



## DAILY NEWS SUMMARY

Tuesday, June 24, 2008

### **Regional**

#### 1. Floods give more fuel to critics of ethanol

Houston Chronicle

<http://www.chron.com/disp/story.mpl/business/5852747.html>

*“Already under siege from many sides, the U.S. ethanol industry is facing further pressures as recent Midwest flooding pushes corn prices to new highs and federal regulators weigh calls to reduce required use of the fuel. One of the people calling for that is Gov. Rick Perry, who has scheduled a news conference on the subject today in Washington. Fearing the effects of high corn prices on the state's cattle and poultry industries, he has called on the federal government to suspend or reduce its mandate setting minimum levels of ethanol in the nation's fuel supply.”*

#### 2. Rush startup hopes to make ethanol production more efficient

Rochester Democrat and Chronicle (NY)

<http://www.democratandchronicle.com/apps/pbcs.dll/article?AID=/20080624/BUSINESS/806240321/1001>

*“Every upside to ethanol — such as reduced dependence on oil — comes with a number of downsides, such as rising commodity prices as corn increasingly ends up in your tank instead of on your plate. Now a Rush-based startup company is pitching a means of making ethanol that would significantly cut its production costs and make the ethanol industry less dependent on corn kernels for fuel and turn western New York dairy farms into part of the ethanol supply chain.”*

#### 3. Ethanol hurting mowers, helping local repair shops

Tuscaloosa News

<http://www.tuscaloosaneews.com/article/20080624/NEWS/156280343/1010/NEWS03>

*“If you've been yanking on the starter cord of your lawn mower only to hear it sputter, the problem may start with the fuel you are putting into it. Mechanics at local small-engine repair shops say ethanol is to blame.”*

#### 4. Get ready to use more biofuels

St. Petersburg Times

<http://www.tampabay.com/news/business/energy/article640527.ece>

*“The Sunshine State is increasingly gassing up on corn-fed fuel. Gov. Charlie Crist is expected to sign a new energy law later this week that calls for more ethanol-mixed gasoline in the state. That law doesn't go into effect until the end of 2010, but dozens of Florida gas stations are already blending the fermented fuel with good old gas.”*

#### 5. McCain lays out plan for fuel economy

Detroit Free Press

<http://www.freep.com/apps/pbcs.dll/article?AID=/20080624/BUSINESS01/806240354>

*“McCain said ethanol offered the best chance to reduce oil consumption quickly, pointing to Brazil, where he said automakers moved from 5% of their new vehicles being flex-fuel to 70% within three years. Detroit automakers have pledged to make 50% of their new models capable of running on 85% ethanol by 2012. ‘I am confident they can do more, and do it faster, in the interest of our energy security. And if I am elected president, they will,’ McCain said. ‘Whether it takes a meeting with automakers during my first month in office, or my signature on an act of Congress, we will meet the goal of a swift conversion of American vehicles away from oil.’”*

#### 6. Is bioethanol fuel safe for your car?

KVAI-TV (OR)

<http://www.kval.com/news/20731334.html>

*“SeQuential Biofuel in Southeast Eugene specializes in biofuels. It's a product that station manager Alan Twigg says is good for the environment and lately, good for the pocketbook. “Ever since we opened the 85 has been cheaper,” he says. “And everyone has seemed interested in it.””*

#### 7. Ethanol Blended Fuel Hurts Gas Mileage

Eyewitness News (TN)

[http://www.myeyewitnessnews.com/news/local/story.aspx?content\\_id=6a0db8d7-5b42-4907-86be-e0e5277863cf](http://www.myeyewitnessnews.com/news/local/story.aspx?content_id=6a0db8d7-5b42-4907-86be-e0e5277863cf)

*“Eyewitness News Everywhere Uncovers drivers losing valuable miles on a tank of gas because of ethanol blended fuel. You may have noticed a sign at the pump telling you the gas contains up to 10% ethanol, which is an alcohol and biofuel made from corn. Supporters of ethanol use say it's a cheaper, cleaner burning fuel. They claim the 10% blend has virtually no impact on fuel efficiency, but some mechanics disagree.”*

### **Trade Publications**

#### 8. Former USDA Economist Criticizes Ethanol Policy

Wisconsin Ag Connection

<http://www.wisconsinagconnection.com/story-national.php?Id=1480&yr=2008>

*“The increase in corn demand due to ethanol is rising faster than growth in corn yields per acre, and sets up tight corn supply and demand scenarios in the future, stated Keith Collins, former chief economist for the U.S. Dept. of Agriculture in a economic analysis. According to FeedStuff.com, Collins wrote the report, The Role of Biofuels and Other Factors in Increasing Farm and Food Prices, as an economic advisor for Kraft Foods. He also submitted the paper to the Environmental Protection Agency (EPA) as part of its request for comments regarding Texas' renewable fuels standard waiver request.”*

