

Ethanol Summit 2011

Markets & Investment: A new cycle of investments for sugarcane in Brazil

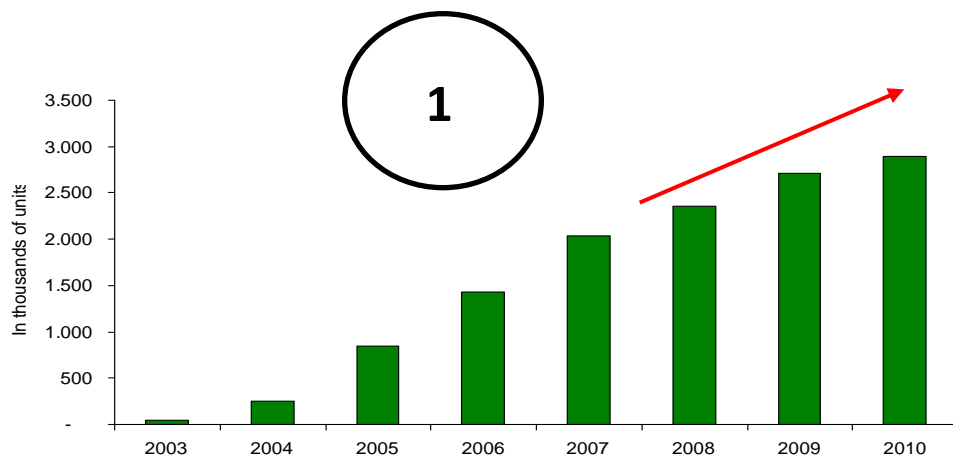
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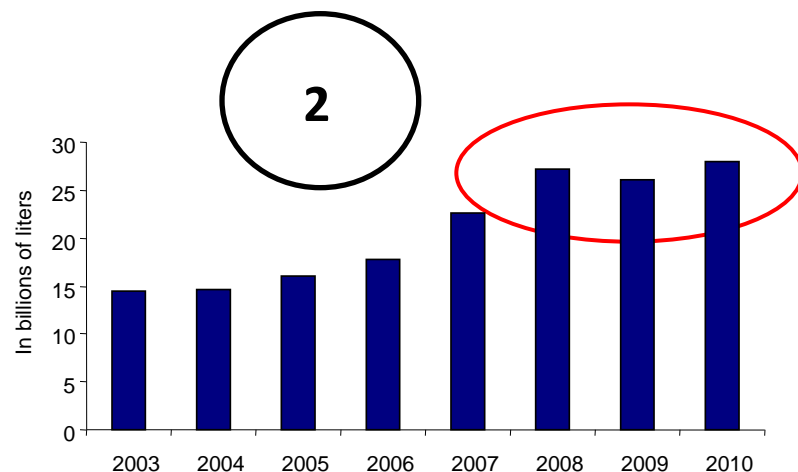
São Paulo, June 06, 2011



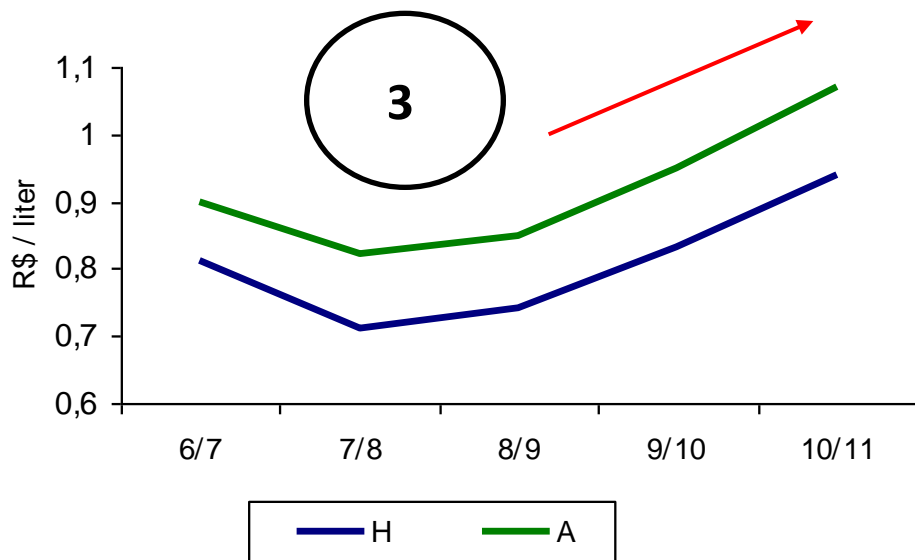
The Brazilian Ethanol Scenario



Source: ANFAVEA



Source: MAPA and EPE



Source: CEPEA/ESALQ and UNICA

1 11% average annual growth in sales of flexible-fuel vehicles over the last 3 years

+

2 Stagnant supply over the last 3 years

3 Significant increase in average prices over the last 3 harvests

1. Expand the industry capacity

- agri and industrial Capex (including biopower generation projects)

2. Finance logistic systems to transport ethanol production

- Logum (project finance scheme), USD 4.4 bn Capex, 1,330 km stretch, first tranche underway

