



PAUL DANA REMEMBERED Legacy Continues with Rahal Letterman Racing

As you are all aware by now, Indy Racing League driver and the face of ethanol in motorsports Paul Dana was killed in a tragic accident during practice laps on March 26 at the Homestead-Miami Speedway in Florida. Dana was the leading advocate for ethanol and responsible for the IndyCar Series' move to fuel all their race cars with 100% ethanol beginning in the 2007 season.



Team Ethanol
Driver Paul Dana

Renewable Fuels Association President Bob Dinneen remembered Dana this way:

“Paul Dana was a good and decent man. He was passionate about racing, and believed deeply that renewable fuels such as ethanol would be good for the sport and good for rural America. His vision and indefatigable spirit are singularly responsible for the Indy Racing League converting to ethanol fuels this year...Paul will be missed. His enthusiasm, his dedication and his energy will never be replaced. But his life's work, ethanol and Indy racing, will provide a lasting and fitting legacy.”



Dana's passion for ethanol and his legacy in the Indy Racing League (IRL) will live on. The Rahal Letterman Racing team has announced that Jeff Simmons will take over

for Dana driving the No. 17 Team Ethanol Honda/Panoz/Firestone car.

THE REAL REASONS YOU MAY SOON PAY \$3 AT THE PUMP Far More Than Ethanol Influencing Gas Price Spikes

As the days grow longer and baseball returns, gasoline prices go up. It is as predictable as the return of the swallows to Capistrano. But this year, a voluntary elimination of methyl tertiary butyl ether (MTBE) by gasoline refiners from the market and switch to ethanol has opened the door for ethanol naysayers to blame ethanol for the rising price of gasoline.

These naysayers have cited reasons ranging from a lack of supply to logistical concerns to high spot market prices for ethanol as the reasons for gasoline price spikes. These arguments are simply inaccurate.

HOW WE GOT TO WHERE WE ARE

When Congress passed the Clean Air Act in 1990, it specified that gasoline refiners must use an oxygenate in reformulated gasoline (RFG) to help reduce air pollution in many of America's largest cities. The requirement, despite claims by oil refiners and others, did not specify which oxygenate was to be used. The choice was up to the refiners and they chose MTBE. In recent years, MTBE has been found to contaminate drinking water and some suspect it to pose a cancer threat.

Last summer, the President signed the Energy Policy Act of 2005. It was a seminal piece of legislation for America's renewable fuels industry. To achieve passage, an agreement was struck between oil refiners and renewable fuels producers that the Environmental Protection Agency would waive the 2% oxygenate requirement for reformulated gasoline (RFG).

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In essence, this means that oil refiners would no longer be required to use any oxygenate, such as MTBE or ethanol, if they could continue to manufacture a gasoline that would continue to meet Clean Air Act standards. The elimination of the oxygenate requirement will go into effect May 5, 2006.

REFINERS VOLUNTARILY REMOVING MTBE FROM THE MARKET

Some people suggest that since the federal government mandated the use of MTBE in the Clean Air Act, the elimination of the oxygenate requirement is a mandate to remove MTBE from the market. This elimination is a decision oil refiners are making voluntarily. No federal mandate requires them to do so. While some states have passed MTBE bans, none other than those in California, New York and Connecticut have an enforcement date of Spring 2006.

THE BLAME GAME

Using this transition, some are suggesting that ethanol is to blame for escalating gasoline prices. They argue that ethanol doesn't exist in sufficient supplies to meet this new demand, that it can't be transported effectively to market, and that the price of ethanol is too high. These arguments are false.

Supply is Adequate

The U.S. ethanol industry is growing at an unprecedented rate and adequate supplies of ethanol exist to meet demand created by these MTBE-replacement markets. The ethanol will come from 3 sources:

- **New Production:** The U.S. ethanol industry is poised to add more than 2 billion gallons of new production capacity in the next 18 months. More relevantly, estimates show 500 million gallons of capacity coming online by July 4 of this year, with an additional 900 million gallons to follow in the second half of 2006.

- **Product Migration:** Ethanol supplies will be temporarily redirected from conventional gasoline markets where it is used as an octane enhancer to MTBE-replacement markets on the East Coast and in Texas. As new capacity comes online, ethanol will return to these valued markets.
- **Increased imports:** A temporary increase in imports may occur to help augment supplies, particularly in Northeast markets. Again, as new production comes online, these imports will diminish.

