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BRAZILIAN PULP AND PAPER ASSOCIATION

RISI - 3rd Latin American Pulp and Paper Outlook

**Brazilian Productivity and
the Multilateral Negotiations**

October 2008



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Brazilian Supremacy



Large Forestry Base

Clean Energy Matrix

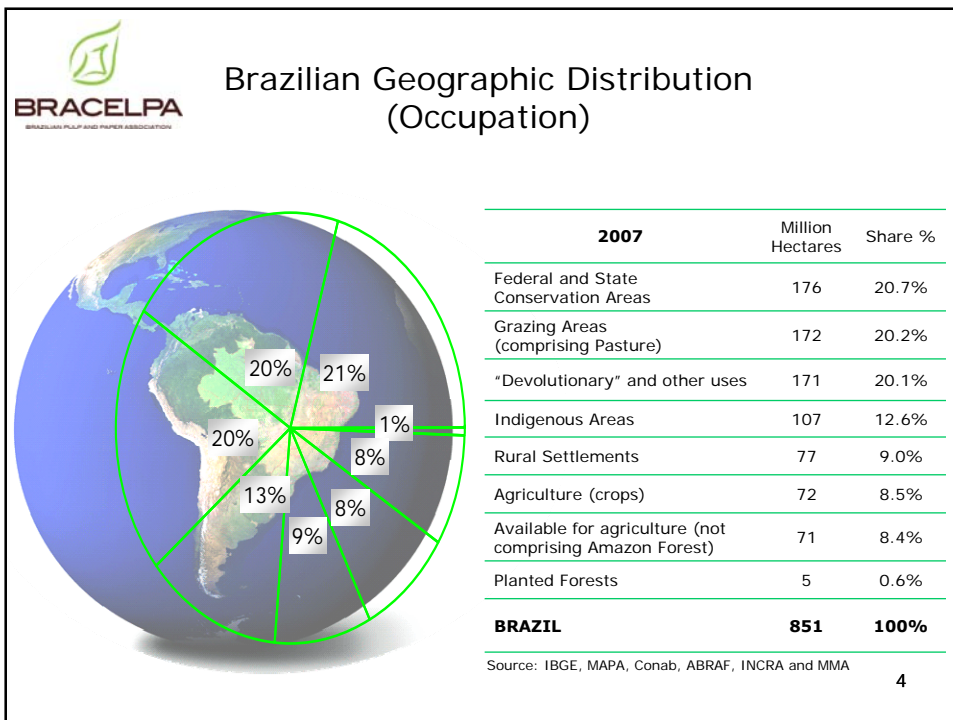
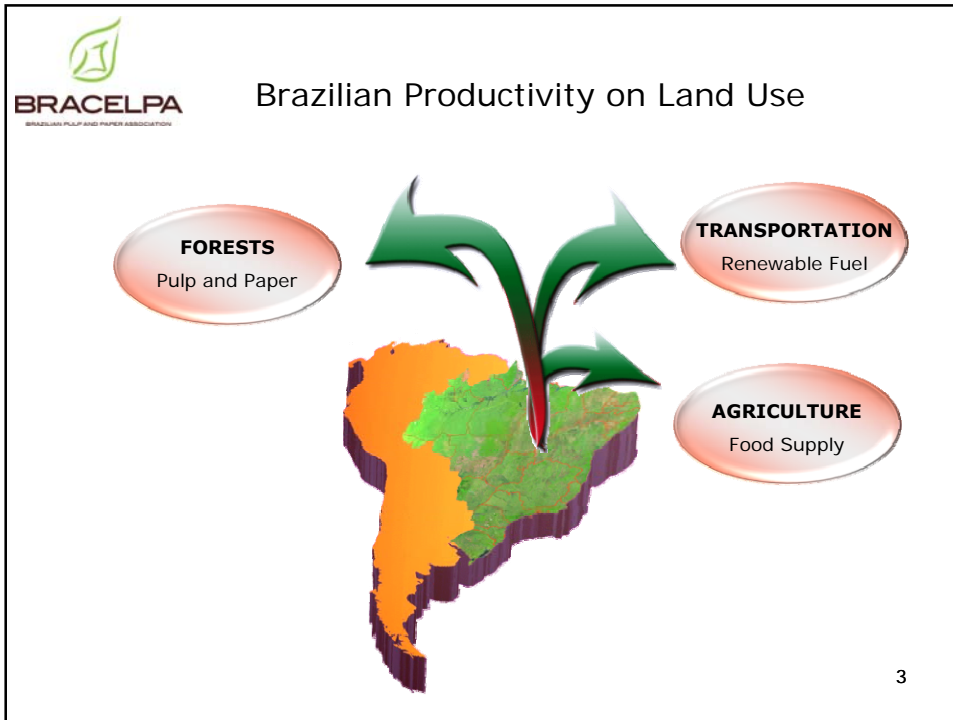
*Strong agricultural
potential*