3. Finance the capital goods supply chain

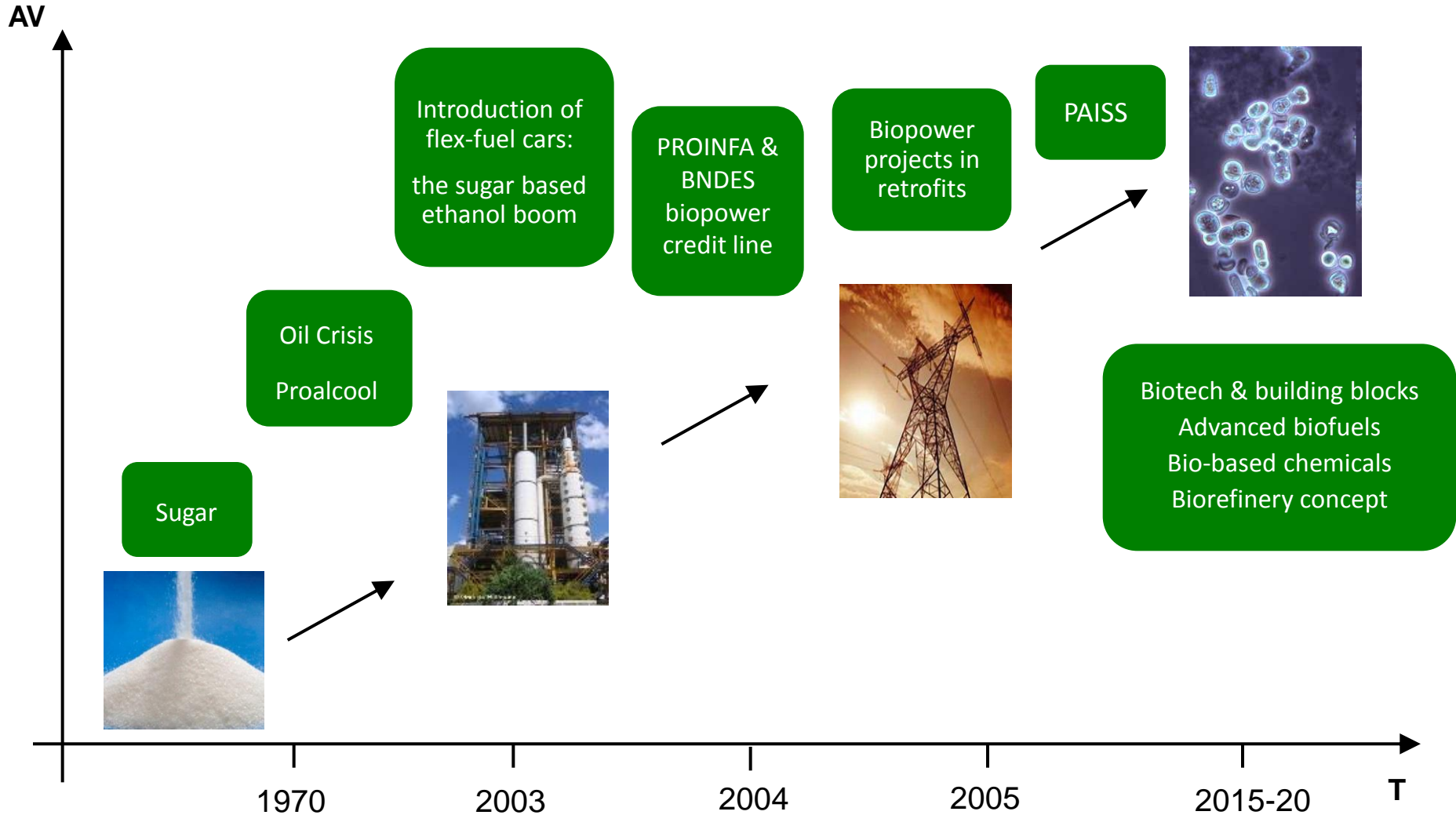
- sector's reorganization and consolidation process

4. Finance innovation (advanced conversion platforms)

- traditional credit lines and the PAISS Joint Program with Finep

Total disbursement over the 3-year period (2008-10): **BRL 20.6 bn (USD 11.1 bn)**

Vision for the future



What?

Joint Program (BNDES and FINEP) to finance innovation in the sugar-based ethanol and chemical sectors

Why?

To foster, select and finance initiatives (business plans) that focus on developing, producing and commercializing new industrial technologies to process the sugarcane biomass

What does it offer?

Coordination of the efforts between the BNDES and FINEP focusing on specific research lines: BRL 1bn (~ USD 625m)

What are the focus points?

(i) Cellulosic Based Ethanol; (ii) New sugarcane products; (iii) Gasification

When is the deadline?

Letters of intention should be submitted by June 17

- The increase in the flex-fuel fleet was not accompanied by growth in ethanol production, despite the industry's idle capacity – proving the need for **immediate investment in cane renewal** (+ 60 mln tonnes).
- To meet growing demand up to 2015-16, **an extra 50-60 mln tonnes of sugar cane should be available each year** from now on. The additional ethanol output should come from the ramp-up process in the new plants and improvements in brownfields (+ 130/150 mln tonnes).
- In the mid-term, scarce opportunities to acquire strategic assets may reignite the interest in greenfield investments.
- With the increase of domestic demand and consolidation of ethanol as sustainable and competitive alternative energy, **investment in technology is key** to guarantee Brazil's leadership in this industry.

For more information, visit www.bndes.gov.br

Thank You

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