### **Opinions & Editorials**

#### 9. Repeal ethanol mandates to ease global food shortage

Detroit News

<http://detnews.com/apps/pbcs.dll/article?AID=/20080624/OPINION01/806240315>

*The News' editorial board writes, “The only benefit that may come from the widespread flooding in the nation's Midwestern grain belt is that it could provide political cover for washing away the federal government's destructive ethanol mandates... The flooding in the Midwest gives Congress a defensible reason to repeal its ethanol mandate in the name of providing price relief for American consumers and much-needed food for the world's hungry.”*

#### 10. Karl Guenther: Clear answers about biofuels and prices for food and fuel

Kalamazoo Gazette (MI)

[http://blog.mlive.com/kzgazette\\_community\\_extra/2008/06/karl\\_guenther\\_clear\\_answers\\_ab.html](http://blog.mlive.com/kzgazette_community_extra/2008/06/karl_guenther_clear_answers_ab.html)

*“In this presidential campaign year, the Iraq war issue faded to No. 2 on the public agenda, behind the pocketbook issues such as the prices of food and gasoline, as well as the broader economic issues. Some of us may have lost sight of some global factors, such as drought and dry weather in Australia, Canada, Ukraine and the European Union, as well as the United States. Grain production has taken a major global hit, and this has had a major effect on food production and prices, as well as biofuel production.”*

## **Blogs & Websites**

### 11. Obama’s Evolving Ethanol Rhetoric

The Washington Post Blog

[http://blog.washingtonpost.com/thetrail/2008/06/23/obamas\\_evolution\\_ethanol\\_rhetoric.html](http://blog.washingtonpost.com/thetrail/2008/06/23/obamas_evolution_ethanol_rhetoric.html)

*“Given that energy appears likely to be a dominant issue in this election season, Barack Obama's campaign may want to settle on a more consistent message when it comes to subsidies for ethanol, the corn-based alternative fuel that is hailed by some as a key resource in weaning America off foreign oil and forestalling global warming but lambasted by others as a wasteful boondoggle that is driving up food prices.”*

### 12. CNBC’s Burnett: ‘Ethanol Mafia is a Powerful Thing’

Business & Media Institute

<http://www.businessandmedia.org/articles/2008/20080623163713.aspx>

*““I got to tell you – ethanol mafia is a powerful thing, Jim,” CNBC “Street Signs” host Erin Burnett said June 23, noting all the breaks the industry is getting from the U.S. government. “The ethanol emperors – or they are the mafia.” “Mad Money” host Jim Cramer noted how much influence the ethanol lobby has over trade policy – to the extent it is causing prices to remain high – restricting the importation of foreign ethanol due to a federal tariff.”*

## **Floods give more fuel to critics of ethanol**

**As corn prices climb, Texas governor is expected to urge EPA to amend rules**

By: Brett Clanton

Already under siege from many sides, the U.S. ethanol industry is facing further pressures as recent Midwest flooding pushes corn prices to new highs and federal regulators weigh calls to reduce required use of the fuel.

One of the people calling for that is Gov. Rick Perry, who has scheduled a news conference on the subject today in Washington. Fearing the effects of high corn prices on the state's cattle and poultry industries, he has called on the federal government to suspend or reduce its mandate setting minimum levels of ethanol in the nation's fuel supply.

He is expected to urge the Environmental Protection Agency to amend the ethanol requirement this year, citing its damaging impact on Texas' economy. An EPA comment period on the proposal formally ended Monday.

Agency spokeswoman Cathy Milbourn said it's too early in the process to speculate about what action the EPA may take.

A reduced mandate could shrink the market for ethanol at a time that the rising price of corn, the main ingredient of most U.S.-produced ethanol, and other higher operating costs have made ethanol more expensive to produce.

Some producers have shut down operations or halted new projects.

The flooding in Iowa and other Farm Belt states has temporarily taken other plants out of commission.

That reduced output is starting to drive up ethanol prices. And since ethanol often is a component of motor fuel, a rise in the price of ethanol could send the price at the gasoline pump even higher for millions of U.S. drivers.

But the ethanol industry is downplaying the situation, saying that even if ethanol prices remain high, blending ethanol into the nation's gasoline supply still keeps gasoline prices lower than they would be without it.

Paying at the store

Ethanol skeptics, however, say Americans are paying in other ways. The growth of ethanol output in recent years has sent corn prices soaring, increasing the cost of livestock feed, food on store shelves and many other items, they contend.

Weighing in on that side, Perry proposed in April that the government cut by half this year's federal requirement for blending ethanol into the fuel supply.

Federal law requires that the nation use 9 billion gallons of renewable fuel this year and 11 billion gallons in 2009, most of which is expected to come from corn-based ethanol.

Today, ethanol is blended — typically at levels up to 10 percent — into more than half the gasoline sold in the United States, including in Houston and other cities struggling with the worst air-quality problems.

But the catastrophic flooding in the Midwest has spurred more debate about the wisdom of using corn to feed America's driving habit.

Early estimates suggest up to 3 million acres of the nation's corn crop could be destroyed as a result of flooding in Iowa, Illinois, Wisconsin and Missouri, according to the Renewable Fuels Association, an ethanol industry trade group.

