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MAJOR OIL COMPANIES USING THEIR MUSCLE TO BLOCK CONSUMERS FROM ACCESS TO E85?

According to the current issue of *Business Week*, “Despite collecting billions for blending small amounts of ethanol with gas, oil companies seem determined to fight the spread of E85, a fuel that is 85% ethanol and 15% gas.” Clearly, the major oil companies would rather import crude oil from the Middle East at \$80 per barrel and limit capital investment in expanding refineries in the US than allow competition into the domestic fuels market. http://www.businessweek.com/magazine/content/07_40/b4052052.htm?chan=search

Business Week cites a recent study by Mark Cooper, research director at the Consumer Federation of America, who characterized the situation as “Big Oil’s war on ethanol.” “The industry,” he writes, “reacted aggressively against the expansion of ethanol production, suggesting that it perceives the growth of biofuels as an independent, competitive threat to its market power in refining and gasoline marketing.” <http://www.consumerfed.org/pdfs/Ethanol.pdf>

The article goes on to document how major oil companies have funded a variety of “studies” aimed at discrediting the ethanol industry -- from a research group study commissioned by the American Petroleum Institute (API) blaming ethanol for rising food prices to an attack by academics on the amount of energy required to produce ethanol.

Additionally, major oil companies have resisted installing E85 pumps at gasoline stations they own or lease, making it difficult for consumers to fill up

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their flex-fuel vehicles, five million of which are already on the road. *Business Week* reports that this resistance angers America’s carmakers.

“General Motors, Ford, and Chrysler all pledge that half of new-vehicle sales should be flex fuel by 2012 but are waiting for bigger commitments to E85 pumps. ‘Big Oil is at the top of the list for blocking the spread of ethanol acceptance by consumers and the marketplace,’ says Loren Beard, senior manager for energy planning and policy at Chrysler, referring to the struggle to get E85 pumps installed.”

So, if consumers have been wondering why there isn’t more E85 available at their local gasoline station, this report helps shed some light on the problem.

Currently, 124 ethanol biorefineries have the capacity to produce nearly 6.5 billion gallons of ethanol annually. An additional 83 construction projects are underway that will add another 6.4 billion gallons of production capacity.

RFA Calendar of Events

October 15-17, 2007

Cellulosic Ethanol Summit

Washington, DC

November 5-8, 2007

F.O. Licht’s World Ethanol 2007 Conference

Amsterdam, Netherlands

RFA President Bob Dinneen to attend

**EUROPEAN, AMERICAN ETHANOL
INDUSTRIES COUNTER OECD REPORT
URGE OECD TO DISAVOW REPORT AS NOT
REFLECTING OFFICIAL POLICY**

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OECD, cont'd.

The leaders of the European Bioethanol Fuel Association (eBio) and the Renewable Fuels Association (RFA) are calling upon the Organization for Economic Cooperation and Development (OECD) to disavow a paper issued last week critical of world ethanol production. The paper, written by the Chair of the Round Table on Sustainable Development at OECD, explicitly states the paper does “not necessarily reflect the views of the OECD or the governments of its Member countries.” Yet media reports are portraying the paper as the official position of OECD.

In a letter to OECD Secretary-General Angel Gurría, eBio Secretary General Rob Vierhout and RFA President Bob Dinneen wrote:

“Specifically and just as disturbingly, this potentially unauthorized document fails to make its case, is highly one-sided and seemingly conflicts with previous OECD positions supporting biofuels as a



component in reducing CO₂ gases. In short, whether deliberate or not, the OECD's imprimatur is on this document and it is the OECD

that must now be accountable for what is a biased assessment of expanding the worldwide production and consumption of renewable biofuels. We respectfully, but urgently, request that OECD specifically disavow this report as not reflecting the official policy of the organization.”

The paper, released last week by a third-party, anti-ethanol website, runs counter to statements made in official OECD publications. Two years ago, the OECD Observer published an article stating, “Increasing the use of biofuels can improve energy security, greatly reduce greenhouse gases and many pollutant emissions, and improve vehicle performance. Their production can also enhance rural economic development.”

Additionally, an April 2004 official OECD Paper entitled “Special Issue on Climate Change Climate

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Change Policies: Recent Developments and Long Term Issues” came to the conclusion that, “Biofuels may also be used as a replacement for gasoline. In such a capacity they offer significant advantages for energy security as well as possible new potential for agricultural development.”

Moreover, the paper contains a number of inaccuracies and omissions that call into question the validity of the findings. Notably:

- While adopting the scare scenario about potential “food shortages,” the document fails to recognize the significant increases in productivity per acre. In the United States, for example, U.S. corn yields per acre have doubled over the last 30 years. More importantly, this has occurred with reduced inputs per acre.
- The document fails to reflect a realistic assessment of what is happening to the price of grains and other biofuel feedstocks. In Europe, for example, biofuel production consumes just 1.5% of grains. The price increases, however, are clearly based on a number of other factors in a worldwide market including: strong demand in China, a drought in Australia (an outcome of global warming many would argue) and speculation by investors.
- The document seems to ignore why OECD and other nations decided to pursue biofuels in the first place – namely to reduce the consumption of oil which contributes mightily to global warming, whose major production areas are in the volatile Middle East and whose prices are controlled by an international cartel.
- Implicit in this paper is a belief that the world can continue to rely on oil for its liquid fuel needs. But the world price of oil is now at \$80 a barrel and will likely go higher given emerging market conditions. The incentives provided by OECD countries and others help level the playing field and encourage investors to finance a new and developing industry.

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OECD cont'd.