Renewable Fuels

Major ethanol producer

Low Carbon Emission







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Brazilian Production

<i>PULP AND PAPER</i>					
	1990	2000	2007	2007/1990	Forecast 2008
Production (Mt)					
– Pulp	4.4	7.5	12.0	175.8%	12.8
– Paper	4.7	7.2	9.0	91.0%	9.3

Source: BRACELPA

<i>AGRICULTURE</i>					
	1990	2000	2007	2007/1990	Forecast 2008
Production (Mt)	381.3	481.6	702.9	84.3%	791.1

Source: IBGE and MAPA

<i>ETHANOL</i>					
	1990	2000	2007	2007/1990	Forecast 2008
Production (MI)	11.5	10.6	17.7	41,6%	22.5

Source: UNICA

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Brazilian Productivity

<i>PLANTED FORESTS</i>					
	1990	2000	2007	2007/1990	Potential
Productivity (m ³ /ha year)					
– Eucalyptus	29	35	41	41.4%	50
– Pinus	23	28	35	52.2%	40

Source: BRACELPA and SBS

<i>AGRICULTURE</i>				
	1990	2000	2007	2007/1990
Productivity (Kg/ha year)	7.549	9.594	12.161	61,1%

Source: IBGE and MAPA

<i>ETHANOL</i>				
	1990	2000	2007	2007/1990
Productivity (liter/ha year)	4.676	5.992	6.621	41,6%

Source: UNICA

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Brazilian Pulp and Paper Industry Performance

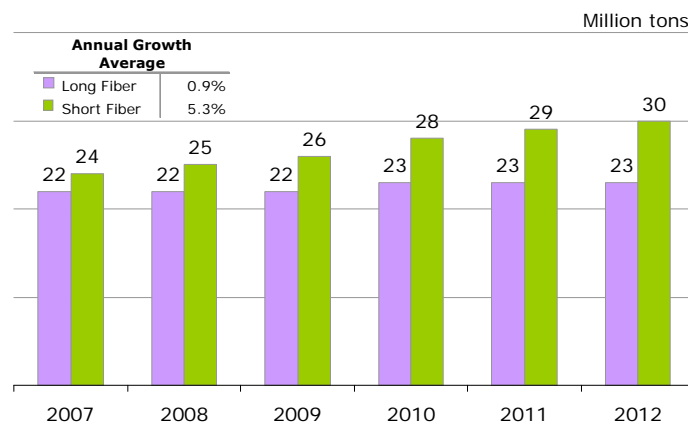


PULP	1,000 tons			%
	2007	January - August *		
		2007	2008	
Production	11,998	7,859	8,732	11.1
Imports	346	227	233	2.6
Exports	6,584	4,391	4,844	10.3

PAPER	1,000 tons			%
	2007	January - August *		
		2007	2008	
Production	9,008	5,988	6,091	1.7
Imports	1,097	686	872	27.1
Exports	2,006	1,396	1,366	-2.1

