

EU-MERCOSUR AGREEMENT

Impact on agricultural sectors

ETHANOL

 **iEthanol**
European Industrial Ethanol Association

ePURE
european renewable ethanol

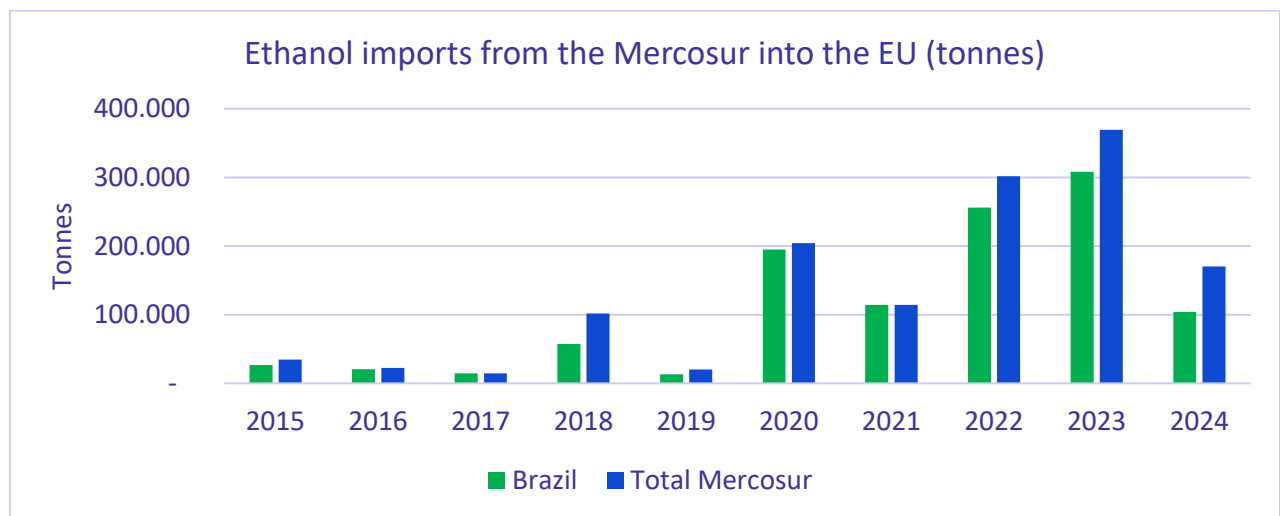
ERC

ETHANOL

Quota granted under the agreement: Tariff Rate Quota (TRQ) of 650,000 tonnes of ethanol, split into 200,000 tonnes for all uses (including fuel) with an in-quota rate 1/3 of most favoured nation (MFN) duty and 450,000 tonnes for chemical uses, duty-free.

Any other relevant market access considerations: Footnote 3 in Annex 2-A on Tariff elimination schedule: “EU may provide that imports of ethanol under the portion of the quota reserved for use by the chemical industry are subject to an ‘End Use Procedure’, with a view of conducting the customs control relating to the use of such goods. Although the Agreement stipulates that customs controls must prevent circumventions and strict application of the quotas, we are extremely concerned by potential frauds due to a lack of a clear, efficient and harmonized methodology to control imports and end-uses. Indeed, the Commission cannot provide a general rule on the method applicable by the national customs authorities to verify the aforementioned compliance, knowing that additional resources must be invested by national customs to ensure proper controls.

Current imports into the EU from the Mercosur:



Source: Eurostat

Evaluation of the impact on:

- **Market share:** The share of the ethanol market ceded to Mercosur, which was originally projected to represent in about 6% of a balanced and dynamic ethanol market, now represents 12% of the total EU ethanol production capacity¹ (fuel & non-fuel) and 38% of the industrial ethanol market², which is not growing anymore and already fully open to imports from many other countries, including major producers such as Canada and Pakistan.

