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President Bush and President Lula of Brazil Discuss Biofuel Technology

Petrobras Transporte S.A. Facility
São Paulo, Brazil

11:22 A.M. (Local)

PRESIDENT LULA: (As translated.) Mr. President George Bush, President of the United States of America; ladies and gentlemen, part of the Brazilian-American committees; ladies and gentlemen, part of the press; my friends, all present: It's a pleasure to receive President George Bush in São Paulo, our largest city in Brazil, a city which symbolizes the richness of our economy and entrepreneurship of our people.

We've come to Transpetro Terminal here in Guaruhos, to celebrate an important partnership which is really important between the United States and Brazil. The memorandum of understanding about cooperation in the biofuel area that was signed today is an answer to the great, energetic challenges of the 21st century.



The world is concerned with today's event and observing it carefully. We're launching a partnership to the future, a great plan which will renovate and transcend the bilateral plan and create opportunities on a world's scale. The partnership we will now launch is ambitious and aimed at all aspects related to the final incorporation of the energy plan of our two countries. I was very pleased to know about President Bush's decision to give greater value to biofuel within the energy plan of the United States.

This agreement brings into reality an idea which was born on the occasion of our meeting in Brasilia in 2005, when President Bush first became aware of Brazil's success story with biofuel. It's important to remember that when President Bush went to Brasilia I was truly obsessed with biofuel, and he almost couldn't have lunch because I wouldn't stop talking about biofuel. But I think that was important, because the world is not always ready and prepared for major changes unless we have untiring debates and people are convinced that Planet Earth needs to be de-polluted. And it's in our hands, we who have polluted it, to de-pollute it.

In the field of ethanol we have an extremely successful program that's come out of over 30 years of very much work and technological innovation. We are doing the same thing in our betting on biodiesel. By 2010, Brazilian diesel, 5 percent of it will come from native abundant plants in our country, such as African palm, cottonseed, sunflower, castor beans, and many other seeds.

Also, our biodiesel program has a major social impact. It is aimed at small farmers to family farmers. It will help create jobs and income in the poorest regions of our country, especially in the northeastern semi-arid region, where many of these crops are actually native.

Today the entire society is reaping the fruit of these efforts, and other countries want to share Brazil's experience. The memorandum is an important step in that direction. But it's not just an economic partnership between Brazil and the U.S. A close relationship and cooperation between the two leaders in ethanol production will make it possible to democratize access to energy. The growing use of biofuel will be an inestimable contribution to the generation of income, social inclusion and reduction of poverty in many poor countries of the world.

We want to see biomass generating sustainable development, above all in South America, Central America, in the Caribbean and in Africa. Brazil and the United States should create alliances with other countries to achieve global diversification of the production of biofuels. To that end, we must lay the basis for a global market of biofuels.



We share a responsibility and special challenges. But our strategic partnership is also strengthened with the creation of the International Biofuel Forum with the participation of India, China, South Africa and the European Union, in addition to Brazil and the U.S. This is how we will achieve the scale of production we need to potentialize the benefits of ethanol and biodiesel.

Brazil has been a tireless defender of renewable energy resources and renewable fuels. Therefore, we are very pleased with the growing awareness of the international community that we need to overcome dependency on fossil fuels at a time when we are called upon to act urgently to confront global warming. Anything we can do to reduce emissions of polluting gases will be a gain.

Biofuels provide a cleaner and economically viable alternative. Technology is our major ally in this undertaking. The gains with the use of biofuel in Brazil are already clear in the development of new technologies in the creation of a cleaner energy blend.

President Bush, we have more than tripled the yields of sugarcane plantations, which are the main source of ethanol. And we have demonstrated that it is possible to increase the production of biofuels without harming the production of food, and also reducing deforestation of the Amazon region.

Most of the automobiles sent today in Brazil are flex-fuel. This is a technology we developed here, and which has made ethanol a safe and reliable fuel. I am calling on Brazilian industry to do the same with biodiesel. Our car and truck builders should get ready because we need to move on biodiesel.

