new ethanol production in other countries, production that could directly compete with U.S.- produced ethanol."

***Associated Press Writers Alan Clendenning and Stan Lehman in Sao Paulo, Brazil, contributed to this story.***