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U.S., Brazil should lead biofuel plan

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Our hemisphere has major oil exporters, such as Canada, Mexico and Venezuela; and oil importers, such as the United States, Chile, Uruguay and nearly all the smaller countries in Central America and the Caribbean.

Then there's Brazil. Despite its large population and strong economic growth, Brazil has transformed itself from a significant oil importer (imports were 46 percent of consumption just 10 years ago) to a country that is self-sufficient in petroleum. The Brazilians did this in part by promoting energy conservation and by working hard to find new domestic sources of oil.

But they also bet big on ethanol made from sugar. Defying widespread skepticism, Brazilians set out nearly 30 years ago to use home-grown sugar cane as a source of energy independence. Although the task suffered setbacks, today Brazil has replaced about 40 percent of its gasoline consumption with ethanol. It even exports ethanol to the United States, despite a high tariff.

Brazil has used a combination of mandated content requirements, tax incentives, government-sponsored lending and research, as well as innovative programs such as "biofuel clusters" (large-scale agribusiness focused exclusively on the production of biofuels energy in currently marginal growing areas) to help create the economies of scale required for an efficient industry.

To get ethanol to consumers, Brazil built a network of pipelines to transport ethanol from production facilities to domestic gasoline retailers. And more than 70 percent of the new vehicles sold there are flexible-fuel models, which can burn a mixture of up to 85 percent ethanol and gasoline.

High oil import bills

Brazil's experience holds important lessons for other oil-importing countries. We know the perils of over-reliance on energy imports. Prices can soar, and supplies can even stop, wreaking havoc with government budgets, snuffing out economic growth and raising the potential for domestic unrest and political manipulation by oil suppliers.

This is especially true for some of the poorest countries in the region, like Haiti, Nicaragua and Guyana. The challenges these developing nations face are exacerbated by high oil-import bills.

Not everyone can grow sugar cane as efficiently as Brazil. But with new cellulosic technology nearing commercial take-off, virtually any kind of biomass -- wood chips, straw, agricultural waste, even cow manure -- may be used to make biofuels. Experience in the United States, which makes ethanol from corn and recently passed Brazil as the world's top producer, shows that biofuel production can provide higher incomes and more jobs to struggling rural communities.

Promote ethanol use

The problems of petroleum dependence and the potential for biofuels will be highlighted at the June meeting of the Organization of American States' General Assembly in Panama. The primary focus will be energy, including the search for sustainable solutions for its production and use.

All this presents Brazil and the United States with an unprecedented opportunity to join in a strategic hemispheric partnership that would at once tackle two of the hemisphere's biggest challenges: energy insecurity and poverty. The pair could spearhead a drive to spread biofuels development widely and deeply throughout the region.

President Bush will travel to Sao Paulo in March to meet with Brazilian President Luiz Inácio Lula da Silva to sign an important bilateral biofuels agreement to improve private sector biofuels cooperation, promote ethanol use in the region and begin transforming ethanol into a global commodity.

This is a good first step, but we believe the two can be much more ambitious. Presidents Bush and da Silva should expand and energize the initiative by launching a joint program of investment, training and research to build biofuels production capabilities throughout the region and the world.

Grants and loans from regional development banks could be used to assess the suitability of biofuels on a country-by-country basis. Investments and loans from the U.S., Brazil and other interested governments, as well as private-sector sources, could perfect cellulosic technology, train farmers in biomass crops and build biofuel production facilities and distribution systems. Sen. Lugar will soon introduce legislation in the U.S. Senate to initiate this proposal.

Such an investment program could, in short order, create a thriving Western Hemisphere biofuels marketplace that would alleviate poverty, create jobs and increase income, improve energy security, strengthen nations' independence, and protect the environment. If implemented vigorously and expansively, this partnership would signal a transformational change in U.S. policy on Latin America, a true collaboration between north and south on an economic and security strategy that would benefit all.

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