I am convinced, President Bush, that the United States, with its great technological and entrepreneurial capacities, will be an extraordinary partner in this undertaking. Your visit to Brazil today, and our tour around Petrobras, and the conversations we will still be having over lunch may well mean a strategic alliance that will allow us to convince the world that everyone can change the energy blend. After all, we, as I just said, who have polluted the world so much in the 20th century, need to make our contribution to de-polluting it in the 21st century. We, after all, are responsible, and we want our children and our grandchildren to be able to live in a world that is less polluted than the one we live in today.

In addition to doing the good for humanity with biofuels, we will also be, for the first time, using biofuels as a way to distribute income and create jobs in an unprecedented scale in the history of humanity. Above all, if we analyze what can be done for countries in Africa, if we analyze what to do in poorer countries of South America, and when we look at what we can do in Central America and the Caribbean, where the United States has a partnership with all those countries, and I believe that that partnership between the U.S. and Brazil can, beginning today, really be a new moment for the global car industry, a new moment for fuel, in general, in the world, and possibly a new moment for humanity.

Therefore, thank you very much for your visit. (Applause.)

PRESIDENT BUSH: Bom dia. Thank you for your hospitality, Mr. President. It's good to be back in your beautiful country. Laura and I really have been looking forward to the trip to São Paulo. It's one of those great cities. And I have been looking forward to our conversations. You know, Brazil and the United States are the two largest democracies in our hemisphere, and we've got a lot in common, and we've got a lot to do together to improve the lives of millions in our respective countries, and hopefully in neighboring countries, as well.

I find it really interesting that much of our talks on this visit are going to be centered on energy. It's a new kind of energy. I don't think 20 years ago, an American President, or a Brazilian President, would have thought,

let's see, see if we can find common ground on energy production. And yet, as the President noted, that we had a long discussion in Brasilia about alternative fuels. And now we're at a plant that's actually manufacturing alternative fuels on an economic basis that has got the capacity to change our respective countries in the world. And I, like the President, am very upbeat about the potential of ethanol and biodiesel. And that's why we're here.

I do want to thank Sergio Gabrieli, who is the President of Petrobras, for his hospitality. I appreciate very much your briefing. And I want to thank all the workers here for greeting us. I want to thank the folks from Ford and General Motors who are here. It's nice of them to show up to see the American President. I appreciate your willingness to be innovative and to meet market demands with products that actually matter, and in this case, flex-fuel vehicles.

People have wondered why the President of the United States would be so interested in diversification of our energy supply, and here are the reasons. One, if you're dependent upon oil from overseas you have a national security issue. In other words, dependency upon energy from somewhere else means that you're dependent upon the decisions from somewhere else. And so as we diversify away from the use of gasoline by using ethanol we're really diversifying away from oil.

Secondly, dependency upon oil creates an economic problem for not only the United States, but anybody else who imports oil. In a globalized world, if the demand for oil goes up in China or India, it runs up the price of gasoline in our respective countries. And therefore, diversification away from oil product is in the economic interests of our respective countries.

And finally, as the President noted, it is -- we all feel incumbent to be good stewards of the environment. It just so happens that ethanol and biodiesel will help improve the quality of the environment in our respective countries.

And so I'm very much in favor of promoting the technologies that will enable ethanol and biodiesel to remain competitive, and therefore, affordable to the people in our respective countries and around our neighborhoods.

One of the things I like, as the President noted, is that a good ethanol policy and good alternative fuel policy actually leads to more jobs, not less. In other words, at this plant there are jobs. But as the President noted, when you're growing your way out of dependence on oil, you're dependent upon people who work the land, and the distribution of wealth, the distribution of opportunity to farmers, particularly the smaller farmers in our respective countries, will enable the economy to be more on firm foundation.