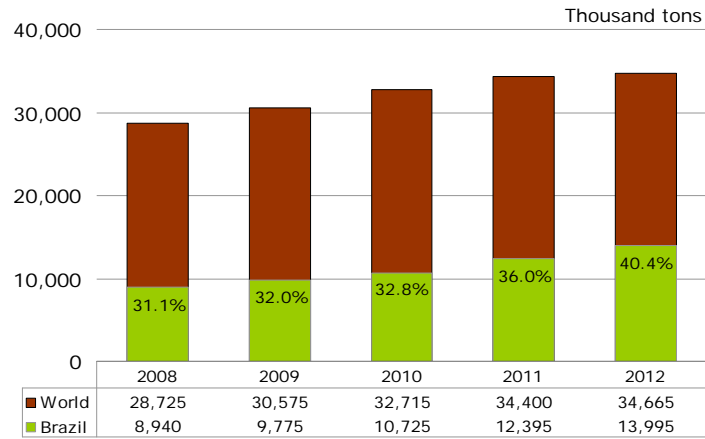
Source: BRACELPA and SECEX
* Preliminary data.

Market Pulp World Demand



Source: PPPC

World Capacity Bleached Hardwood Kraft Pulp



Source: PPPC/BRACELPA

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Major South American Bleached Eucalyptus kraft Market Pulp Capacity Expansions 2007 - 2015

thousand tons

Company	Location	Country	Grade	Capacity	Date
Suzano	Mucuri	Brazil	BHKP	1,100	Q3: 2007
Aracruz	Barra do Riacho	Brazil	BHKP	200	Q4: 2007
Botnia	Fray Bentos	Uruguay	BHKP	1,000	Q4: 2007
VCP	Três Lagoas	Brazil	BHKP	1,300	Q2: 2009
Aracruz	Guaíba	Brazil	BHKP	1,300	Q3: 2010
Veracel	Eunápolis	Brazil	BHKP	1,400	2011
Ence	Punta Pereyra	Uruguay	BHKP	1,300	2011
VCP	Rio Grande do Sul	Brazil	BHKP	1,300	2011
Suzano	Mucuri	Brazil	BHKP	400	2011
Suzano	Maranhão	Brazil	BHKP	1,300	2013
Cenibra	Belo Oriente	Brazil	BHKP	800	2013
Suzano	Piauí	Brazil	BHKP	1,300	2014
Suzano	Undisclosed	Brazil	BHKP	1,300	2015
Aracruz	Governador Valadares	Brazil	BHKP	1,400	2015
Portucel	Undisclosed	Uruguay	BHKP	1,300	NA
Celulosa Argentina	Undisclosed	Argentina	BHKP	1,000	NA
Stora Enso	Undisclosed	Brazil/Uruguay	BHKP	1,300	NA
Nippon Paper	Undisclosed	Uruguay	BHKP	NA	NA

Source: RISI

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Main Brazilian Agribusiness Exports

	2007		2008 (Jan-Aug)	
	US\$ Million	Million tons	US\$ Million	Million tons
1. SOYA COMPLEX	11,381.5	38.5	13,706.5	29.9
2. MEAT	11,294.7	5.9	9,845.5	4.1
3. FOREST PRODUCTS	8,819.9	15.0	6,460.4	9.7
- PULP AND PAPER	4,726.4	8.6	3,974.2	6.2
4. SUGAR-ALCOHOL COMPLEX	6,578.1	22.2	4,636.4	14.0
5. COFFEE	3,891.5	1.6	2,827.7	1.0
6. LEATHER	3,554.9	0.5	2,263.3	0.2
7. TOBACCO	2,262.4	0.7	1,669.1	0.4
8. FRUITS (JUICE)	2,374.0	2.2	1,415.0	1.4
9. CEREAL	2,219.9	11.7	1,381.8	4.8
10. FIBERS	1,557.7	0.7	885.1	0.4

Source: MAPA

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Food Security: Food x Fuel

- The debate on the food versus fuel does not apply to the Brazilian case;
- The Brazilian sugarcane production will expand towards to **degradable pasture lands**, generating environmental, economic and social benefits.

