

*Edmilson Moutinho dos Santos and Virginia Parente*

**THE SECOND ALCOHOL SHOCK IN BRAZIL - LOOKING FOR  
MORE FLEXIBILITY**

University of Sao Paulo – Brazil  
E-mail: edmilson\_em\_viagem@yahoo.com.br, vparente@iee.usp.br

Brazil has the most traditional wide-scale experience of using ethanol as biofuel. Yet the Brazilian experience with alcohol has already been marked by two major Alcohol Shocks, which have put the Program under questioning. This paper covers the history of Brazil's Alcohol Program from its first launching in the middle of the 1970s, its expansion until the middle 1980s, then the almost failure of the Program in the 1990s after the First Alcohol Shock in 1989. The paper describes how alcohol became popular again from 2002, but it ended up by experiencing another major crisis in the end of 2005, characterizing the so called Second Alcohol Shock. By describing through the Brazilian history with biofuel, the paper aims to discuss how far can Brazil as well as the world to count upon biofuels as substitute for petroleum products. The paper sustains that providing flexibility to consumers is essential condition for maintaining alive a sustainable biofuel program.