



The Brazilian Biodiesel Program

Biodiesel auctions and the *“Social Fuel Seal”*

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The Brazilian Biodiesel Program: Main Directives

- Create jobs and income, particularly in rural areas for family farmers;
- Reduce regional disparities and develop the North and Northeast regions;
- Reduce GHG emissions;
- Reduce diesel imports;
- Technological and regulatory flexibility;
- Tax incentives and public policies.

BIODIESEL

BRAZIL

Wide range of feedstocks for production of biodiesel

Castor



Sunflower



Soy



Palm or dende



Cotton
seed



The Brazilian Biodiesel Program: Regulatory framework

- Regulatory framework and tax system established and implemented since 2005.
- Federal Law # 11.097, 2005: legal definition of biodiesel as fuel; determined the mandatory mixture of 2% biodiesel (B2) from January 2008 which should be expanded to 5% (B5) until 2013.
- Federal Law # 11.116, 2005 (biodiesel tax incentives): exemptions or reductions of federal taxes according to the region, kind of producer and/or feedstock.
- “**Social Fuel Seal**” (for biodiesel producers who buy feedstocks from family farmers and provide them agricultural technical assistance).

The Biodiesel Auctions: Supply the mandatory biodiesel blend

- Auctions driven by Petroleum, Natural Gas and Biofuels Agency (ANP) to fulfill the biodiesel demand to the mandatory blend.
- In the auctions, 80% of the biodiesel total volume to the mandatory blend is reserved to biodiesel producers with Social Fuel Seal.
- In the other 20%, free competition among producers with and without Social Fuel Seal.
- Winners are the biodiesel producers which offer lower prices, since they show compliance in relation to technical standards of the biodiesel.
- 92% of auctions winners suppliers have “Social Fuel Seal”.

Family Farmers

According to the Law # 11.326, 2006, family farmers are who comply with the following requirements:

- Small farms (area enough for subsistence and for socioeconomic progress of the family, taking into account the agricultural vocation, the soil quality and market conditions of each region);
- Work and manage the land with family members;
- Main amount of family income must come from the economic activities undertaken at the farm.

In Brazil there are **4.3 million of small farms** (agricultural or ranching) ⇒ **84.4%** of the total ⇒ that occupy **24%** of the total agricultural area ⇒ and represent **33%** of the Agribusiness GDP ⇒ providing jobs and occupation to **12.3 million people**.*

* Source: Ministry of Agrarian Development.

BIODIESEL MARKET: CURRENT SITUATION

- **5% (B5) mandatory mixture** since 2010.
- **56** units authorized by Petroleum, Natural Gas and Biofuels Agency (ANP) with **6.724.000 m³** per year of production capacity (88% with Social Fuel Seal).
- **2.717.500 m³** of biodiesel produced in 2012.