Note: A growing number of people are suggesting we eliminate the secondary tariff on imported ethanol to help ease this transition. That would be a mistake. The secondary tariff exists to offset the 51-cent tax credit refiners receive for each gallon of ethanol they blend. Removing this tariff would mean American taxpayers would be subsidizing already heavily supported Brazil sugarcane and ethanol producers. Currently, under legislation known as the Caribbean Basin Initiative (CBI) more than 250 million gallons of ethanol can be imported duty-free. Removing the tariff doesn't make sense.

Utilizing the "Virtual Pipeline"

Ethanol has also come under attack for the perceived inability to ship it through pipelines. This is not true. Ethanol can be shipped via pipeline, as it is all over Brazil, but the U.S. pipeline infrastructure is not set up for shipment from ethanol production centers to markets across the country. Thus, the ethanol industry has developed a "virtual pipeline" consisting of rail, truck and barge options to deliver ethanol to market more effectively than shipping by pipeline.

For instance, today's ethanol industry has the capability to load 90-car unit trains of ethanol and ship to markets on both the East and West coasts, shipping via water to ports in Houston, New York and Baltimore, and transporting by truck to local markets. In places like Philadelphia, Baltimore, Providence and Dallas, the industry is employing transitional as well as long term solutions to ensure ethanol is available where it is needed and when it is needed.

Continued →

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Gas Prices, cont'd.

Ethanol's Price Just a Fraction of Gasoline Cost

As ethanol is a component of gasoline, it does contribute to the price. However, representing just 10% of a gallon of gasoline, ethanol's price cannot be blamed for the skyrocketing retail price of gasoline. Far greater factors are influencing that price.

According to an American Petroleum Institute official, 80% of the price of a gallon of gasoline is determined by crude oil prices and taxes. Today, oil prices continue to hover near \$70 a barrel, up \$10 from a year ago. In addition, U.S. refining capacity is down nearly 8% from a year ago, due in part to last year's devastating hurricane season and slow maintenance turnaround times. Currently, U.S. refineries are running below 86% of capacity according to the Department of Energy.

These factors, together with continued unrest in oil-producing regions of the world on which we rely so heavily and reduced gasoline supplies have a far greater impact on the price consumers pay at the pump than increased use of ethanol.

The reported price of ethanol is not reflective of what is actually happening in the industry. More than 85% of ethanol sold in the U.S. is done so on long-term contracts (6-12 months). Most of these contracts are "fixed price." In other words, the price an oil company pays for the ethanol doesn't change, regardless of changes in the spot (wholesale) market price of ethanol. Some contracts may be pegged to the price of gasoline (usually at a discount to gasoline), meaning the price of ethanol will change as the gas price changes, but the percentage impact will remain constant. The remaining small amount of ethanol is sold on the "spot" market. Prices fluctuate daily according to supply/demand conditions.

It is important to be clear as to the influences driving up the price consumers pay at the pump. Switching from MTBE to ethanol is not the reason. Becoming more reliant on domestically produced renewable fuels helps ensure America's energy security, provides economic stimulus and improves the environment.

AROUND THE WORLD OF RENEWABLE FUELS

Here's what been happening in the world of renewable fuels:

The U.S. ethanol industry set another record for monthly production in January 2006. According **Energy Information Administration** data, the industry **averaged 288,000 barrels per day (b/d)**. That number eclipsed the record set in **December 2005 of 280,000 b/d**. It is safe to assume this record-setting trend will continue.

The Washington State Legislature passed **S. 6508**, a renewable fuel standard which mandates in-state use of biofuels. The law initially requires that **2 percent of all diesel must be biodiesel** and that **ethanol must constitute 2 percent of all gasoline sold**. The bill gradually expands the market for biofuels in Washington to 5 percent for biodiesel and 10 percent for ethanol, once the state's capacity to grow the feedstock for the biofuels has increased. The bill will take effect in 2008.

VeraSun Energy and Aventine Renewable Energy both announced plans for **initial public offerings (IPO)**. The companies will be traded under the symbols **VSE** and **AVR**, respectively.

