

# ACE/Biofuels Journal Webinar

## March 10, 2011

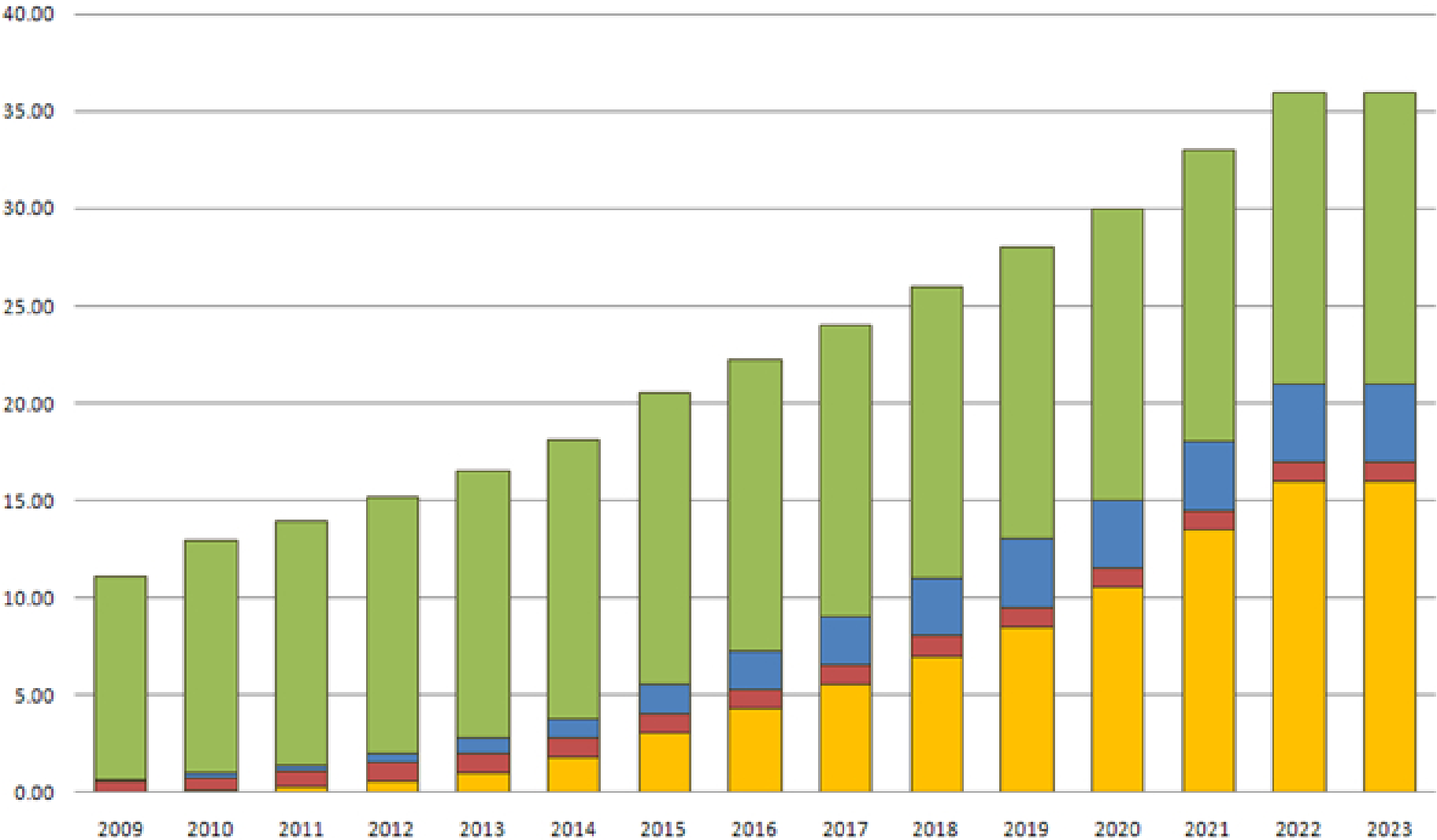


**BIOFUELS**  
JOURNAL

# Where We are Today: The Status of the U.S. Ethanol Industry

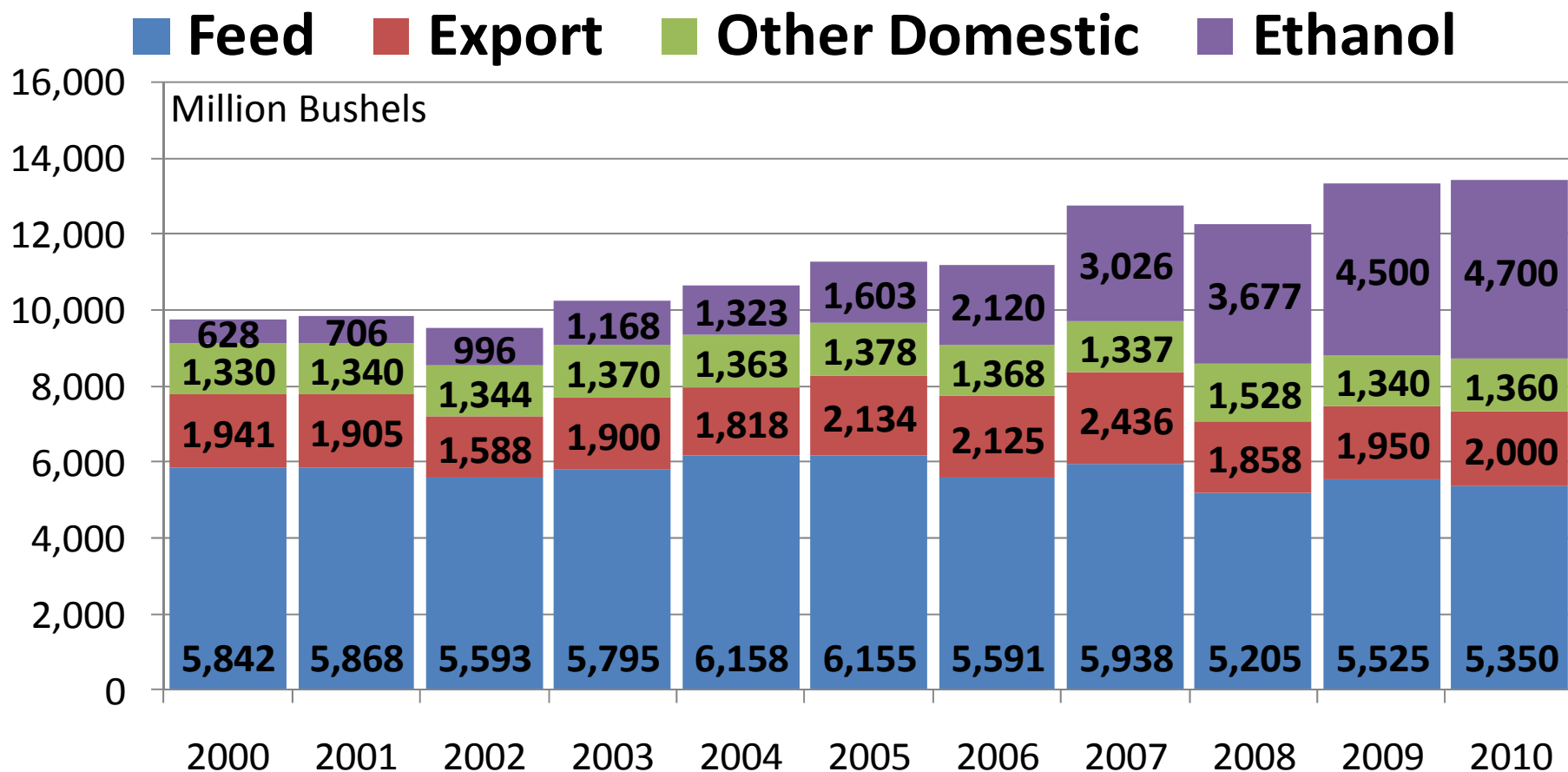
- Producing 13.23 Billion Gallons of Ethanol
- 12.86 Billion Gallons consumed domestically
- 397 Million Gallons exported in 2010.
- Production of advanced biofuels is well below expectations.

