

## Brazil's Petrobras Gets Into the Alcohol Business

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Petrobras, the Brazilian oil giant, decided to enter once and for all the international alcohol fuel market. The company announced on February 18 that it should invest US\$ 330 million over the next five years, through its subsidiaries Transpetro and BR Distribuidora, in infrastructure to transport the product.

With this the company expects that, as of 2010, they will have the capacity to export 8 billion liters of alcohol per year. Just to have an idea, Brazil currently exports about 2.4 billion liters of the product per year.

Amongst the main undertaking forecasted, all of them in the state of São Paulo, which is responsible for the greatest production in the country, are the construction of a terminal in Conchas - a city in the west of the state, located on the left bank of the Tietê River (used for transport) -, the installation of four alcohol pipelines and the purchase of vessels for sailing in the Tietê-Paraná waterway.

The alcohol pipelines should connect the city of Conchas to Planalto Refinery (Replan) in Paulínia, a petrochemical hub located in the northwest of the state, 118 kilometers from the state capital São Paulo; the Sertãozinho region, the largest producer of alcohol, also to Replan; the city of Paulínia to Taubaté in Paraíba Valley, an industrial region that is between the city of São Paulo and the state of Rio de Janeiro; and Guararema, in the metropolitan region of São Paulo, to São Sebastião port, on the coast of the state.

According to Transpetro, alcohol may also be exported through the Ilha D'Água terminal, in Rio de Janeiro, which is already connected to São Paulo.

"With the enactment of the Kyoto Protocol, the world interest in clean fuel is rising," stated the Transpetro president, Sérgio Machado, according to information supplied by a spokesperson for the company.

"One of the most profitable is alcohol produced from sugarcane, which puts Brazil in a position of prominence on the foreign market, as the country is the largest world producer of this fuel," he added. Last year, Brazil produced 14.7 billion liters of alcohol.

The Kyoto Protocol was enacted on February 16th and determines that the developed countries that signed it should cut their emissions of greenhouse gas by around 5% between 2008 and 2012, using the 1990 values as references.

Brazilian producers believe that, with the increase of the demand for alternative fuels and the high price of oil, Brazil is going to add at least 3 billion liters to its annual alcohol exports by 2010. Ethanol has been used in large scale in the Brazilian car fleet for around 30 years.

### Waterway

On Friday, Machado and the president of BR Distribuidora, Rodolfo Landim, signed a protocol of intentions with the São Paulo state transport secretary, Dario Rais Lopes, with the objective of studying the viability of use of the Tietê-Paraná waterway for the transport of alcohol and oil derivatives.

The waterway includes 2,400 kilometers of navigable waters and connects the cities of Piracicaba and Conchas, both in the state of São Paulo, to the states of Goiás and Minas Gerais, up North, and to the states of Mato Grosso do Sul, Paraná and to Paraguay, down South.

According to Machado, the waterway may answer to the domestic market and also be included in a future export corridor. Landim stated that the system would reduce the cost of transport and Rais Lopes added that it has

environmental advantages.

The Protocol of Intentions forecasts the establishment of a work group to study the technical, economic and environmental viability of the plan. It has a two-year schedule, but Machado believes that even before that, results will be presented, proving various projects viable.

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