OIRA Meeting

October 23, 2013

Why the Ethanol Number has to be 9.7% or lower

- 9.8% corn ethanol is a large step towards a viable solution but it does not go far enough.
- Volume is too close to the limit, it may still limit flexibility.
- Segment of market still needs and wants E0.
- The 9.7% ethanol limit must include all ethanol—corn, advanced (sugar cane) and cellulosic.

Biomass Based Diesel Uncertainty/Wild Card

- Companies can over comply with BBD and use excess RINs to meet the advanced category—Gives industry flexibility.
- Production is highly dependent upon the $1/gal subsidy (set to expire the end of 2013) because of economics. If subsidy goes away, RIN price will have to increase to make it economical for the producers.
- The 9.7% ethanol number only works to stay below the E10 blendwall if the advanced category is satisfied with BBD.
- If BBD production shrinks, imports of sugar cane ethanol must increase to comply--potentially moving the gasoline to an infeasible solution.

Additional challenge from CA LCFS

- CA LCFS favors advanced biofuels due to their lower greenhouse gases.
- Creates incentive for suppliers of CA gasoline to import Brazilian sugar cane ethanol because it represents the majority of advanced fuels available.
- Adds more ethanol into the gasoline pool nationally.
- Pushes the country closer to the E10 blendwall.

Summary

- Total ethanol content of gasoline must be capped at 9.7%– corn, advanced biofuels, and cellulosic.
- The corn ethanol percentage of 9.8% is too close to the blendwall.
- Uncertainty in the economics of biodiesel production and the impact of CA LCFS are both wild cards.
- This requires a lower target to give the industry flexibility to comply and avoid shortages.