The Social Seal for Biodiesel in Brazil: An Instrument for Rural Development

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Biodiesel Policy Structure

- Mandatory policy of B5
- Tax differentiation (for region and type of agriculture)
- Social Fuel Seal (SFS)
- Public Auctions
SFS - Advantages for Biodiesel Producers

- Differentiation/exemption of PIS / COFINS and PASEP;
- Privileged access to 80% of the biodiesel public auction of the National Agency of Petroleum, Natural Gas (ANP);
- Access to improved financing conditions along banks operating the Program (or other financial institutions possessing special financing conditions for projects);
- Possibility to use the Social Fuel Seal to promote your image in the market.
### Biodiesel Regional Capacity of Production Distribution

<table>
<thead>
<tr>
<th>Region</th>
<th>Plants</th>
<th>Production capacity (m³)</th>
<th>Production capacity (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-West</td>
<td>27</td>
<td>3,073,000</td>
<td>45.7%</td>
</tr>
<tr>
<td>South</td>
<td>8</td>
<td>1,818,000</td>
<td>27%</td>
</tr>
<tr>
<td>Southeast</td>
<td>11</td>
<td>890,000</td>
<td>13.2%</td>
</tr>
<tr>
<td>Northeast</td>
<td>6</td>
<td>741,000</td>
<td>11%</td>
</tr>
<tr>
<td>North</td>
<td>4</td>
<td>202,000</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>56</td>
<td><strong>6,724,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Family farmer legal definition:

- Conduct activities in rural areas;
- Business is run together with family members;
- Area: smaller (or equal to) 4 rural module (specific standard measure applied in agrarian reform or rural development policies);
- Labor force: family, predominantly;
- Income: minimum percentage of household income arising from economic activities of your rural enterprise, to be set by the Executive (CMN – MIN 50%)
Social Fuel Seal Rules

Legal Instruments

• Federal Decree nº 5.297/2004;
• MDA Act nº 60/2012
• MDA Normative Rules Nº 01/2011.

Basic Rules

1) Buyings

\[
\text{% MIN } = \frac{\text{Acquisitions from family farmers (R$)}}{\text{Total Acquisitions for Biodiesel Production (R$)}} \times 100
\]

2) Previous Contracts and Collective Agreements

3) Technical Assistance (}
Social Fuel Seal Performance

Biodiesel Production - Brazil (Thousand m³)

- Share of the Units with SFS
- Share of the Units without SFS
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SFS – Families and Job Creation

Number of Rural Families (under PNPB) Brazil

2005: 16,328
2006: 40,595
2007: 36,746
2008: 27,858
2009: 51,047
2010: 100,371
2011: 104,295
2012*: 103,991

Job Creation
1 Rural Family ≈ 3 people (IBGE, 2006)

2005: 48,984
2006: 121,785
2007: 110,238
2008: 83,574
2009: 153,141
2010: 301,113
2011: 312,885
2012*: 311,973

Biodiesel Production
Number of Cooperatives of Family Farmers - Brazil

Year: 2005, Cooperatives: 4
Year: 2006, Cooperatives: 13
Year: 2007, Cooperatives: 20
Year: 2008, Cooperatives: 42
Year: 2009, Cooperatives: 59
Year: 2010, Cooperatives: 65
Year: 2011, Cooperatives: 73

SFS – Number of Cooperatives
Acquisitions from Family Farmers (MM US$ / year)

US$ 34,28
US$ 58,75
US$ 138,27
US$ 338,67
US$ 529,35
US$ 759,58
US$ 1,047,00

2006 2007 2008 2009 2010 2011 2012*

US$ 1,0 = R$ 2,0
## SFS – Acquisitions from Family Farmers

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct Acquisitions</th>
<th>Acquisitions from Cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>U$ 70,81</td>
<td>U$ 67,46</td>
</tr>
<tr>
<td>2009</td>
<td>U$ 122,68</td>
<td>U$ 215,99</td>
</tr>
<tr>
<td>2010</td>
<td>U$ 164,63</td>
<td>U$ 364,72</td>
</tr>
<tr>
<td>2011</td>
<td>U$ 248,52</td>
<td>U$ 511,06</td>
</tr>
<tr>
<td>2012*</td>
<td>U$ 323,38</td>
<td>U$ 723,67</td>
</tr>
</tbody>
</table>

**US$ 1,0 = R$ 2,0**
SFS – Family Farmers Income

Gross Income per Family (US$ /year)

US$ 1.0 = R$ 2.0

- 2006: US$ 844,51
- 2007: US$ 1,598,86
- 2008: US$ 4,963,40
- 2009: US$ 6,634,47
- 2010: US$ 5,273,94
- 2012*: US$ 10,068,18

US$ 1,0 = R$ 2,0
Brazilian External Dependency on Energy (1970 - 2011)

1975: Proalcohol Program

Main goals at 1975:
To reduce external dependency on oil
To introduce in the market the mixture gasoline-ethanol
To stimulate the development of pure ethanol motors

2003: Flexfuel Cars
2005: Biodiesel Program

Main goals at 2005:
To create jobs in the countryside
To reduce the external dependency on diesel
To diversify energy sources
To use an energy program as a social program
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National Energy Policy (PNE)

Goals

• ↑ Diversification of the mix with renewable sources
• ↓ Agricultural risks in the energy market
• ↓ Dependence on soybean

Energy security

• ↓ Vehicle emissions
• ↓ Diesel dependence
• ↓ Impacts and costs of urban transport
• ↓ Impacts on heavy lorry transport
• ↓ Impacts on electric power generation at isolated communities
• ↓ Influence on the economic growth

Partial substitution of diesel imports

• ↑ Economic competitiveness of biodiesel
• ↑ Competitive level in the supply chains
• ↑ Biodiesel quality & its effects on vehicle
• ↑ Learning curve of biodiesel

Protecting consumer interests with respect to price, quality and supply

• ↓ Vehicle emissions
• ↓ Diesel dependence
• ↓ Impacts and costs of urban transport
• ↓ Impacts on heavy lorry transport
• ↓ Impacts on electric power generation at isolated communities
• ↓ Emissions of pollutants
• ↓ Balance of CO₂ and other greenhouse gases

Environment protection

Spur economic activity & expand the country's competitiveness in international market

• Job creation & income generation
• The expansion of any energy source considering its impact on competitiveness of whole economy

• Need of agricultural expansion under delimited areas defined by AEZ Maps
• ↑ Knowledge of the impacts by type of crop (soybean, palm, sunflower, sugarcane, etc.)
• ↓ Emissions of pollutants
• ↓ Balance of CO₂ and other greenhouse gases
• Sustainability & responsibility
• ↑ Competitiveness between biofuels and other clean energies
Brazilian Government Goals for Biodiesel Program

- Increase biodiesel consumption
- Protecting consumer interests (price and supply)
- Ensuring household agriculture
- Encouraging feedstock's diversification
- Fostering new technological processes
North

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Oil Palm Sustainable Production Program (2010)

- Agroecological Zooning
- R&D
- Lines of Credit
- Technical Assistance

Today, 627 family farms are producing oil palm in this region

Investment and Funding funded Pronaf Eco Dendê (Palm)

US$ 21 milhões already financed

US$ 33,4 mil / family farm

Northeast

Only 4 PBUs

Only 8 family farms cooperatives

26 thousand families (25% of BP)

Castor bean and Sunflower

ATER, research, economic organization and synergy with policies dealing with severe droughts.
THANK YOU!

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