The threat of such massive losses sent corn prices to nearly \$8 a bushel last week, almost double year-ago levels. Corn futures closed at \$7.24 a bushel Monday on the Chicago Board of Trade.

The ethanol industry warns special interest groups against overreacting and trying to dismantle the federal ethanol mandate.

'Knee-jerk reactions'

"Knee-jerk reactions to this unprecedented weather event would do even more harm to the nation against the backdrop of the current oil and economic crises it faces," said Bob Dinneen, president of the Renewable Fuels Association.

The Energy Department recently estimated that gasoline prices would be 20 to 35 cents higher if ethanol were not available for blending.

Even if the price of ethanol rose 20 percent from current levels, it still would be lower than the wholesale price of gasoline, the Renewable Fuels Association said.

What's more, cutting the 2008 mandate in half — to 4.5 billion gallons — would have little impact on corn prices now or later and might require more foreign oil imports to meet U.S. fuel needs, Dinneen said.

The group estimates that 400 million gallons of ethanol production capacity, or about 5 percent of U.S. supply, may be temporarily shut down because of Midwest flooding.

Those still producing will likely struggle as rising corn and energy costs wreck the economics of making the fuel, said David Anderson, an economist at Texas A&M University who has done research on biofuels.

"It's a pretty tight margin for ethanol producers right now," he said.

Even so, a recent study by Anderson and several colleagues suggested the negative ripple effects of producing corn ethanol may be overstated by critics. It shows higher food and feed prices have more to do with record crude oil prices than with ethanol.

#### Corn in Texas

Whatever's causing the rise in the price of corn, it could have a significant impact on what Texas pays for the huge quantities of corn the state imports to feed livestock, said David Gibson, executive director of the Corn Producers Association of Texas.

To make matters worse, drought conditions in Texas threaten to sharply reduce the state's own corn harvest this year, putting further pressure on prices.

Gary Obenhaus, a corn farmer in Eagle Lake, said roughly a third of his 1,400-acre corn crop should be fine, but that yields for the rest will fall to as little as 30 percent of their normal 120-bushel-per-acre range. "Some may struggle to get 25 bushels per acre," he said.

While higher corn prices will likely offset his crop losses, the rising cost is hammering industries that rely on corn.

"Until the recent flooding in the Midwest began, it might have been acceptable to have a lengthy debate over ethanol mandates," said James Herring, president and chief executive of Friona Industries, the fourth-largest cattle feeder in the world, in a conference call with reporters last week.

"But to be frank, floodwaters and high corn prices have wreaked havoc on the cattle industry, and it is time to stop talking and take action," he said.

---

---

## **Rush startup hopes to make ethanol production more efficient**

**SweetWater wants area dairy farms to be part of supply chain**

By: Matthew Daneman

Every upside to ethanol — such as reduced dependence on oil — comes with a number of downsides, such as rising commodity prices as corn increasingly ends up in your tank instead of on your plate.

Now a Rush-based startup company is pitching a means of making ethanol that would significantly cut its production costs and make the ethanol industry less dependent on corn kernels for fuel and turn western New York dairy farms into part of the ethanol supply chain.

SweetWater Ethanol for now largely exists in a spot of lab space at Rochester Institute of Technology, with its product of brownish, sweet-smelling liquid sitting in plastic jugs in a nearby refrigerator. That liquid is a cellulose-based fermentable concentrate, ready to be turned into ethanol at any processor, said SweetWater principal Jerry Horton.

The company has been turning out small batches of the concentrate since 2007, largely to demonstrate the technology and find the best formulation as it also is trying to raise \$3 million needed to ramp up production.

Horton, 60, said the idea behind SweetWater dates back to 2002, when he was seeking a way to make high-protein feed from hay for the cows at the farm he owns in Tennessee.

A casual talk with an RIT faculty member about the aborted attempt and the concentrate byproduct that came from the process resulted in Horton connecting with Michael Haselkorn, team leader for structural and material analysis at RIT's Center for Integrated Manufacturing Studies.

As the technology developed through work by Horton and Haselkorn, so too did the idea of how SweetWater could compete with traditional ethanol means — by cutting out much of the transportation costs.

The current system of ethanol production is heavily dependent on massive amounts of transportation and processing, such as long lines of railroad cars being tugged around from silos to distributorships to ethanol plants.

SweetWater's business plan involves a decentralized process tailored to dairy farmers, with each farm hosting a stainless-steel SweetWater processing tank. Into each tank goes large mounds of biomass — that being the crops already grown there to feed the cows, Horton said.

Out of the processor after about three days is a concentrated carbohydrate feedstock and the SweetWater concentrate that then gets shipped to ethanol processors.

One drawback of biofuels, in general, "unless you have a byproduct that has value, you're going to have a mountain of waste product in a heartbeat," said Bill Jones, a business consultant for SweetWater, past interim director of RIT's business incubator.

