

Fuel of the Future: New Legislation Supports Bioenergy

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Brazil's recently-issued Fuel of the Future Law (Federal Law 14.993/2024) opens up new opportunities for investment in the transportation and fuel sectors. The Law promotes the increased use of biofuels (biodiesel, ethanol, and biomethane) and establishes deadlines for adopting sustainable aviation fuel (SAF). It also introduces an innovative regulatory framework for carbon capture and storage (CCS) and begins the process of integrating other public sustainable mobility policies (RenovaBio, Mover, PBEV, and Proconve).

Since Brazil's national biofuels policy, RenovaBio, was introduced in 2017, the use of biofuels to replace fossil fuels has been one of the public policies fostered by the federal government with a view to meeting Brazil's decarbonization and energy transition targets. The topic's importance is not limited to Brazil: according to the International Energy Agency, global production of biofuels will have to triple by 2030 to make it possible to achieve the target of net-zero emissions for the sector by 2050. Brazil is the world's second largest producer of biofuels, with ample room to expand production to meet growing international demand.

Some of the stipulations provided for in the Fuel of the Future Law are: (i) adding up to 35% ethanol to gasoline (the previous limit was 18% ethanol); and (ii) increasing the proportion of biodiesel in diesel fuel to up to 20% (the previous limit was 10%). These targets will be scaled up annually.

The Law also establishes: (i) a requirement to use sustainable aviation fuel in domestic flights (the National Sustainable Aviation Fuel Program – ProBioQAV), and (ii) targets for reduction of emissions in the natural gas market through increased use of biogas and biomethane. In both cases, businesses in those sectors will have GHG reduction targets that may reach 10%.

The consequences of failing to meet the targets can be serious – in the case of reduction targets based on the use of biomethane specifically, the Law establishes a fine of up to BRL 50 million.

The new Fuel of the Future Law is expected to attract significant investment in the agribusiness and biofuels sector, including the construction of SAF plants and biorefineries, new projects to generate certified biomethane, and increased ethanol and biodiesel production.

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