And so, Mr. President, your vision is absolutely correct. I appreciate so very much the fact that much of your energy is driven by sugarcane. It, frankly, gives Brazil a tremendous advantage in the world markets. Sugarcane is by far the most efficient raw material for the production of ethanol. The President has wisely invested in technologies that will increase your yields per acre, and that makes a lot of sense. In America, we've got a little different issue -- we don't have a lot of sugarcane. And so our stock material, our base material for ethanol thus far has been corn.

I appreciate very much the innovation that's taking place here in Brazil. I mean, if you're the leader in ethanol I believe you'll continue to come up with technologies that should be available for others. Your H-bio process for refining biodiesel from soy and other agricultural products is such an example. In other words, you'll be able to use regular refinery as a result of the technological developments that you've got here. And that makes a lot of sense, and I congratulate you, Mr. President, and Petrobras for staying on the leading edge of technological change.

A lot of people wonder whether or not it makes sense to develop an alternative-fuel infrastructure if the automobile doesn't stay up with it. Well, most people in America don't know that there are millions of flex-fuel vehicles on our street today. Just people don't know it. In other words, we have now got the capacity to manufacture automobiles in a way that meets the demands for ethanol. Flex-fuel means you can either use gasoline or alternative fuels, your choice. And in America, we are -- that technology is available. So my fellow citizens shouldn't fear the development of an alternative source of energy industry because the consumer has got the capacity to buy an automobile that will meet those new productions.

I'm very optimistic that America can benefit from alternative energy sources, so optimistic that I laid out an ambitious goal for our country, and that is to reduce gasoline consumption by 20 percent over 10 years. In other words, we have a mandated fuel standard of 35 billion gallons of alternative fuels to be used by 2017. That is now seven times more the amount of alternative fuels we're using. Right now, we're using about 5 billion gallons of ethanol. I believe that the technologies will be such that America will be consuming 35 billion gallons of alternative fuels.

And that's important for our country. It is a commitment to becoming less dependent on oil, and it's a commitment to be better stewards of the environment.

In my budget, Mr. President, I proposed to Congress that we invest \$1.6 billion over 10 years on additional research to make sure that we can have alternative fuel stocks to make ethanol. Just so you know, in the last years -- so long as I've been the President, we spent about \$12 billion on new technologies that will enable us to achieve economic independent, as well as be better stewards of the environment.

There's a lot we can do together. I appreciate so very much the idea of Brazil and America sharing research and development opportunities. You've got great scientists, we've got great scientists; it makes sense for us to collaborate for the good of mankind. And part of our initiative is that we are going to work together efficiently and to cooperate on research and development.

I also think the President's idea of helping others realize the benefits of alternative fuels makes a lot of sense. And so we applaud the Inter-America Development Bank, it's efforts to try to get loans and capital into countries that could benefit from alternative sources of energy. I'm particularly anxious to work with the President on helping Central America become less dependent on oil, become energy self-sufficient. It's in -- it's in the interest of the United States that there be a prosperous neighborhood. And one way to help spread prosperity in Central America is for them to become energy producers, not become -- not remain dependent on others for their energy sources.

And finally, the President mentioned the fact that at the United Nations, there was a International Biofuels Forum. What he didn't tell you, it was his idea. And I applaud the fact, Mr. President, that you put that idea out. It makes a lot of sense for countries like China and India to understand the potentials of alternative sources of energy. And I believe that Brazil and the United States has got the capacity to help lead the way toward that better day.

So, Mr. President, it has been a great first meeting here. I appreciate the fact that you're about to buy me lunch. I'm kind of hungry. (Laughter.) Looking forward to eating some of that good Brazilian food.

But in the meantime, I hope the citizens of Brazil, like the citizens of the United States, are as optimistic about the future as these two Presidents are. And one reason we're optimistic is because we see the bright and real potential for our citizens being able to use alternative sources of energy that will promote the common good.

So, Mr. President, thank you for having me. (Applause.)

END 11:43 A.M. (Local)