The money saved on transportation is SweetWater's profits, Horton said, while ethanol producers make more money by being able to cut out several steps from the production process, such as milling and the use of centrifuges and dryers that corn-centric ethanol requires.

The SweetWater process will work with any biomass as long as the plant material can be harvested and stored relatively easily and has substantial carbohydrate content, Horton said. And it can use more of the corn plant for ethanol production than just corn kernels, increasing the yield, he said.

The company has been creating five-gallon batches of its concentrate, and next wants to ramp up to a 50-gallon and then a 1,500-gallon system, Horton said.

---

---

## **Ethanol hurting mowers, helping local repair shops**

### **Mechanics, experts say biofuel damages parts in small engines**

By: Jason Morton

TUSCALOOSA | If you've been yanking on the starter cord of your lawn mower only to hear it sputter, the problem may start with the fuel you are putting into it.

Mechanics at local small- engine repair shops say ethanol is to blame.

Benjamin Mallisham, owner of Mallisham's Lawn Mower Repair on 13th Avenue East, said he's seen a steady increase in the number of engines damaged by the effects of ethanol.

'About one out of every five or six motors that come in here, that's the problem,' said Mallisham, who has been repairing lawn mowers and other small engines since 1974. 'It's getting worse now, but it got real bad about two years ago.'

Mallisham and Charlie Singley, owner of Singley Small Engine & Equipment on Greensboro Avenue, both said they have seen poorer grades of gasoline since the hurricanes of 2005 devastated the oil refineries along the Gulf Coast.

Couple that with the infusion of ethanol, part of the federal government's mandate to steadily use more biofuels over the next 14 years, and small engines — often called utility engines — are suffering.

'If it's a two-cycle engine with a diaphragm in the carburetor, the parts get stiff,' Singley said.

Gasoline blended with ethanol has become more common because a 2005 federal law requires an increase in the use of renewable biofuels from the 2004 level of about 4 billion gallons a year to 36 billion gallons by 2022.

Proponents of the alternative fuel claim it will help the U.S. become less reliant on foreign oil, provide additional security to the American farmer and be less polluting than fossil fuels.

The problem is that ethanol — a type of alcohol — is corrosive to plastic parts, especially those found in lawn mowers, chain saws, gas-powered weed trimmers and leaf blowers. At his shop, Mallisham displayed a carburetor with a quarter-sized hole that resembled the damage acid can do to certain materials. He said the hole was created by ethanol.

About the only recourse is to buy only as much gasoline as you can use quickly and mix in gasoline stabilizer, which is sold at almost every small engine repair shop.

During the off-season, Singley recommends keeping engines full of stabilizer-treated gasoline and running them occasionally throughout the winter.

But both Mallisham and Singley said that, at some point, the small rubber and plastic pieces within small engines will begin to falter because of the ethanol.

'It just eats them up,' Mallisham said.

Kenneth Midkiff, a professor of mechanical engineering at the University of Alabama, said the introduction of ethanol has been a mixed blessing for utility engines.

'Ethanol is good in a lot of ways,' Midkiff said.

It is better for the environment because engine exhaust contains fewer unburned hydrocarbons — a factor in ground-level ozone. That's particularly important for lawn mower engines because they don't have the pollution controls found on automobiles.

However, 'ethanol has a somewhat corrosive effect on some plastics. It is possible that some parts of a lawn mower could be damaged,' Midkiff said.

Properly mixed, a 10 percent ethanol blend in gasoline should not hurt utility engines or their performance. The problem comes when a gas container sits in a garage for several months or a gas station does not properly maintain its tanks. This can result in ethanol separating from the gasoline, and the problem is worse if water gets mixed in.

Midkiff said he expects that the design of utility engines will improve to overcome the shortcomings of ethanol and reduce pollution.

Tuscaloosa resident Jesse Woods said he's cut grass for a living since the late 1970s. He noticed a decrease in fuel quality with the elimination of lead as an additive, which the U.S. began to phase out in the early 1970s.

Today's gasoline is just weak, Woods said.

'They ain't processing it like they used to,' he said.

Woods installed cut-off switches on the fuel lines of his mowers. He said the switch allows a carburetor to burn up all the gasoline in it once the gas tank runs empty, thereby slowing the corrosive effects of the ethanol.

This is but one unforeseen side effect of the mandated implementation of ethanol, said Jonathan Lewis, a staff attorney and climate specialist for the Clean Air Task Force, an environmental advocacy group based in Massachusetts.

'We need to learn a lot more about biofuels before we start mandating their use in the marketplace. Everything we learn and everything we hear continues to reinforce that point,' Lewis said, noting that he had not heard of the lawn mower effect until contacted by The Tuscaloosa News.

'We're pushing into this blind alley,' Lewis said, 'without any idea about what the long-term consequences may be.'