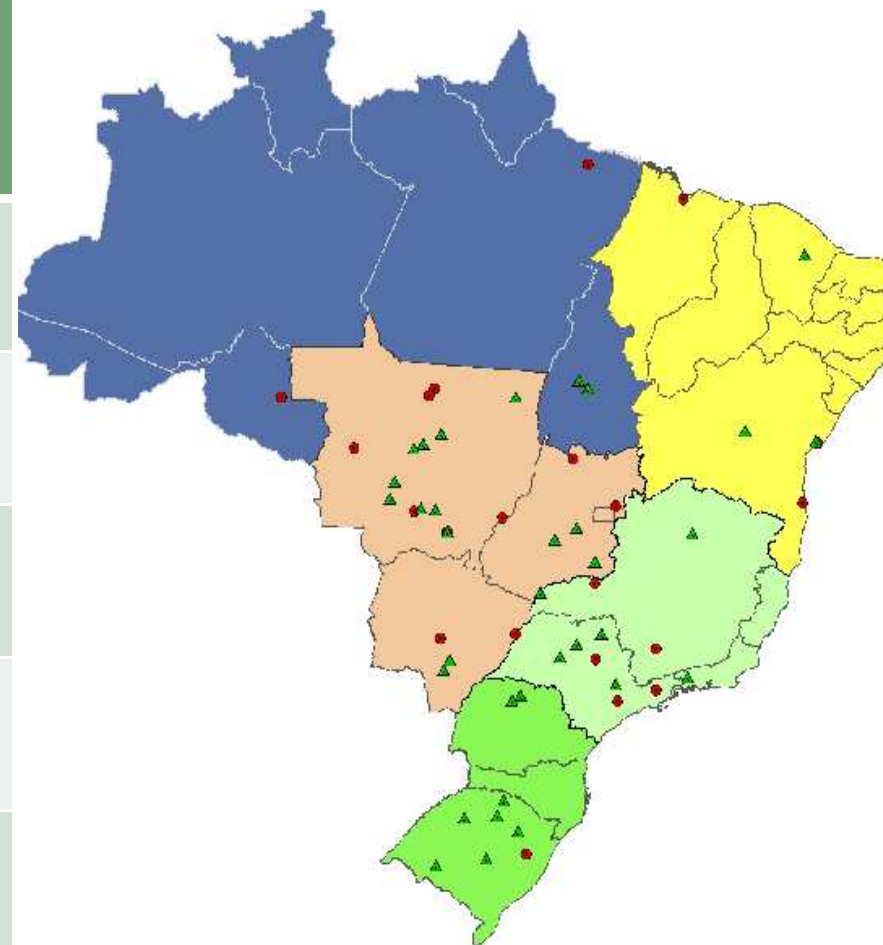
BIODIESEL MARKET: CURRENT SITUATION

(January to December 2012)

- The main feedstock used in biodiesel production has been **soy (75%, as an average)**, followed by **animal fats (17%)** and **others (8%)** – cotton, palm, sunflower, castor.
- The **Middle-West region is the major producer (43%)**, followed by South (34%), Northeast (11%), Southeast (9%) and North (3%).
- The biodiesel production provided employment to **103.991 family farmers** in 2012 (**25% in Northeast region**).

