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## **Cefic (European Chemical Industry Council), UNICA (Brazilian Sugarcane Industry Association)**

With respect to the ongoing EU-Mercosur trade negotiations, the above associations call for full tariff elimination on bio-ethanol, for use as feedstock in the chemical industry only. Access for bio-ethanol to be used in the transport sector should be done through tariff-rate quota.

Duty-free access to bio-ethanol limited to chemical use would provide “win-win-win” opportunities for all stakeholders involved:

- (1) Duty-free access would help the chemical industry to develop further the bio-based chemistry segment and increase its share of renewable feedstock, boosting economic growth and jobs, and responding to growing market demand for bio-based products (e.g. bioplastics). This would also be in line with the recent Commission’s statement on Industrial Policy, that lists a series of actions on Circular Economy, notably ‘measures to improve the production of renewable biological resources and their conversion into bio-based products’;
- (2) Requests by trading partners for access to the EU bio-ethanol markets could be channelled to a new market segment, the bio-based chemistry segment, preventing harm to the biofuel market supplied by European bio-ethanol producers. From a customs point of view, it is possible to eliminate import duties on imported bio-ethanol only destined for chemical uses by means of end-use control, so there is no risk of leakage to the fuels market;
- (3) Duty free access for bio-ethanol would also help ramp up European ethanol output. By spurring the development of the bio-based chemistry segment, it will give a new market opportunity to European bio-ethanol producers, in addition to the biofuel market.

For the moment, though, investments in bio-based chemistry are failing to materialise in the EU. This is due to different factors: (1) EU production of bio-ethanol mostly forgoes meeting chemicals industry demand to supply the biofuel segment, (2) import duties of 40-60% are currently applied on bio-ethanol (3) the current EU customs regime schemes available (Inwards Processing special procedure, tariff suspensions, etc.) leave the industry with short term, unpredictable and uncompetitive options, as they are subject to periodic review, and (4) due to the competition from end products from third countries’ producers sourcing renewable feedstock at world market prices.

Duty-free access to supplies of bio-ethanol is a golden opportunity for Europe to combine the target of greater use of renewable feedstock with competitiveness goals. The European chemical industry and the Brazilian sugarcane industry look to the European Commission to unblock the current feedstock situation, through the ongoing EU-Mercosur negotiations. This would allow the industry to unleash investments in bio-based production plants in Europe.