Residence Palace, Brussels - November 19, 2014

Welcoming remarks – Elizabeth Farina, CEO of UNICA

Ladies and Gentlemen, good morning. My name is Elizabeth Farina, I am the CEO of the Brazilian Sugarcane Industry Association and I am very pleased to welcome you all to this event on the Brazilian perspectives on the 2030 Energy and Climate Package. I know this is a very busy week in Brussels, with more than four events on energy today. I am therefore very grateful for your presence.

I'd like to extend my respectful greetings to Her Excellency, Mrs. Vera Barrouin Machado, Brazilian Ambassador to the European Union and thank her for accepting to deliver the opening speech of this conference. I'd also like to thank Apex-Brasil, and its president Mauricio Borges, our partner for this event and for our international activities.

On October 24, the European Council reached a political agreement on the 2030 framework, which will set the energy and climate scene for the next 15 years. The deal embraces several elements, which will form the basis of the legislative proposals to be developed by the European Commission in the first quarter of 2015.

Fortunately, European leaders realize that there was a missing piece in the Commission's text – the transport sector was totally absent – and they finally call on the Commission to examine instruments for "renewable energy sources in transport" post 2020 in a comprehensive and technologically neutral way. So, we will see in a few months what the Commission will come up with for transport.

Brazil and the EU share strong historical, political, and commercial links. We join forces in many international discussions. But the role of a good friend is also to point out problems and alert about the potential consequences of your actions, and this is what I'll do today with all the due respect for our European friends.

The transport sector is a problem both from a greenhouse gas emission point of view and from an energy independence perspective. According to Eurostat, one-fourth of EU emissions came from transport in 2012 and it's the second largest sector in terms of emissions. In addition, the EU relies heavily on imported oil from untrustworthy suppliers.

Although we noticed a willingness to tackle this issue, the EU has been unable to provide a clear direction, which has resulted in a great deal of uncertainty. The Commission issued a proposal for the 2030 Energy and Climate package, simply ignoring the transport sector. At the same time, Parliament and Council are still struggling to adopt the ILUC directive. As a Brazilian observer of EU legislative developments, I am not sure I see the point of spending more than two years and a half discussing ILUC measures when measures of the RED and the FQD are set to expire in 2020, thus removing the regulatory incentive to invest in biofuels. By the same token, I've been very surprised to learn that a few days ago the Commission proposed a definition of severely degraded land. Interestingly, the same Commission suggested removing the existing bonus that biofuels companies producing on that type of land were entitled to under Annex IV of the FQD and annex V of the RED. All this is extremely confusing and only adds to the uncertainty the sector is struggling with.

But more importantly, if the RED and the FQD are extinguished in 2020, so will be the sustainability criteria that apply to biofuels. The EU, who was in the front run of imposing mandatory guidelines to guarantee the sustainability of biofuels, will suddenly fall into a total vacuum and Member States will be free to take or remove whatever measure they want.

For all these reasons I am convinced that the EU should continue to promote renewable energy in the transport sector in a technologically neutral way.

As Ausilio Bauen and Nusa Urbancic will show, there are different options to decarbonize the EU transport sector. But because the challenge is so big we need to promote all the viable solutions at the same time, and not pit them against each other. Electric vehicles for instance are currently very much in fashion, but the IEA only projected a 4% of EVs worldwide penetration by 2030. So yes, we need EVs, but we also need larger scale and cheaper options.

I am firmly convinced that sustainable biofuels have a role to play. I am not here to teach lessons to anybody – despite the fact that I am a professor of economics! But just to look at the unquestionable facts. Brazilian sugarcane ethanol reduces GHG emissions by more than 70% according to the default values of the RED and the FQD. If ILUC is taken into account, this figure is still higher than 55%. Don't you think it will be worth substituting part of your petrol with a fuel that emits 50% less emissions? In addition, sugarcane ethanol is certified with Bonsucro, a certification scheme that goes well beyond the EU sustainability criteria. Almost 10% of our production is EU Bonsucro certified, I wish we could export 10% of our ethanol to Europe!

As you might know, the Brazilian government has commissioned studies to evaluate the possibility to increase our mandatory blending rate from 25 to 27,5% - studies that are closely monitored by all the main automakers in the world - , and the first results we get are extremely encouraging both from a vehicle's acceptance and emission reduction point of view. Do you really think that the Brazilian government, no matter the regime, no matter the political party in power, would have continued to support the mandatory blend for the last 40 years if sugarcane ethanol threatened biodiversity, increased emissions and jeopardized food security? Honestly, as a Brazilian citizen, I don't think so. In fact, the increased use of ethanol has even a positive incidence on public health, as Professor Saldiva will show in his presentation, a topic that it is not often mentioned.

Finally, the uncertainty surrounding EU legislation and the absence of clear measures post-2020 will hurt the EU advanced biofuels sector. There are four or five technology providers in the world for the production of second-generation ethanol and the majority of them are Europeans. However, they are all investing outside of Europe: in Brazil, in China and in the US. This is excellent news for Brazil!! We have been a late comer to the production of second-generation biofuels but we are now fully involved, with one plant running and another four that should start operations in the next two years. And we have many other new products to offer such as drop-in fuels for public transport and aviation. Looking at the debate, I am not sure the development of new fuels is what the EU wants: instead the EU seems willing to see its innovative investments and its correlated direct and indirect jobs leaving Europe while it is left with the same options than before: more fossil fuels!

I am convinced that European leaders in general, and the new Commission in particular, wants to maintain the EU in a leadership role in the fight against climate change. I am sure that they will promote realistic solutions for the transport sector post-2020.

I look forward to a productive debate around this topic this morning and I thank you all once again for your participation. And without any further proceeding, I invite Her Excellency, Ambassador Barrouin Machado to provide her views about the Brazilian perspectives on the 2030 Energy and Climate Package. Your Excellency, the floor is yours.