Availability of Arable Land in Brazil			
Million Hectares - 2007			
Brazil	851		
Total Preserved Areas and Other Uses *	536 (63%)		
Total Arable Land	315 (37%)	% of Total Land	% of Arable Land
1 Cultivated Land: All Crops	72.0	8.5%	22.9%
Soybeans	20.7	2.4%	6.6%
Corn	14.0	1.6%	4.4%
Sugarcane **	6.9	0.8%	2.2%
Sugarcane for ethanol ***	3.4	0.4%	1.1%
Orange	0.9	0.1%	0.3%
2 Pastures	172	20.2%	54.6%
3 Available Land (ag, livestock)	71	8.3%	22.5%

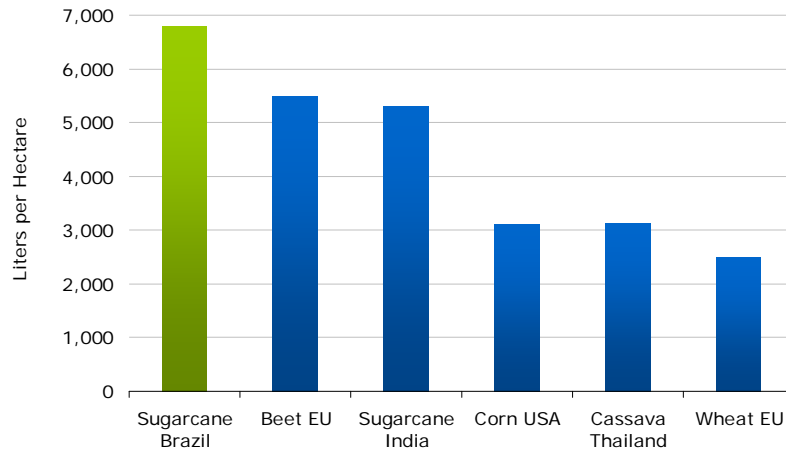
* These areas include Amazon Rain Forest, protected areas, conservation areas and reforestation, cities and towns, lakes and rivers. - ** Cultivated area - *** Harvested area for ethanol production.
Source: IBGE, CAN, Conab and UNICA

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Brazilian Ethanol Productivity



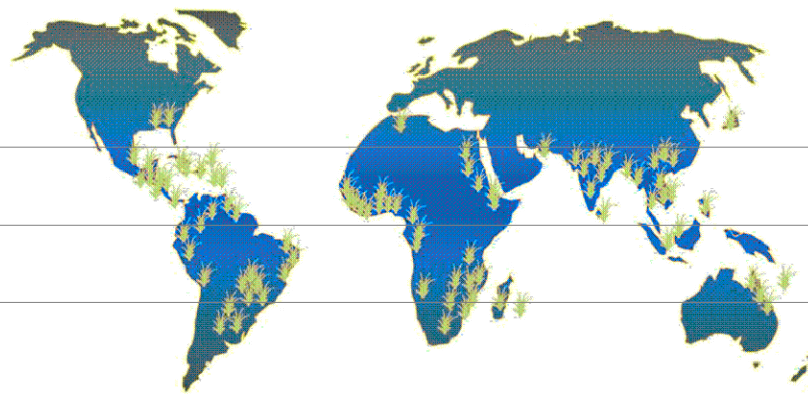
Source: IEA – International Energy Agency (2005)/MTEC/Icone/Unica

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World Map of Sugarcane Production



100 countries could supply biofuels to 200 nations, while currently 20 oil producers provide fossil fuels to the rest of the world.

Source: British Sugar

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Share in the Brazilian Trade Balance

US\$ Billion

	BRAZIL		PULP & PAPER		AGRIBUSINESS	
	2007	Jan-Sep 2008	Jan-Sep 2008	Share %	Jan-Sep 2008	Share %
Exports	160.6	150.9	4.5	3.0	55.3	36.6
Imports	120.6	131.2	1.3	1.0	8.9	6.8
Surplus	40.0	19.7	3.2	16.2	46.4	235.5