---

---

## Get ready to use more biofuels

By: Asjlyln Loder

The Sunshine State is increasingly gassing up on corn-fed fuel. Gov. Charlie Crist is expected to sign a new energy law later this week that calls for more ethanol-mixed gasoline in the state. That law doesn't go into effect until the end of 2010, but dozens of Florida gas stations are already blending the fermented fuel with good old gas. The amount of ethanol mixed with fuel reached a nationwide high in March of nearly 13.2-million barrels, according to the most recent information from the Energy Information Administration, the statistical arm of the U.S. Department of Energy. The state doesn't track how much ethanol is being blended in Florida, but there are clear signs ethanol use is on the rise, said Jay Levenstein, deputy commissioner of the Florida Department of Agriculture and Consumer Services. The number of gas stations offering ethanol-blended gas has increased so quickly that the state's roster of biofueled stations has fallen out of date, he said. Why is ethanol use on the rise?

In addition to Florida law, Congress passed sweeping energy legislation that pushes the country to use 36-billion gallons of biofuels a year by 2022. A 51 cents per gallon federal tax incentive, due to drop to 45 cents a gallon, encourages ethanol blending. Plus, the Florida Department of Agriculture and Consumer Services recently relaxed part of its fuel standard to encourage increased ethanol blending. It's unclear what effect the recent Midwest flooding and corn crop damage will have on the ethanol industry, or on state and federal requirements. Florida's law is automatically suspended during a state of emergency, but that provision doesn't apply to emergencies in other states. The law is also not applied when ethanol becomes more expensive than gasoline. Will ethanol save me money?

Maybe. Jim Smith, president of the Florida Petroleum Marketers Association, said ethanol-blended gas is generally cheaper at the pump than straight gasoline. Merrill Lynch estimated in a report earlier this month that the booming supply of biofuels, especially ethanol, is helping to offset some of the increased global demand for oil. Without biofuels, a barrel of gasoline could cost \$21 more than it does today. But it's not all good news for your wallet. The report also said 25 percent of the U.S. corn crop fed the ethanol market, driving up the price of corn by 21 percent and contributing to the rising price of food. Does ethanol hurt my car or my mileage?

A blend of 90 percent gasoline and 10 percent ethanol, called E10, will reduce mileage by about 3 percent, according the U.S. Department of Energy. That's because a gallon of ethanol contains only 65 percent of the energy of gasoline. E10 can be burned in a regular car. There were some concerns that E10 blends could cause engine knock or

even engine stall, but the state's fuel quality standards protect consumers from those hazards, said Levenstein. A mix of 15 percent gasoline and 85 percent ethanol, known as E85, will reduce mileage by 25 to 30 percent. E85 requires a special engine, and could damage regular engines.

---

---

---

## **McCain lays out plan for fuel economy**

### **Tough rules for carmakers, credits for buyers pledged**

By: Justin Hyde

WASHINGTON -- Sen. John McCain vowed Monday to break the nation's dependence on oil for its cars and trucks if elected president, with tough targets for automakers, tax credits for car buyers and \$300 million for one smart battery inventor.

But the Republican's proposals lacked key details, and the campaign of his Democratic opponent, Sen. Barack Obama, decried his plans as "tinkering at the edges." Both have put Detroit's automakers on notice that they will push harder for more efficient models, even as automakers struggle to revamp their products as oil and gas hit record high prices.

The candidates have battled for weeks over offshore drilling, gasoline tax holidays and oil speculators. With gas at \$4 a gallon nationwide, and oil prices showing no signs of retreating from prices of more than \$130 a barrel, energy policy has moved to the forefront of both campaigns.

At a speech in Fresno, Calif., McCain offered criticism of the Bush administration and Congress, saying the economy was showing signs of 1970s-era stagflation, and that "the unwise policies of our government have left America's energy future in the control of others."

To reduce oil imports, "we're going to produce more, conserve more and invent more," McCain said. "And to a large extent, this strategy hinges on innovations in the cars and trucks we drive."

Comments lead to confusion

McCain said that to boost development of hybrids and electric vehicles, he would launch a \$300-million award for a battery pack "that has the size, capacity, cost and power to leapfrog the commercially available plug-in hybrids or electric cars."

The senator offered no other details, leaving some observers confused about his intent. There are no commercially available plug-in hybrid vehicles today, and the few electric vehicles on the market range from low-power minicars using traditional batteries to the Tesla Roadster, a \$100,000 two-seater that uses lithium-ion cells found in computers and other devices.

The McCain campaign said the point of his proposals was to spur change, and that the method for meeting whatever goals he would set for the industry was less important.

"John McCain is not interested in knowing the details of the fuels that go in" to vehicles "and the technologies that process them," said adviser Doug Holtz-Eakin. "What matters is: Do you get effective transportation with low carbon emissions coming out the tailpipe? Let the best technologies, the smartest invention, win." E-85 is the answer, or is it?

McCain said ethanol offered the best chance to reduce oil consumption quickly, pointing to Brazil, where he said automakers moved from 5% of their new vehicles being flex-fuel to 70% within three years. Detroit automakers have pledged to make 50% of their new models capable of running on 85% ethanol by 2012.