- **Price:**

Production costs:

- **Brazilian Advantage:** Brazil benefits from large-scale subsidies (e.g., RenovaBio), low labor costs, and minimal regulatory burden. Their competitiveness is not due to inherently superior feedstocks but due to systemic regulatory imbalances.
- **EU Production Challenge:** Ethanol production costs in the EU are among the highest globally, driven by expensive energy, labor, and strict regulatory standards. Heavy dependence on imported energy and compliance with demanding sustainability, safety, and traceability requirements significantly increases operational costs, placing EU producers at a structural disadvantage.

Subsidies and Support: Brazil's government has historically supported the ethanol industry, particularly through favorable policies, incl. RenovaBio³, tax incentives, and infrastructure for exporting ethanol. This has made Brazilian ethanol even more competitive internationally.

¹ Data based on Eurostat and ePURE audited figures

² F.O.Licht 2025.

³ The RENOVA BIO program provides financial support and incentives for the development of biofuels in Brazil. These include grants, subsidies, and funding mechanisms to encourage innovation, production, and the scaling-up of bioethanol production. This financial assistance reduces the overall production cost for Brazilian ethanol producers, which helps them offer lower prices in the international market, especially in comparison to EU producers who may not have access to the same level of support.

Key market concerns (incl. TRQ management, activation of safeguards, cumulative impact, inward processing)

Ethanol TRQ or duty free	(tonnes)	
MERCOSUR	650,000	TRQ
Pakistan	219,000	duty free imports in 2024
UK	229,000	duty free imports in 2024
Canada	117,000	duty free imports in 2024
Norway	14,161	TRQ
Ukraine	100,000	TRQ
South Africa	100,000	TRQ
Peru	94,000	duty free imports in 2024
Guatemala	82,000	duty free imports in 2024
Bolivia	15,000	duty free imports in 2024
Australia	5,000	TRQ - pending FTA agreement
Mexico	5,500	TRQ
New Zealand	4,000	TRQ
Vietnam	1,000	TRQ
Inward processing (Brazil + USA)	60,000	Inward processing
India	Unknown	FTA negotiations ongoing
Total potential cumulative volume	1.695.661	

- Next steps: Ensure a level-playing field

EU needs to revise the ethanol allocated quota for chemical use, **to exclude ETBE⁴ (a fuel) and most of the current foreseen non-fuel ethanol from the scope of the agreement and replace it with new industrial uses such as ethylene for plastics.** This would offset the fact that the EU ethanol market has not reached the high levels originally forecasted, upon which the European Commission based its ethanol quotas for Mercosur and reduce the risk to destroy the EU industry. However, the EU never adapted the Mercosur quota. In this perspective the 450,000 tonnes quota is no longer coherent. We call for a fair allocation of imports by market participants to mitigate the harm to the EU ethanol market from a total surge of imports which would lead to bankruptcy of many European producers.

⁴ In 2024 Brazil exported about 200,000 tonnes of ETBE to the EU, according to Eurostat figures and ePURE estimates. Lifting duties on ETBE imported from Brazil in the future EU-Mercosur deal represents a huge threat to EU renewable fuel ethanol industry. Indeed, the production of ETBE from imported Brazilian ethanol could reach up to 109% of the EU consumption of ETBE in road fuels, and completely take over the market for ETBE sourced from European renewable ethanol. The sensitiveness of ETBE under 2909 19 10 10 code imports is the reason why this product is also monitored under the surveillance of fuel ethanol imports by Commission Implementing Regulation (EU) 2023/1777 of 14 September 2023. Authorizing a duty-free import of a fuel would be totally against the spirit of this 450,000 tonnes TRQ which is reserved for strictly chemical uses.

DIVERGENCE OF STANDARDS and MERCOSUR INDUSTRY STRUCTURE

Agricultural practices: Brazil's agricultural expansion has led to a significant increase in the use of pesticides, with many substances that are banned in the EU still being used extensively, despite regulations on residue limits.

Traceability and Enforcement: According to a 2024 [report](#) published by Veblen Institute, EU's system to enforce Maximum Residue Limits (MRLs) to regulate pesticide residues in food products has notable shortcomings. Products treated with pesticides banned in the EU can still be imported if they meet these residue thresholds, and the absence of detectable residues does not necessarily indicate pesticide-free cultivation. However, MRL rules do not apply to all imported agricultural commodities.