Source: MDIC

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GDP Growth

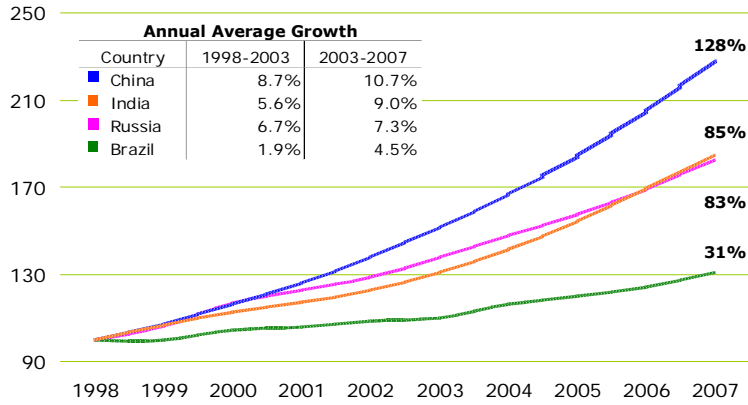


%	Japan	USA	Euro Region	World Growth	Brazil	Emerging Economies	China
2007	2.1	2.2	2.6	4.9	5.4	7.9	11.4
2008 *	1.4	0.5	1.4	3.7	5.0	6.7	9.3

* Estimated – IMF Projections
Source: FIESP

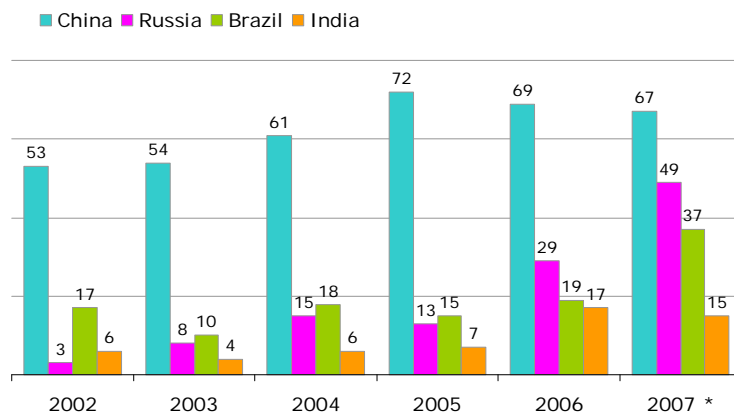
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World GDP – Annual Growth



Source: FMI

Foreign Investments in BRIC Countries US\$ Billion



Source: UNCTAD

* Preliminary data



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Climate Change Conference

Developed Countries Group - OCDE
(reduction goals)

Developing Countries + USA Group
(voluntary reduction goals)

2 guide ways

No commitment

New emission reduction
goals for 2013-2020

Pressure for a 3rd Group
with small goals

Poznan 2008
Copenhagen 2009

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Climate Change Conference



3rd Group

Brazil

Japan

Canada

Russia

China

India

Mexico

Korea

- US\$ 205 billion of foreign reserves
- Investment grade
- Highest increase in productivity in forest, agriculture and ethanol
- Clean industry
- Land availability
- Major world supplier

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Carbon Emission Main Countries

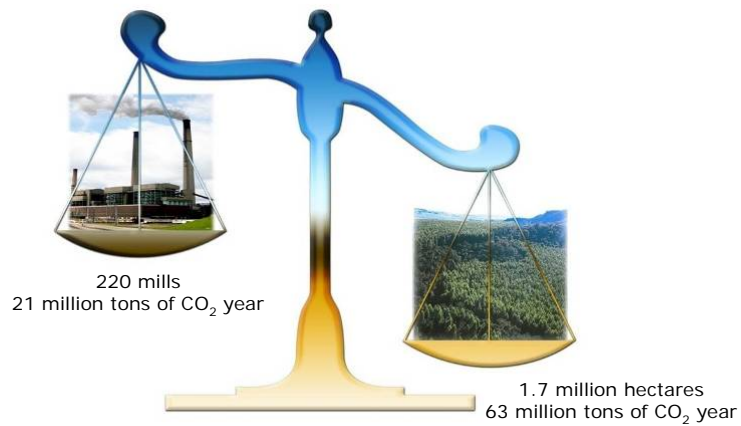
Country	Thousand tons of CO ₂
United States	1,650,020
China	1,366,554
Russia	415,951
India	366,301
Japan	343,117
Germany	220,596
Canada	174,401
United Kingdom	160,179
Korea	127,007
Italy	122,726
Mexico	119,473
South Africa	119,203
Iran	118,259
Indonesia	103,170
France	101,927
Brazil	100,500

Source: Isto é dinheiro magazine – n° 574 – October 2008

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Brazilian Pulp and Paper Industry Carbon Absorption Balance