"I am confident they can do more, and do it faster, in the interest of our energy security. And if I am elected president, they will," McCain said. "Whether it takes a meeting with automakers during my first month in office, or my signature on an act of Congress, we will meet the goal of a swift conversion of American vehicles away from oil."

Only Detroit's automakers have made pledges on flex-fuel vehicles -- which they've sold about 6 million of during the last decade to help meet federal fuel-economy standards. Foreign automakers have opposed attempts in Congress to require ethanol-capable models; Honda Motor Co. has none for sale today, while Toyota Motor Corp. and Nissan Motor Co. offer E-85 versions on two models each.

And the industry as a whole has said such vehicles will do little to help oil consumption without more fuel stations selling E-85. There are only about 1,500 public stations nationwide out of 170,000, with just three in California, the largest vehicle market.

"In order to achieve energy independence, we need a comprehensive approach that addresses autos, fuels and consumers," said Alliance of Automobile Manufacturers spokesman Charles Territo.

Credit for car buyers

McCain proposed a \$5,000 credit for the buyer of any vehicle that produces zero carbon emissions. The more carbon a vehicle produces, the smaller the credit. Only all-electric vehicles and prototypes of hydrogen fuel-cell vehicles are considered zero-emission models, and automakers face several technical hurdles to producing either in high numbers.

Advocates of plug-in hybrids, including General Motors Corp. and battery makers, have been pushing Congress to enact a \$7,000 consumer tax credit for plug-ins.

Obama adviser Jason Furman said McCain frequently voted against tougher fuel-economy standards. Yet McCain was the chief cosponsor of a 2002 bill that would have set a fuel-economy target of 36 m.p.g. by 2015 -- tougher than what Obama supported and Congress passed last year.

---

---

## Is bioethanol fuel safe for your car?

By: Elissa Harrington

SOUTHEAST EUGENE - It's not exactly cheap but \$3.49 for gas nowadays isn't bad. In fact, that's almost a dollar less than the state's average of \$4.29 a gallon.

SeQuential Biofuel in Southeast Eugene specializes in biofuels. It's a product that station manager Alan Twigg says is good for the environment and lately, good for the pocketbook. "Ever since we opened the 85 has been cheaper," he says. "And everyone has seemed interested in it."

But who can actually fill up? Twigg says anyone with a "flex fuel" car. These include many American cars such as Fords, Chevy's and Dodge Caravans. "A lot of people have a flex fuel vehicle don't even know it," says Twigg. "To find out, you just need to open the fuel door and it will say something like "E 85 or gas" or "ethanol of unleaded fuel.")

Meanwhile, workers at Elmira Automotive says 85 ethanol is notorious for getting less miles to the gallon. That's where this E 85 kit comes in. It works to keep mileage down by slowing the burn rate.

And if that's not your cup of tea, Jesse Wayne shows us another option. A "Hydro-assist fuel cell." It's created from water and adds extra hydrogen into the gas mixture for better performance and better gas mileage. So just how much an increase are we talking about? "We're seeing 60 miles a gallon on a Honda Civic," says Jesse.

So while you can't fix gas prices, there are always ways to research alternatives. And for those guys capitalizing off ways to save, there's even something to smile about. Jesse says, "It's kind of a joke that I have but whenever gas prices go up, I smile."

Both the E 85 kit and Hydro-assist fuel cell run for around 11-hundred dollars.

---

---

---

Eyewitness News (TN)  
June 23, 2008

## **Ethanol Blended Fuel Hurts Gas Mileage**

By: Brian Heap

Memphis, TN -- Eyewitness News Everywhere Uncover drivers losing valuable miles on a tank of gas because of ethanol blended fuel.

You may have noticed a sign at the pump telling you the gas contains up to 10% ethanol, which is an alcohol and biofuel made from corn.

Supporters of ethanol use say it's a cheaper, cleaner burning fuel. They claim the 10% blend has virtually no impact on fuel efficiency, but some mechanics disagree.

"It's about 4-5% based on the numbers," says Mark Block, owner of Block Automotive in Cordova.

Block says it's simple science. He says a car must burn more ethanol to create the same energy as gasoline. So if you remove 10% pure gasoline and replace it with ethanol, the fuel won't burn the same.

According to Block's numbers, the driver of a vehicle that gets 20 miles per gallon would see his fuel efficiency drop to 19 miles per gallon on average.

Block says most gas stations are now selling the ethanol blended fuel because prices have gotten so high. He recommends drivers use 100% gasoline if they can find it.

---

---

---

## Former USDA Economist Criticizes Ethanol Policy

USAgNet—The increase in corn demand due to ethanol is rising faster than growth in corn yields per acre, and sets up tight corn supply and demand scenarios in the future, stated Keith Collins, former chief economist for the U.S. Dept. of Agriculture in a economic analysis.

According to FeedStuff.com, Collins wrote the report, *The Role of Biofuels and Other Factors in Increasing Farm and Food Prices*, as an economic advisor for Kraft Foods. He also submitted the paper to the Environmental Protection Agency (EPA) as part of its request for comments regarding Texas' renewable fuels standard waiver request.