BIODIESEL REGIONAL CAPACITY OF PRODUCTION DISTRIBUTION

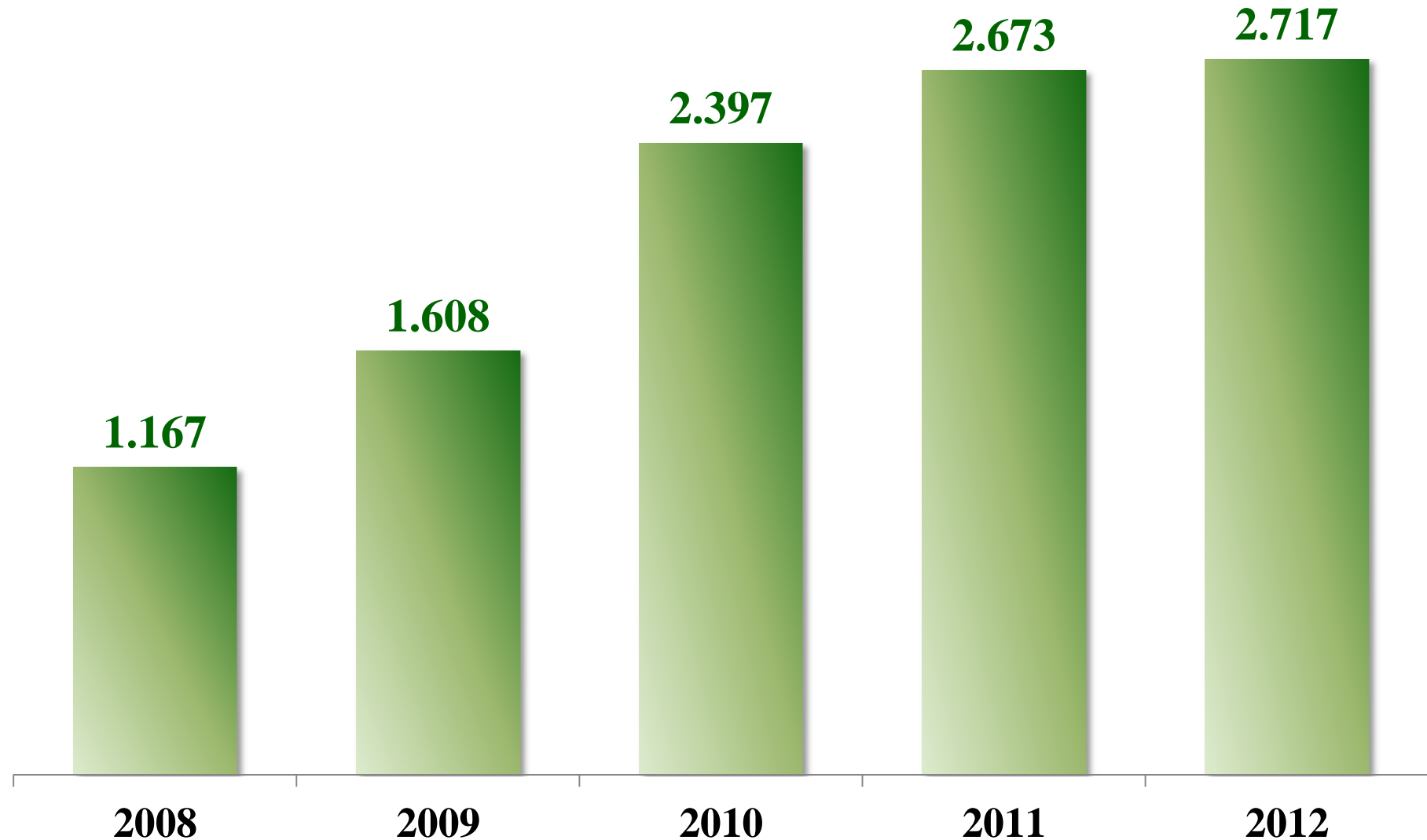
Region	Plants	Production capacity (m ³)	Production capacity (%)
Middle West	27	3.073.000	45,7%
South	8	1.818.000	27%
Southeast	11	890.000	13,2%
Northeast	6	741.000	11%
North	4	202.000	3%
Total	56	6.724.000	100%



Source: Ministry of Mines and Energy
 – MME – position in February/2013.

