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Biofuel is the region's next promising venture

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LIMA --

Most Latin American and Caribbean countries are rushing forward with plans to begin exporting biofuels by 2010, undeterred that Brazil has jumped far ahead with its production of ethanol.

Government officials throughout the region say they want to help reduce global warming and improve public health by producing a less-polluting fuel.

But the main driver is the desire to create jobs, attract new investment and increase exports to the United States and Europe.

"It's a cleaner, cheaper and homegrown source of energy," said David E. Lewis, who tracks biofuel developments in Latin America and the Caribbean for Manchester Trade, a Washington, D.C.-based consulting firm.

Brazil is the only country in Latin America and the Caribbean currently exporting biofuels to the United States from a homegrown crop.

Companies in Jamaica, Trinidad and Tobago, Costa Rica and El Salvador are importing sugar cane-based ethanol from Brazil, processing it and then shipping it duty-free to the United States, under the Caribbean Basin Initiative and the Central America Free Trade Agreement.

This third-country export approach allows Brazilian companies to evade the 54-cent per gallon tariff they would have to pay on ethanol for direct exports to the United States.

The South American giant produced about 4.5 billion gallons of ethanol in 2006, slightly less than the United States, according to British Petroleum, which tracks the issue.

As in Brazil, nearly all of the promising ventures in the rest of the region involve sugar cane-based ethanol because corn-derived ethanol and biodiesel from palm oil or soybeans are currently too expensive, said Manlio Coviello, a specialist with the Economic Commission for Latin America and the Caribbean, a U.N. agency based in Santiago, Chile.

With a plan to plant sugar cane in the northern Peruvian state of Piura, Maple Energy has one of the most ambitious ethanol projects outside of Brazil.

The Dallas-based company is planning to level 20,000 acres of hilly scrubland to begin producing sugar cane-based ethanol for export to the United States and Europe in 2009. The project is expected to cost \$157 million.

Rex Canon, Maple's president and chief executive officer, said Peru's northern coast offers among the best conditions in the world for producing sugar cane for ethanol, with hot, dry weather during the day and cool weather at night, year-round.

"The most energy-efficient and cost-efficient feedstock in the world is sugar cane," Canon said.

"We've got the best feedstock, we've got the best place in the world to produce that feedstock and we have strong demand. That's what makes it work."

Spurring investors are visions of exports to the United States and Europe. Another factor pushing demand: Many countries in the region will soon require that ethanol replace 5 percent to 10 percent of gasoline in domestic vehicles.

In Jamaica, government officials think ethanol could revive the island's dying sugar industry.

Guatemala will soon have five sugar cane-based ethanol plants in operation, with plans for three more on the drawing board, said Aida Lorenzo, general manager of the Renewable Fuels Association of Guatemala. Guatemala accounts for about half of the sugar produced in Central America.

Argentine soybean oil producers expect to begin converting a portion of their crop for biodiesel exports to Europe in three to five years, said Carlos St. James, president of the newly formed Argentine Biofuels Chamber.

"The potential is enormous," he said.

The United States and Brazil -- supported by the Inter-American Development Bank and the Organization of American States -- are trying to accelerate efforts throughout Latin America and the Caribbean.

They have targeted four countries -- Haiti, the Dominican Republic, El Salvador and St. Kitts and Nevis -- and will begin with a needs assessment this summer, said Matt McManus, a State Department official based in Washington.

Cuba, where sugar has been a staple of its economy for centuries, is modernizing 11 of its 17 ethanol refineries, according to a published report in June, even though Cuban leader Fidel Castro has said that biofuels threaten to starve the world's poor. And in Haiti, plans for developing ethanol are in an early stage.

Colombia is just behind Brazil in pursuing ambitious plans to develop biofuels.

Ethanol production for vehicles is backed by that country's Congress, which has begun mandating a 5 percent mix of ethanol in vehicles and will require a 15 percent mix by 2010. Further plans include producing biodiesel through huge plantings of oil palm trees.

"We want to reduce dependence on imported fuel, diminish global warming and create massive rural employment," said Jorge Bendeck, executive president of the Colombian National Biofuels Federation.

"If we can help bring social peace to rural areas, people will have better lives."