"So long as that situation continues, corn will have to attract acreage from other crops to meet its expanding demand. This shift will mean higher prices for all crops that compete, directly or indirectly, for acreage with corn," he said. The market projects a continually tight corn supply and demand balance for the next several years, evidenced in current high cash prices and futures prices for the next several years.

Collins' paper reviews various studies that have examined the relationship between corn used in ethanol production and corn prices. They suggest increased corn demand for ethanol could account for 25 to 50% of the corn price increase expected from 2006-07 to 2008-09. Another analysis presented in the paper suggests that ethanol could account for 60% of the expected increase in corn prices between 2006/07 and 2008/09 when market demand and supply are inelastic with respect to price--i.e., a period when stocks are very low, feed use is slow to respond, export demand is strong due to foreign agricultural policies, and acreage is very constrained.

The USDA has stated that biofuels policy has had very little effect on food prices -- as little as 2-3%. However, Collins said biofuels are becoming a significant factor in higher food prices.

---

---

Detroit News  
June 23, 2008

## **KARL GUENTHER: Clear answers about biofuels and prices for food and fuel**

By: Karl Guenther

Consumers are asking farmers and politicians and each other -- farmers are asking politicians, and politicians and economists are asking each other -- about the relationships among biofuels, food, gasoline and diesel prices.

That sounds like a Rube Goldberg kind of a perpetual-motion concept, but I think I may have spotted a break in what has appeared to be an endless, hopelessly entangled series of questions without answers.

This possible break started with questions from New Mexico's Sen. Jeff Bingaman. The respondents are U.S. Secretary of Energy Samuel Bodman and Agriculture Secretary Edward Schafer. Bingaman chairs the U.S. Senate Committee on Energy and Natural Resources. From that chair, he wrote to the aforementioned Cabinet officers concerning the current and projected impacts of biofuels on food and gasoline prices. Other issues were addressed in that letter, but I was most interested in the first part and the responses.

One of the major elements of the secretaries' response that really resonated with me was the admonition cautioning against "hasty judgments driven by highly questionable, agenda-driven calculations, some of which have been featured prominently in the popular press."

Question: How has increased ethanol and biodiesel consumption affected domestic agriculture and domestic food prices?

Response: Consumer Price Index for all food increased by a 10th of a percentage point in 2007, and ethanol/biodiesel is accountable for 3-4 percent of that.

As for agriculture, increased demand has benefited corn and soybean producers. We all knew, or at least thought we knew, that.

Question: Has increased ethanol and biodiesel consumption here contributed to increased global prices for agricultural goods, and if so, to what extent?

Response: Global food commodity price index increased by 45 percent from April 2007 to April 2008. But without any growth in biofuel production in the United States.

During that period, the index would have increased by 40-42 percent anyway, due to a multitude of other factors.

Question: How has increased ethanol and biodiesel consumption affected gasoline and diesel prices?

Response: Biodiesel use has had a negligible effect on diesel fuel prices, since biodiesel fuel production is so small compared to total diesel fuel use. (We figured that, too, didn't we?) Without ethanol, gasoline prices would be higher -- maybe 20 to 35 cents a gallon higher.

In this presidential campaign year, the Iraq war issue faded to No. 2 on the public agenda, behind the pocketbook issues such as the prices of food and gasoline, as well as the broader economic issues. Some of us may have lost sight of some global factors, such as drought and dry weather in Australia, Canada, Ukraine and the European Union, as well as the United States. Grain production has taken a major global hit, and this has had a major effect on food production and prices, as well as biofuel production.

Now, consider that all this data was collected and collated in April and May of this year, before the stormy weather of early June in, oh, say, Iowa, for example, where they grow lots and lots of corn -- usually.

Karl Guenther is a retired Kalamazoo farm broadcaster and can be reached at [khguenther@chartermi.net](mailto:khguenther@chartermi.net).

---

---

## Obama's Evolving Ethanol Rhetoric

By: Alec MacGillis

Given that energy appears likely to be a dominant issue in this election season, Barack Obama's campaign may want to settle on a more consistent message when it comes to subsidies for ethanol, the corn-based alternative fuel that is hailed by some as a key resource in weaning America off foreign oil and forestalling global warming but lambasted by others as a wasteful boondoggle that is driving up food prices.

Since entering the Senate in 2005, Obama has been a staunch supporter of ethanol -- he justified his vote for for the Bush Administration's 2005 energy bill, which was favorable to the oil industry, on the grounds that it also contained subsidies for ethanol and other forms of alternative energy, and he has sought earmarks for research projects on ethanol and other biofuels in his home state of Illinois, the second-highest corn-producing state after Iowa. Obama's support for ethanol is shared by many farm state senators (even Hillary Clinton came around after an ethanol industry took root in upstate New York) but it contrasts sharply with John McCain, who has for years been so critical of the subsidies that he decided not to compete in the 2000 Iowa caucuses.