# Renewable Fuel Volume Requirements (in billion gallons)



Cellulosic Biofuels    Biomass-based diesel    Other Advanced Biofuels    Other Renewable Fuels

# Corn Uses 2000-2010

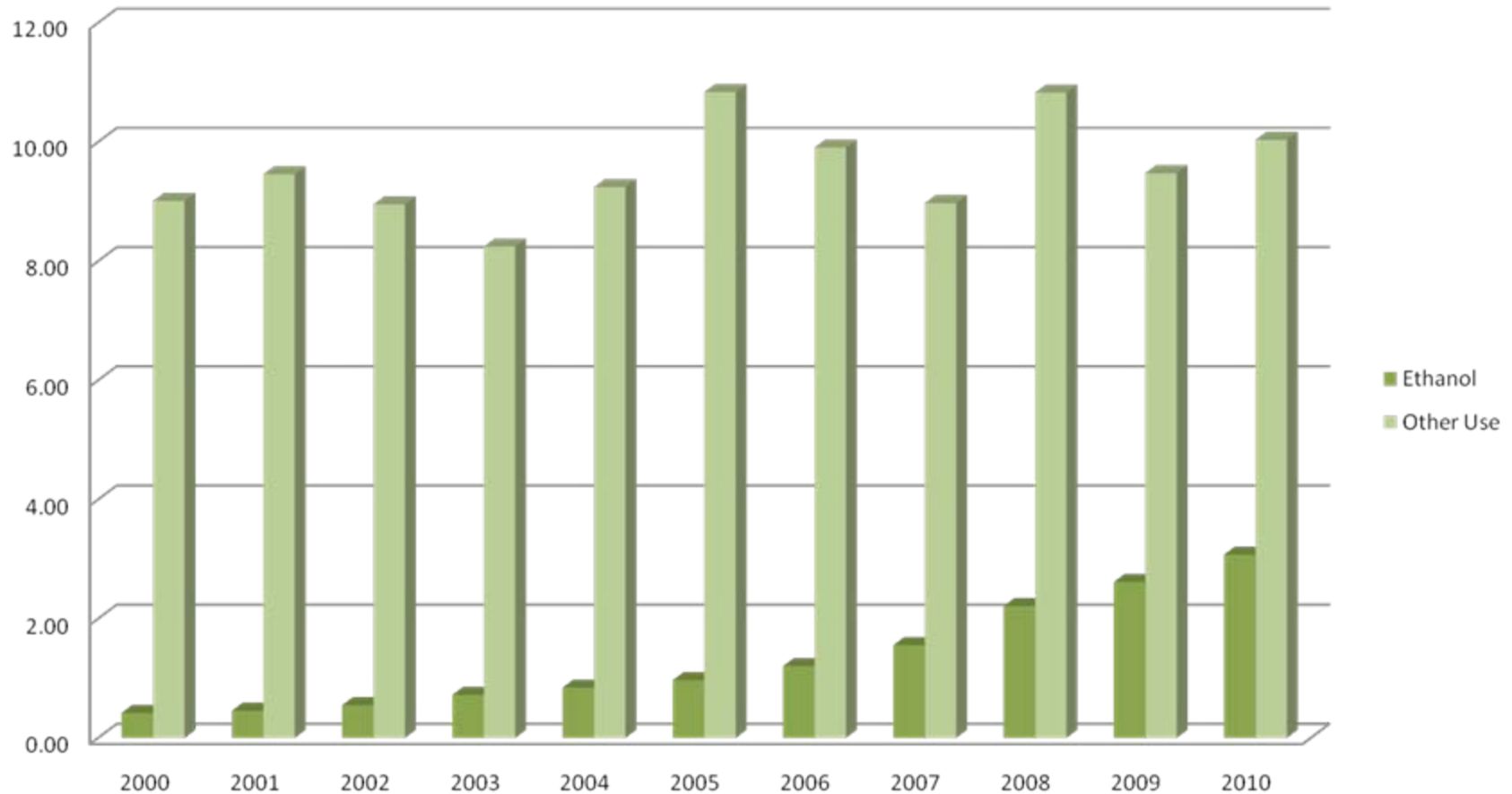


Ethanol category does not break out distillers grains.