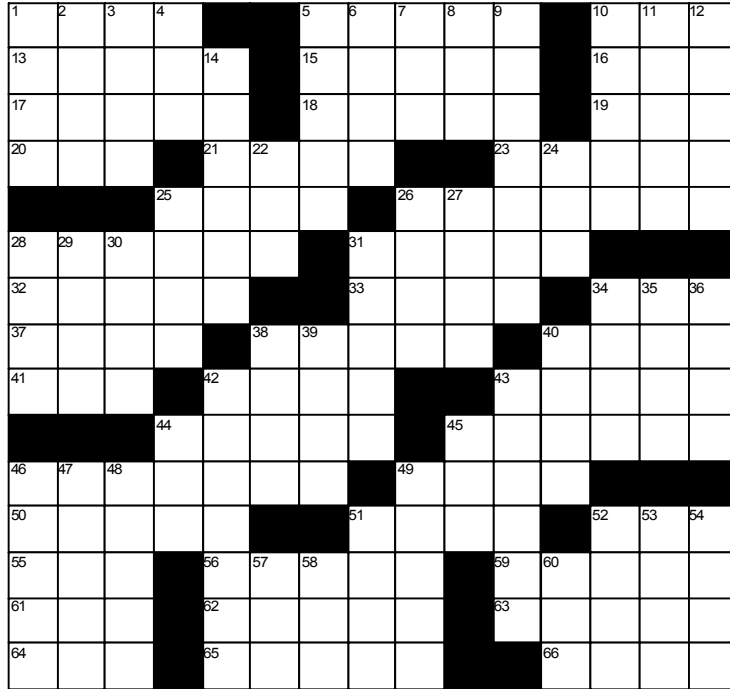
A recap of the industry as it stands today: 97 ethanol biorefineries are currently in operation with an **annual capacity of nearly 4.5 billion gallons**. Additionally, **33 new biorefineries and 9 expansion are under construction** that will add **more than 2 billion gallons of annual capacity** with the next 18 months. These numbers will continue to rise and new groundbreaking events are announced weekly.

CROSSWORD CONTEST

Please submit your completed puzzle to the RFA by April 21, 2006 for your chance to win.

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RFA ROLL CALL



www.CrosswordWeaver.com

ACROSS

- 1 Church part
- 5 **NE RFA member**
- 10 **Illinois-based ethanol producer**
- 13 Share
- 15 Speak w/out preparation
- 16 Path
- 17 Normal
- 18 Recipient
- 19 Artist's creation
- 20 Poisonous snake
- 21 Friend
- 23 **Country Ethanol, LLC**
- 25 Consider
- 26 Lapse
- 28 Beehive
- 31 Fake chocolate
- 32 **SD-based design/builder**
- 33 **Resources Coop**
- 34 Miserable
- 37 Monk's hood

38 **Glacial Energy, LLC**

- 40 Extinct bird
- 41 Hotel
- 42 Animal house
- 43 Net
- 44 **Merrick**
- 45 Curler
- 46 Gigantic statues
- 49 Monetary unit
- 50 Borrow
- 51 Expired
- 52 Deer relative
- 55 Hit
- 56 Inward
- 59 Sugar-free brand
- 61 Is
- 62 Baron
- 63 Nincompoop
- 64 Acid drug
- 65 **Midwest Processors**
- 66 Note___ (plr.)

DOWN

- 1 Peacock blue
- 2 Domestic cat
- 3 Stew
- 4 Terminal abbr.
- 5 Ruined
- 6 Eden dweller
- 7 Layer
- 8 Desert
- 9 **Bioenergy Corp.**
- 10 Informed
- 11 Scoots
- 12 Fables
- 14 **Claremont, MN ethanol producer**
- 22 Used to attract attention
- 24 Globe
- 25 Send
- 26 Storm
- 27 Goofs
- 28 What children learn
- 29 Old style plane
- 30 **Ethanol, LLC**
- 31 Birthday desserts
- 34 Spirit
- 35 Wood tool
- 36 Worker
- 38 Country in SE Asia
- 39 **-Energy, LLC**
- 40 Painter of melting clocks
- 42 Obtaining for a price
- 43 **Grain, Mason City, Iowa producer**
- 44 Law man
- 45 Seed bread
- 46 Plot
- 47 Bad smells
- 48 Galloped
- 49 Warning w/ whistle
- 51 Restaurant
- 52 Gas burner
- 53 Allow to borrow
- 54 Lock partners
- 57 Neither's partner
- 58 BB association
- 60 Drink slowly