Today, in a New York Times article on Obama's support for ethanol, Jason Furman, the Obama campaign's new economic policy director, is quoted saying that Obama's stance on the issue was based on the merits, a determination that ethanol subsidies are in the national interest. "That is what has always motivated him on this issue, and will continue to determine his policy going forward," Furman said. The article continues: "Asked if Mr. Obama brought any predisposition or bias to the ethanol debate because he represents a corn-growing state that stands to benefit from a boom, Mr. Furman said, 'He wants to represent the United States of America, and his policies are based on what's best for the country.'"

It was the expected answer during a presidential campaign -- except that it flies in the face of what Obama himself said on the issue a few months ago. Asked about his support for ethanol during a press conference at a gas station in Indianapolis in April, Obama was remarkably candid in explaining why he backed the subsidies: "Look, I've been a strong ethanol supporter because Illinois ... is a major corn producer," he said. He went on to say that he was concerned about reports that ethanol was helping drive up food prices, and that he saw ethanol as merely a transitional option that would eventually give way to biofuels that were more efficient and has less of an impact on food prices, such as ones made out of switchgrass.

Furman came on board the campaign only this month, so it is understandable if he is not entirely on the same page yet with the candidate. The fact is, though, that Obama's record in the Senate has been very clearly influenced by what he viewed as the needs of his Illinois constituents, particularly those in "downstate" Illinois, where Obama has pointed to his popularity as proof that he can win over voters in more rural and conservative areas. Obama is supporting the new farm bill, which McCain also derides as wasteful, because he believes it will help farmers in his state; he backed last year's \$14 billion Water Resources Development Act (also opposed by McCain) after making sure it included money to upgrade locks on the Illinois and Mississippi rivers) and he backed huge subsidies last year for liquified coal -- a highly controversial technology that would be a boon for Southern Illinois mines -- before backing away from the idea under fire from environmentalists.

---

---

## **CNBC's Burnett: 'Ethanol Mafia is a Powerful Thing'**

**'Street Signs' host Burnett and 'Mad Money' host Cramer note corn lobby influence on Obama could keep gas prices high.**

By: Jeff Poor

While Democratic presidential hopeful Sen. Barack Obama insists drilling for more oil in off-limits federal lands won't help gas prices come down, there's at least one thing that would: lifting tariffs on imported ethanol. Problem is, the Illinois senator's ties to the powerful U.S. ethanol lobby would prevent him from doing it.

"I got to tell you – ethanol mafia is a powerful thing, Jim," CNBC "Street Signs" host Erin Burnett said June 23, noting all the breaks the industry is getting from the U.S. government. "The ethanol emperors – or they are the mafia."

"Mad Money" host Jim Cramer noted how much influence the ethanol lobby has over trade policy – to the extent it is causing prices to remain high – restricting the importation of foreign ethanol due to a federal tariff.

"[I] mean, I also believe if we took the tariff off of Brazil we could bring that price [of gas] down," Cramer said.

Cramer was referring to a tariff the United States has on ethanol imports, which makes it uncompetitive for foreign producers to sell ethanol to the United States. According to Adam Dean of the Global Policy Innovations Program, the United States maintains a tariff of 54 cents per gallon for imported ethanol.

"This tariff limits U.S. ethanol imports and creates a higher domestic price than would otherwise result from a more open market," Dean wrote on April 4, 2007. "By limiting market access for Brazilian ethanol producers, who would benefit from increased exports, the U.S. tariff also limits the subsequent benefits that would accrue to Brazilian sugar producers. Furthermore, since ethanol production in the United States is based on corn, the tariff also leads to a higher price of corn in the United States."

Burnett wasn't optimistic about the possibility of the United States loosening this tariff. "Forget about that," she said.

Cramer mentioned a story on the front page of the June 23 New York Times that noted Obama's ties to the ethanol lobby.

“How about The New York Times story today where Obama was clearly being swayed by people in his camp who were connected to the ethanol interests? That guy certainly isn’t about to take the tariff off.”

The story, by Larry Rohter, noted the strong influence ethanol has on Obama’s policies – going back to the lead-up to the Iowa Caucuses.

“Mr. Obama is running as a reformer who is seeking to reduce the influence of special interests,” Rohter wrote for the Times. “But like any other politician, he has powerful constituencies that help shape his views. And when it comes to domestic ethanol, almost all of which is made from corn, he also has advisers and prominent supporters with close ties to the industry at a time when energy policy is a point of sharp contrast between the parties and their presidential candidates.”

The Times story also referenced a University of Minnesota economist, C. Ford Runge, who said U.S. biofuels commodities are “out of whack with markets” and said “interest group politics have been so dominant in the construction of the subsidies that support it.”

As for U.S. energy policy as it pertains to coal, Cramer said that even with a carbon tax implemented, U.S. coal would still be a wise investment. According to the “Mad Money” host, China would import American coal – suggesting its usage would still be sending greenhouse gases into the atmosphere, just in a different country.

“[F]orget [the] United States, China is no longer exporting coal,” Cramer said. “They’ll take all the coal that we have, given the fact that the rails can get it over there.”

---

---

---