May 20, 2021

Bento Costa Lima Leite de Albuquerque Júnior
Minister
Ministry of Mines and Energy (MME)

Attn: U.S. Industry Comments on Blend Reduction Request

Dear Minister Albuquerque:

On behalf of the U.S. ethanol industry, we write to express our strong opposition to a request from Brazil's fuel retailers calling for the reduction of the amount of ethanol required to be blended into gasoline from 27% to 18%.

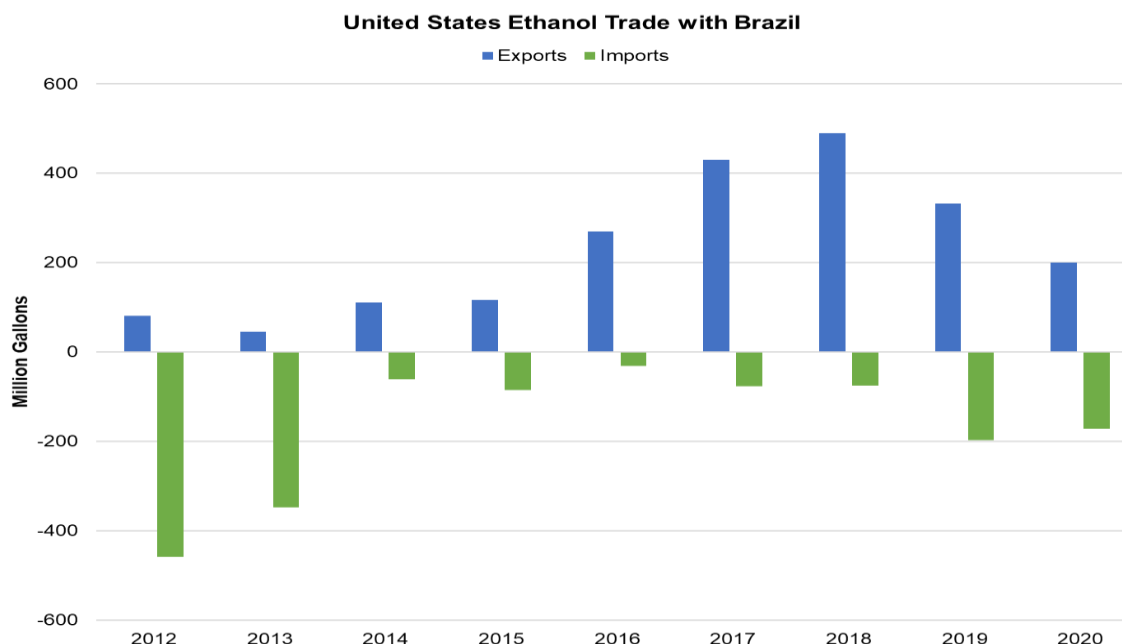
As was recently reported, Fecombustiveis, a trade association representing a number of Brazilian fuel retailers, is requesting that Brazil's government reduce the amount of anhydrous ethanol required to be blended into gasoline. According to the retailers, because Brazil's sugar cane crop is being affected by drier-than-normal weather, the harvest has experienced a slow start, which has reduced production of ethanol, thereby causing supplies to tighten and prices to rise. The retailers are further asserting that some fuel distributors are finding it difficult to acquire enough ethanol from mills to meet the mandatory blending requirements, thereby causing delays in gasoline distribution.

While we appreciate and accept that ethanol production is, at times, temporarily impacted by regional weather conditions, we do not believe that the appropriate response to such marketplace fluctuations is to reduce mandated ethanol blend levels. All energy markets are disrupted from time to time by weather-related events. As a recent example, a winter storm in February caused widespread electricity and natural gas outages in the south-central United States. However, we believe that most short-term market fluctuations, like those resulting from weather fluctuations, can best be addressed through the employment of market-based approaches that allow free and fair global trade to assist in addressing regional supply deficiencies , rather than changing blend levels or backsliding on environmental targets or commitments.

**Bilateral Free Trade Effectively Addresses Ethanol Supply Deficiencies and Price Volatility**

For more than a decade, Brazil and the United States have relied on each other for ethanol imports to address supply shortfalls and provide market stability when faced with production deficiencies. During the North American drought of 2012 and 2013, for instance, the United States imported a total of

slightly more than 800 million gallons of fuel ethanol from Brazil, virtually duty-free. And, Brazil imported more than 800 million gallons of U.S. ethanol in 2018 and 2019 to help address modest shortfalls in domestic supply. As the graph below illustrates, our nations have long used bilateral free trade in ethanol to respond to domestic supply shortages and to combat price increases:




However, today, as a result of Brazil's recent imposition of a 20% tariff on all imports of ethanol from the U.S., the normal trade flow of ethanol between our two nations has been severely limited. The existing tariff is impeding the ability of ethanol imports to address the price volatility and supply availability issues that Brazil is currently facing due to this year's reduced domestic production.

Based upon our years of experience with mutually beneficial bilateral ethanol trade, we believe that the best way to address Brazil's rising ethanol prices and tightening supply is to remove existing barriers to ethanol imports. In particular, removing the 20% tariff placed on all ethanol imports last December would help stabilize the market and grow the supply of ethanol available for fuel blenders.

As we have consistently asserted, the imposition of these import tariffs does not encourage competition or drive domestic industry growth in Brazil; instead, the tariffs only serve to drive up costs for consumers and make ethanol less competitive against incumbent high-carbon energy sources like petroleum. By removing the tariff barrier placed on ethanol, Brazil's retailers will immediately have access to ethanol available on the global market to help lower their costs and address any current gasoline distribution delays.

We further believe that allowing a less-than-ideal sugar cane growing season to serve as justification for the reduction of the required ethanol blend rate would undermine Brazil's efforts in fighting climate change. Any move to reduce required ethanol blending would unnecessarily jeopardize Brazil's nationally determined contribution (NDC) under the Paris Climate Accord. In our view, it would seem counterproductive and environmentally irresponsible to allow weather fluctuations to serve as the basis

for rolling back efforts to combat climate change, when it is arguably climate change that has been a contributing factor to the weather fluctuations our world has been facing in recent years.

We hope you will reject any efforts to reduce the blend volume in Brazil as a means of addressing tightness in the domestic ethanol supply, and instead look to a market-based approach that allows imports to help reduce prices and ensure availability. Specifically, we encourage the Brazilian government to remove the recently imposed import tariff on ethanol.

We thank you for considering our industry's views and look forward to working with you in addressing our common energy and climate challenges.

Sincerely,

| Ryan LeGrand | Emily Skor | Geoff Cooper |
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| U.S. Grains Council | Growth Energy | Renewable Fuels Association |

cc:

Ambassador Orlando Leite Ribeiro, Secretary of Commerce and International Relations at the Ministry of Agriculture (MAPA)

Ambassador Sarquis José Buainain Sarquis, Secretary of Foreign Trade and Economic Affairs at the Ministry of Foreign Affairs (MRE)

Ambassador Christian Vargas, Head of the Special Advisory Office for Foreign Relations at the Ministry of Mines and Energy (MME)

Fernando Alcaraz, Undersecretary for Trade Strategy of CAMEX