Source: USDA, 7/9/2010



# Corn used for Food and Fuel



# Where We are Today: The Status of the U.S. Ethanol Industry

- Few blender pumps deployed, but progress being made
- 2500 stations sell E85
- About 900 of those stations have blender pumps, but only about 350 of those offer more than one grade of FFV fuel.



# Where We are Today: The Status of the U.S. Ethanol Industry

- FFV Numbers still low
- About 9 million cars are considered Flex-Fuel Vehicles (or 3.5% of the nations vehicle fleet)
- More FFVs are being produced
- 3.5 million more vehicles will be made starting in the 2012 model year.



# Ethanol Blending Economics

- Today's higher oil prices help create positive blending economics for higher ethanol blends.
- Currently, with ethanol prices lagging 50 cents below gas, E15 blends would be about a nickel a gallon cheaper than E10, which is 15 cents less than unleaded.



# E15 Waiver

- Approved for Vehicles 2001 and Newer.
- But DOE says further tests on older vehicles are unlikely.
- Decision on E15 in older vehicles will mean a number of cars on the road are not approved for E15.



# Labeling and Potential Liability Hurdles to E15

- EPA's proposed label (below) likely will discourage motorists from using E15 and needs to be fixed.
- Some retailers are worried about potential liability if they sell any blend higher than E10.
- Important reminder: E15 is not a mandate, rather, is an option.



# Getting to E15: What Needs to be Resolved

- State Ethanol Volume Caps
- Deployment of Blender Pumps
- Potential Liability Protection for Refiners and Retailers
- Small Engine Design and Retirement of Older Models
- The Legacy (pre-2001) Automobile Fleet
- Warranties for post-2001 Automobile Fleet

# Alternative Pathway to Biofuels Market Growth

- Greater Deployment of Flexible Fuel Vehicles and Blender Pumps
  1. This pathway will require a much higher percentage of automobiles sold in the U.S. to be FFV.
  2. Retailers installing pumps capable of dispensing higher blends up to E-85.

# Alternative Pathway to Biofuels Market Growth

- A cultural shift in driver attitudes driven by price differentials between E-85 and standard blends and an aggressive educational campaign.



# Other Biofuels Issues that are Being Debated

- Reform of the Volumetric Ethanol Excise Tax Credit (VEETC)
- Land Conservation
- Food Versus Fuel



# The Political Environment in which these Issues will be Addressed

- Split Control of Congress
- The Obama Administration
- Tea Party/Deficit Reduction
- Crude Oil and Gasoline Price Hikes
- 2012 Presidential Elections
- Opposition to Higher Blends and Generally Expansion of the Biofuels Market is Growing

# Pending issues

- Incentives to Deploy Blender Pumps and FFVs
- Preventing of Misfueling of Small Engines and Legacy Vehicles (which is the purpose of EPA's proposed retail label which should be announced soon, sometime in April)
- Warranties for Vehicles that use E-15.



# What to Watch For

- Potential Energy Bill This Summer?



# If No Resolution on Biofuels Issues

- If there is no agreement on key issues, deployment of blender pumps and E-15 market expansion will proceed slowly.
- Impact would likely be the hardest on the advanced biofuels industry.



# A Chance to Meet With DC Lawmakers to Talk About Ethanol

- ACE is hosting a DC Fly-In later this month
- Plans to meet with both Representatives and Senators
- Senators Thune and Klobuchar to address attendees and USDA will announce plans for blender pump grants and loan guarantees
- Occurs March 29-30
- Go to [www.ethanol.org](http://www.ethanol.org) for more details

# Questions?