Emission 1 ton = Absorption 3 tons



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Climate Change Conference

Developed Countries
Emission Goals

- ☑ Increase investments
- ☑ Increase of prices
- ☑ Impact on the final product

Developing Countries
No Emission Goals

- ☑ No investments
- ☑ Maintained prices
- ☑ Increase competitiveness of the final product



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Brazilian Position in the World Market DOHA x Climate Change Conference




- ☑ Biggest winner
- ☑ Increase food supply
- ☑ Decrease food prices
- ☑ Increase productivity
- ☑ More competitiveness

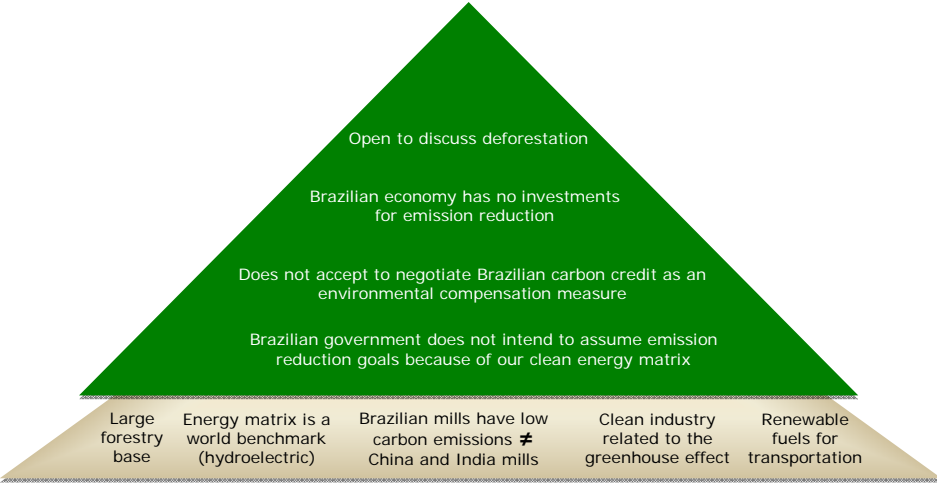
- ☑ Brazilian product will lose competitiveness in the world market, in case of emission reduction obligation

Doha Round is a major task for the Brazilian government

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Brazilian Status and Position



Open to discuss deforestation

Brazilian economy has no investments for emission reduction

Does not accept to negotiate Brazilian carbon credit as an environmental compensation measure

Brazilian government does not intend to assume emission reduction goals because of our clean energy matrix

Large forestry base


Energy matrix is a world benchmark (hydroelectric)

Brazilian mills have low carbon emissions ≠ China and India mills

Clean industry related to the greenhouse effect


Renewable fuels for transportation

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G5

Brazil, China, Mexico, South Africa and India



Dialogue and collaboration

Seminar and workshop

Exchange of information and best practices

Cooperation projects

Trade market

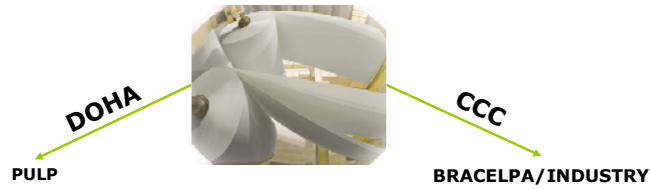
Global financial instability

Climate change

Steep rise of food and oil prices

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Brazilian Pulp and Paper Industry Position DOHA x Climate Change Conference



- ④ Leader in the market pulp production
- ④ Able to compete in pulp world market
- ④ Competitive advantage with a high investment period and exports increase

PAPER

- ④ Tariff barriers for paper competition
- ④ High production costs (raw materials + labor force), high taxes on the production chain, increase of world supply and unfair competition in the domestic market (tax-exempt paper)

- ④ No environmental compensation via planted forests
- ④ Developed countries must assume additional effective emission reduction goals
- ④ Carbon market must be associated to carbon emission reduction investments
- ④ States should not create emission reduction goals following the federal government policy
- ④ Clean pulp and paper manufacturing processes, biomass – natural gas

Kyoto Effect on the Brazilian Market

Brazilian reasons for not accepting reduction goals on the Kyoto Protocol