- The paper also overlooks all of the incentives that have been and continue to be provided to the production of oil. Without comparing the benefits received by oil producers, it is hardly a fair comparison to look at incentives for biofuels in an energy policy vacuum.
- Finally, the paper disregards the efforts that are currently being undertaken to set up efficient, effective and international standards on the sustainability of biofuels. Both unilateral (several EU member states) and multilateral (Roundtable on Sustainable Biofuels) initiatives hold promise for an international standard for sustainable biomass and biofuel production in the very near future safeguarding biodiversity and guaranteeing GHG savings.

In conclusion, Veirhaus and Dinneen wrote, "Based on the foregoing, Mr. Secretary-General, we urge you to publicly disavow the OECD's support for this document; forcefully state that it was released by a third party and not by the OECD; that OECD governments strongly support and encourage the development of biofuels as one means of addressing the problems of global warming and energy security."

The complete letter is available at www.ethanolrfa.org

HAWKEYE NAMES MARTY LYONS CHIEF COMMERCIAL OFFICER

Former ADM Executive adds Experience, Strength to Expanded Business Team

Hawkeye Energy Holdings, LLC, one of the largest producers of ethanol in the U.S., is pleased to announce that Martin A. Lyons has joined Hawkeye as Chief Commercial Officer, effective today. Marty has most recently served as Senior Vice President in charge of Archer Daniel Midland's ethanol, corn processing and sweeteners businesses. Marty has over twenty-eight years of sales, marketing, strategic planning, and regulatory management experience and helped pioneer the fuel ethanol additive business in the energy industry.

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The hiring of Marty Lyons is part of Hawkeye's continued commitment to bringing outstanding executive leadership to the company, and reinforces the bright outlook of the future of the ethanol and biofuels business in the United States.

Hawkeye CEO Bruce Rastetter said: "We are delighted to have a person of Marty's caliber join Hawkeye's team. As we build Hawkeye into one of the largest and most efficient ethanol platforms in the U.S., attracting top-notch management remains



an essential business objective. Hawkeye continues to believe in our core strategy of lowest cost corn, active risk management and

best-in-class marketing and logistics. Marty is the right person to help us expand on these capabilities and succeed as the ethanol and biofuels industry continues to grow."

Lyons added: "I'm thrilled to be joining Hawkeye to help them build their ethanol and biofuels platform at this exciting point in the history of our industry. As fuel ethanol advances from a niche gasoline additive to 15-20 billion gallons of demand over the next few years, the industry will benefit from effective leadership. We will succeed by keeping a keen focus on our strategic relationships with our petroleum customers, supply chain partners, and the U.S. farmers. Together we can face the challenges of the country's energy shortfalls and worldwide global warming."

REGISTER NOW FOR THE 13TH ANNUAL NATIONAL ETHANOL CONFERENCE

Register now for the Renewable Fuels Association's **13th Annual National Ethanol Conference (NEC)**.

The NEC will be held **February 25-27, 2008**, at the



JW Marriott Orlando, Grande Lakes resort in sunny **Orlando, Florida**.

To register, visit the RFA website at:

www.nationalethanolconference.com

Ethanol FYI: Ethanol Helps Keep Pump Prices Down

Growing production and declining prices for ethanol are offsetting higher crude oil prices and helping consumers when they buy gasoline

Two recent news articles in *The Wall Street Journal* and the *Dallas Morning News* cited petroleum industry analysts who pointed to lower priced ethanol as one major factor in restraining gasoline prices nationwide.

While tight refining capacity and higher world crude oil prices are helping to push the price of gasoline higher, ethanol is working in the other direction. As a September 21, 2007 story in *The Wall Street Journal* put it:

Another reason for steady gasoline prices: the use of ethanol as an additive to gasoline is on the rise. While crude prices have soared, ethanol prices have dropped as much as 30% in recent months and are likely to drop more, Eitan Bernstein, an analyst with Friedman, Billings, Ramsey & Co., said in a report yesterday. **Ethanol costs more than 60 cents a gallon less than gasoline, and gasoline suppliers can offset some of the rise in crude-oil prices by blending their gasoline with small amounts of the cheaper fuel.** (Emphasis added)

<http://online.wsj.com/article/SB119033156150234564.html>

Similarly, a story in the September 24, 2007 edition of *The Dallas Morning News* reported:

Peyton Feltus, president of Randolph Risk Management, thinks gasoline prices might even increase this year.

He said ethanol and bio diesel helped keep fuel prices stable since the summer. Blending ethanol into the fuel supply may have boosted pump prices in the past, **but now, ethanol is cheaper than gasoline, and it's keeping overall prices down.** (Emphasis added)

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"You can thank renewables for doing that," Mr. Feltus said.

http://www.dallasnews.com/sharedcontent/dws/bus/industries/energy/stories/DN-gasoline_24bus.ART.State.Edition2.4213d4e.html#

Clearly, the rapid growth in the construction of domestic biorefineries have expanded the supply of renewable ethanol and have made a difference in offsetting higher prices due to the oil industry's failure to expand refinery capacity and the ability of OPEC to keep crude oil at \$80 per barrel.

CELLULOSIC ETHANOL: THE FUTURE IS NOW

The Renewable Fuels Association hosted **Cellulosic Ethanol: the Future is Now** which featured ethanol industry leaders and RFA members who are at the forefront of developing the technologies of the future. The event was held at the **National Guard Building** in Washington, DC, on **Tuesday, October 2, 2007.**

Acting Agriculture Secretary Chuck Conner was joined by representatives from Abengoa Bioenergy, Archer Daniels Midland, POET, and Verenium.