Brazil-U.S. Business Council

U.S. Section

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December 16, 2011

Bob Dinneen
President and CEO
Renewable Fuels Association
425 Third Street, SW, Suite 1150
Washington, DC 20024

Dear Mr. Dinneen:

On behalf of the Brazil-U.S. Business Council (BUSBC) leadership, I am writing to you with regard to your letter of December 8, 2011, on U.S. and Brazil ethanol policies.

It was with great interest that we received your statement that the "U.S. ethanol industry is not seeking an extension of VEETC [the Volumetric Ethanol Excise Tax Credit], and as such, does not believe that there will be any future need to offset any tax benefits received by Brazilian ethanol" through the maintenance of the $0.54-per-gallon import tariff. The BUSBC shares the stated Renewable Fuels Association (RFA) vision of a barrier-free U.S. ethanol market and will continue to engage the U.S. Congress to let these two trade-distorting mechanisms expire by the end of 2011. We also encourage RFA to publicly engage lawmakers and the Obama Administration to remove these barriers.

In addition, we would like to take note of RFA's request for the BUSBC to address potential barriers to U.S. ethanol exports to Brazil. We want to take this opportunity to clarify that the BUSBC is the largest gathering of U.S. companies with investment and businesses in Brazil, including from the American ethanol industry. Our mission is not "to promote Brazil exports" as you state in your letter but to maintain and advance trade and investment between both countries through free trade, free markets, and free enterprise.

In this context, the BUSBC is ready to work with the RFA to address any potential barrier to U.S. ethanol exports imposed by the government of Brazil. In particular, we are ready to work with partners in the Brazilian private sector and directly with the Brazilian Foreign Trade Board (CAMEX) and the various ministries involved in the ethanol policy-making process in Brazil to secure the maintenance of the ethanol import tariff suspension first authorized in April 2010.

Our understanding is that the plan to review this temporary suspension is not aimed at the U.S. industry, but is solely the nature of the tariff suspension mechanism in place in Brazil, which requires periodic reviews of these benefits, much as the Miscellaneous Tariff

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Bill (MTB) process does in the U.S. It is also our understanding that the Brazilian ethanol industry is ready to once again petition the government of Brazil for the maintenance of this duty-free provision as long as the United States reciprocates by neither renewing nor later recreating the $0.54-per-gallon tariff. The BUSBC is ready to support such a free and fair trade arrangement between the two countries.

With regard to the temporary reduction of the ethanol blend in gasoline from 25% to 20% authorized by the government of Brazil, our understanding is that this action was also not designed with the U.S. industry in mind. The Rousseff Administration has on many occasions voiced its concerns about inflationary pressures in Brazil, including those resulting from an increase in fuel prices, and seems to have acted to avoid a potential inflationary shock caused by rising ethanol prices, even in light of growing imports from the United States. It is important to note that this measure is not supported by the Brazilian ethanol industry, which actually advocates for a return to the 25% blend level.

The BUSBC fully supports the efforts by the government of Brazil to curb inflationary pressures that can have a disruptive effect on all U.S. companies exporting to and operating in that country, but we will continue to advocate for measures that increase Brazilian consumption of both domestically produced and imported ethanol, in particular from the United States.

We look forward to working with the RFA on this and other issues.

Sincerely,

Steven Bipes
Executive Director