BIODIESEL PRODUCTION IN BRAZIL - 1000 m³

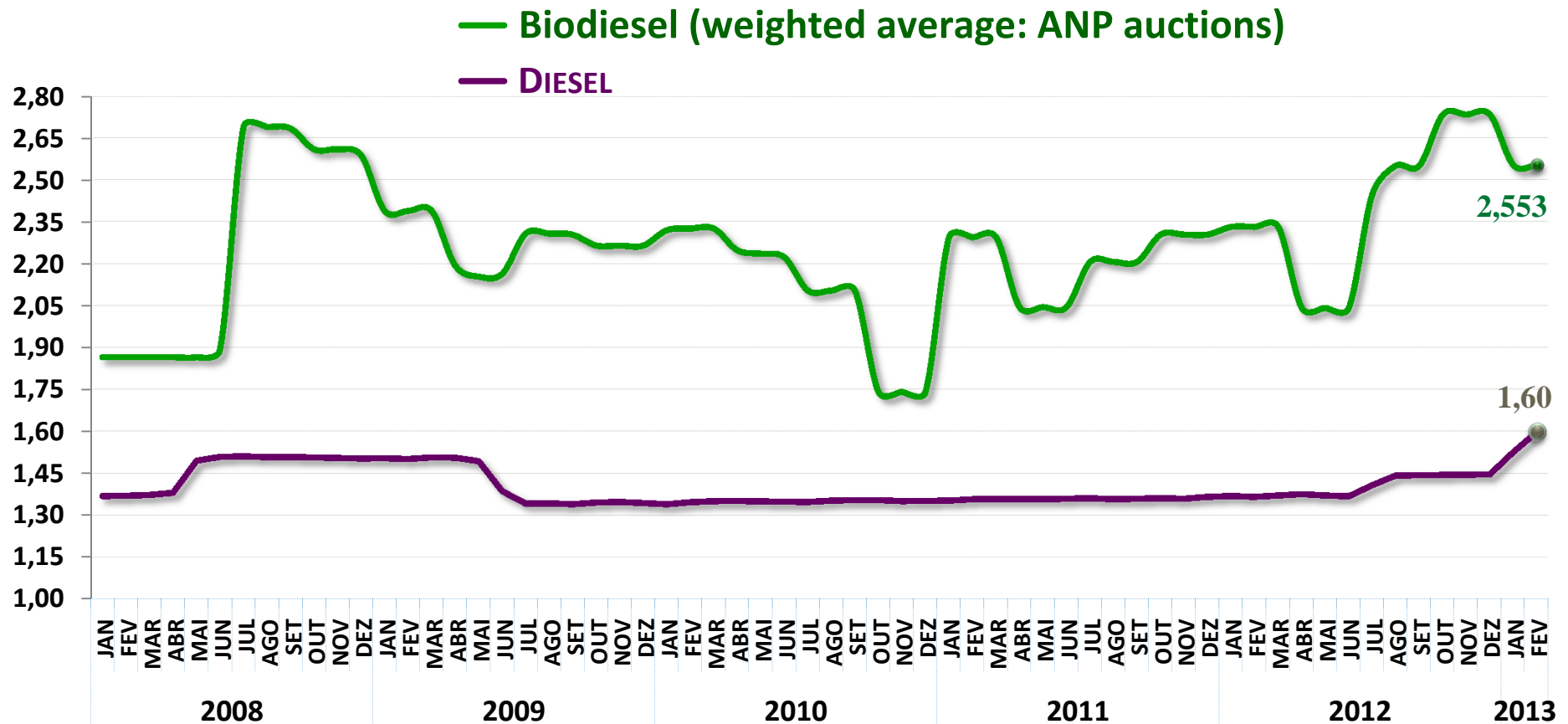
Production



Source: ANP

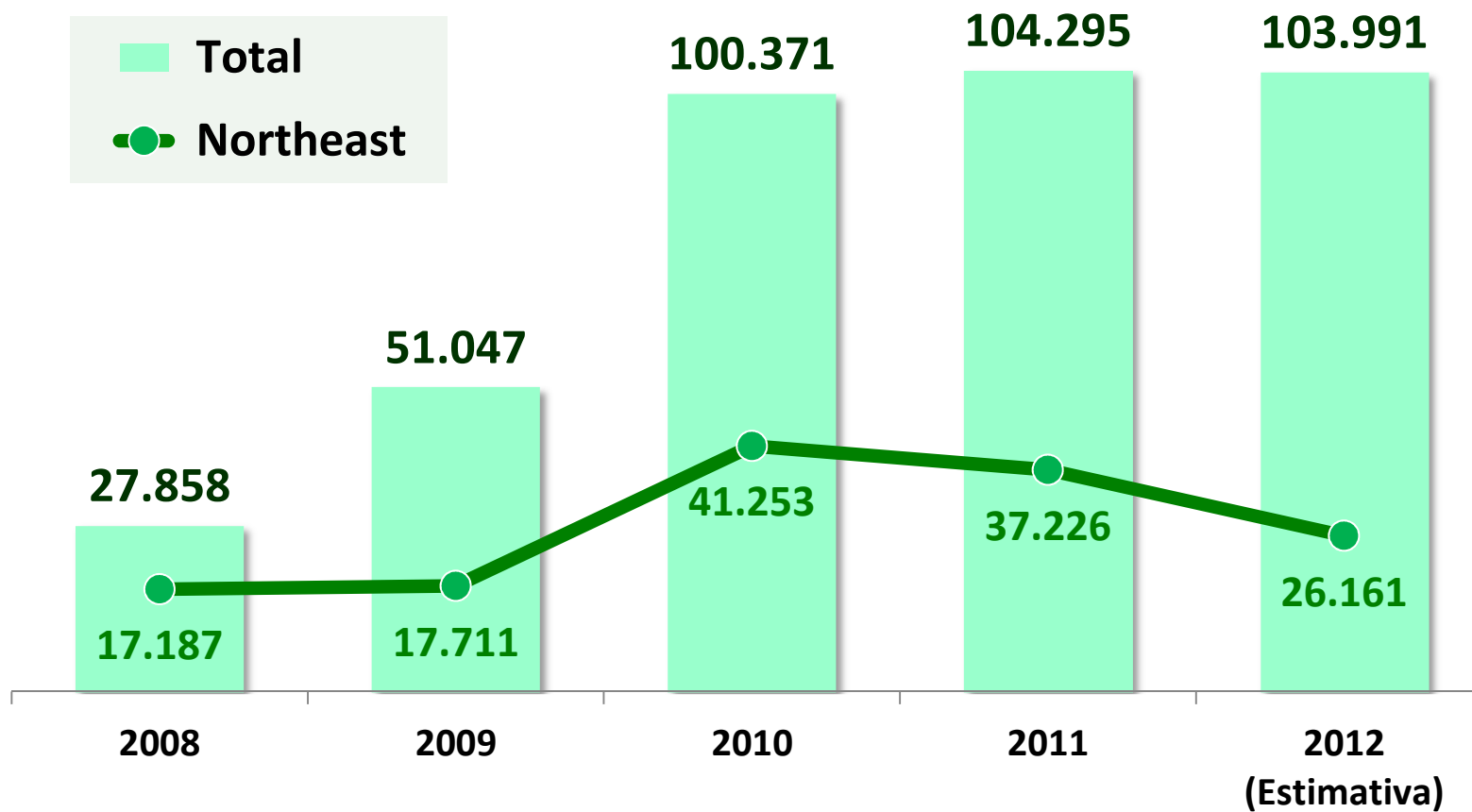
COMPARATIVE PRICES: BIODIESEL X DIESEL: 2008-2012

PRICES AT PRODUCERS LEVEL (WITH FEDERAL TAXES; WITHOUT STATE TAXES) - R\$/liter



Biodiesel is more expensive than diesel, but the auctions have stimulated competition and participation of family farmers.

Family farmers involved with biodiesel production



Source: Ministry of Agrarian Development - MDA

Brazilian Biodiesel Social Benefits

➤ Employment:

- **103.991** jobs and occupations to family farmers in rural areas;
- **86.112** skilled jobs (biodiesel industry);*

➤ Income:

- around **R\$ 14.566,00/family/year** or **US\$ 7,283.00** (revenue with the sale of feedstocks to biodiesel production).

* Source: *Socioeconomics impacts of biodiesel industry in Brazil*. Brazilian Biodiesel Producers Association (Aprobio) and Economic Research Institute Foundation (FIPE), São Paulo, 2012.

GBEP Indicators

➤ **Indicator 9: Allocation and tenure of land for new bioenergy production:**

(9.1) a legal instrument or domestic authority establishes title and procedures for change of title; and

(9.2) the current domestic legal system and/or socially accepted practices provide due process and the established procedures are followed for determining legal title.

➤ **Indicator 11: Change in income:**

(11.1) wages paid for employment in the bioenergy sector in relation to comparable sectors;

(11.2) net income from sale, barter and/or own-consumption of bioenergy products, including feedstocks, by self-employed households/individuals.

➤ **Indicator 12: Jobs in the bioenergy sector:**

(12.1) total;

(12.2) skilled/unskilled;

(12.3) indefinite/temporary.



Thanks for your attention!

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