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Press Release - Brazil's UNICA welcomes parts of European Parliament biofuel vote, cautions about threat to WTO compliance

BRUSSELS / SÃO PAULO, July 11, 2013 – The Brazilian Sugarcane Industry Association (UNICA) issued the following statement on the European Parliament Environment Committee's vote Thursday on biofuels and the issue of indirect land use change, or ILUC:

"UNICA welcomes European Union policymakers' diligence and efforts in pushing for the consumption of biofuels that have the highest environmental credentials and technical performance," said UNICA CEO, Elizabeth Farina. *"UNICA is encouraged that the Environment Committee voted Thursday to approve measures that would help incentivize the production of more advanced biofuels,"* she added.

A 2% sub-target for promoting the production and consumption of advanced biofuels in transport fuel, as approved by the Environment Committee today, is a step in the right direction even if various details still need to be worked out around this issue.

UNICA is also pleased to see that the Environment Committee has looked longer term to provide new and demanding decarbonization targets by voting to raise the Fuel Quality Directive's requirement for fuel producers to reduce the carbon intensity of their fuels by 9% by the end of 2025, up from **6**% by 2020, the current requirement.

"However, UNICA is disappointed that the Environment Committee voted today to put an arbitrary cap on the use of all food-based biofuels," said Géraldine Kutas, Head of International Affairs at UNICA.

"Such a cap ignores important differences between conventional biofuels' environmental performance and is vulnerable to being de facto discriminatory and breaching World Trade Organization rules," she said.

Like the European Commission's legislative proposal for a 5% cap on food-based biofuels, the Environment Committee's vote for a 5.5% ceiling on the use of food-based biofuels in Europe is at risk of violating WTO rules, given the current EU thinking, followed by the Environment Committee today, of defining a list of advanced biofuels that are largely produced only in developed regions like Europe. In addition, the degree of contribution of the measure to limit ILUC is uncertain, while the level of trade-restrictiveness is high.

www.unica.com.br | e-mail: unica@unica.com.br | Fone: + 55 11 3093 4949 | Fax: + 55 11 3812 1416
Av. Brigadeiro Faria Lima, 2179, 9º andar | CEP 01452-000 | São Paulo - SP - Brasil

*"UNICA, like all other non-European producers, encourages the EU to reject the proposed legislation that would risk violating Member States' obligations to respect all WTO principles. The EU could choose alternative, less trade-restrictive measures,"*said Kutas.

UNICA is also disappointed that the Environment Committee voted to endorse so-called multiple counting of certain biofuel feedstocks and electricity used in transport as a mechanism to make it easier to comply with the EU Renewable Energy Directive's 10% renewables-in-transport target.

Multiple counting is an artificial accounting tool, as various EU officials themselves have said, that in practice volumetrically reduces the EU's 10% renewables-in-transport target; consequently and ironically, this perversity leads to more fossil fuel demand.

This accounting ploy ignores other sustainable pathways for meeting EU goals. Although it comprises less than 1% of all ethanol used in Europe today, Brazilian Sugarcane Ethanol's (BSCE) positive environmental and social characteristics can help the EU meet its important 2020 climate abatement and energy security objectives.

BSCE is classified as an advanced biofuel by the U.S. Environmental Protection Agency and by the California Air Resources Board, even when potential indirect, or ILUC, effects are taken into account.

That classification is a result of the recognition that BSCE does not contribute to deforestation, as sugarcane is grown mostly on degraded pasture land and grown almost entirely in the south-central part of Brazil, far away from the Amazon rainforest.

Moreover, BSCE achieves among the highest greenhouse gas (GHG) emission savings (over 70% relative to fossil fuel alternatives, according to the default values in the EU Renewable Energy Directive, and more than 55% when estimated ILUC emissions are accounted for) of all biofuels produced at scale in the world, because of its very moderate indirect impacts and the resource efficiency of its production.