



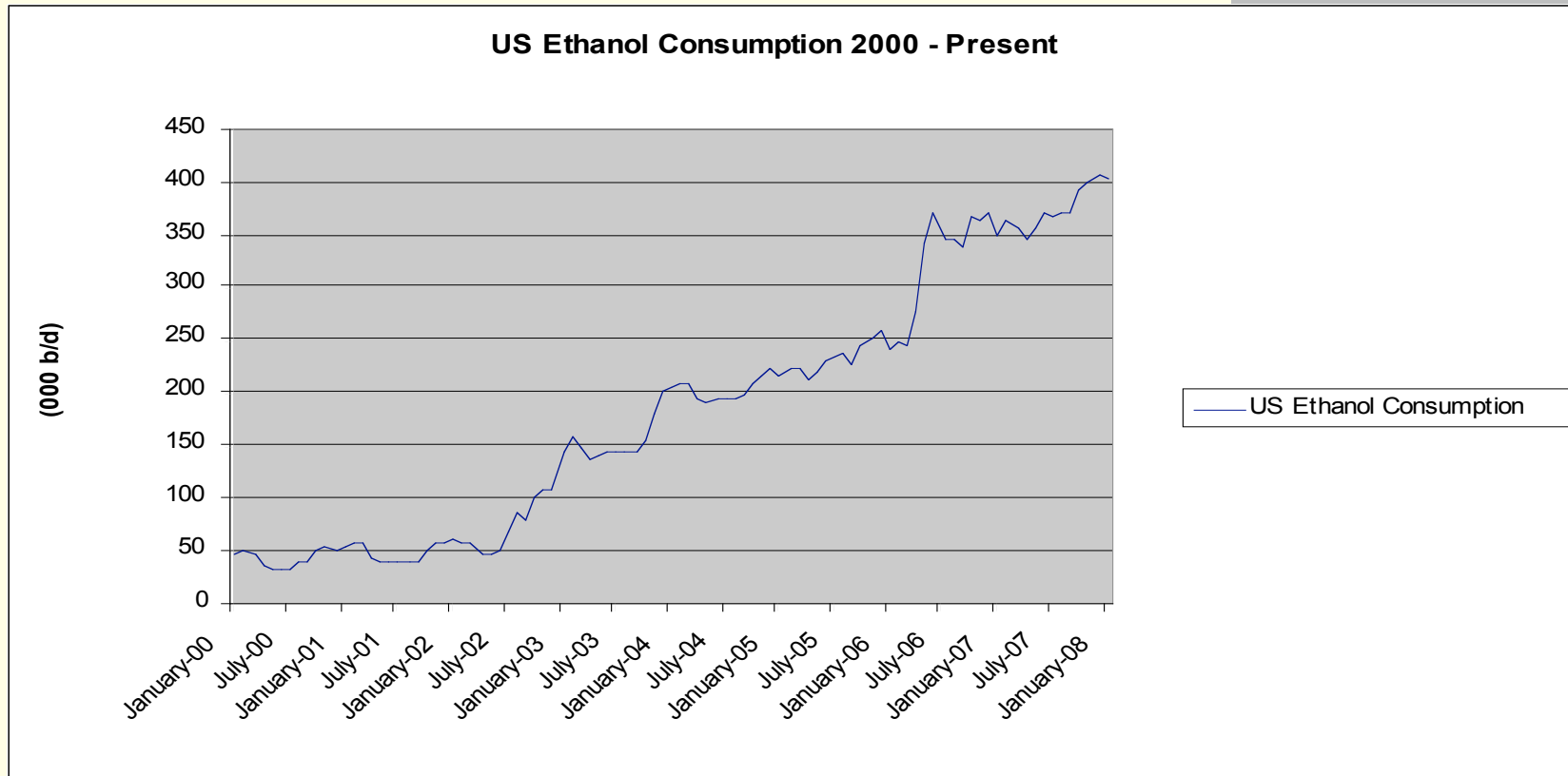
## **Ethanol Mandates 2008: Broad Perspective**

**Larry Kumins**

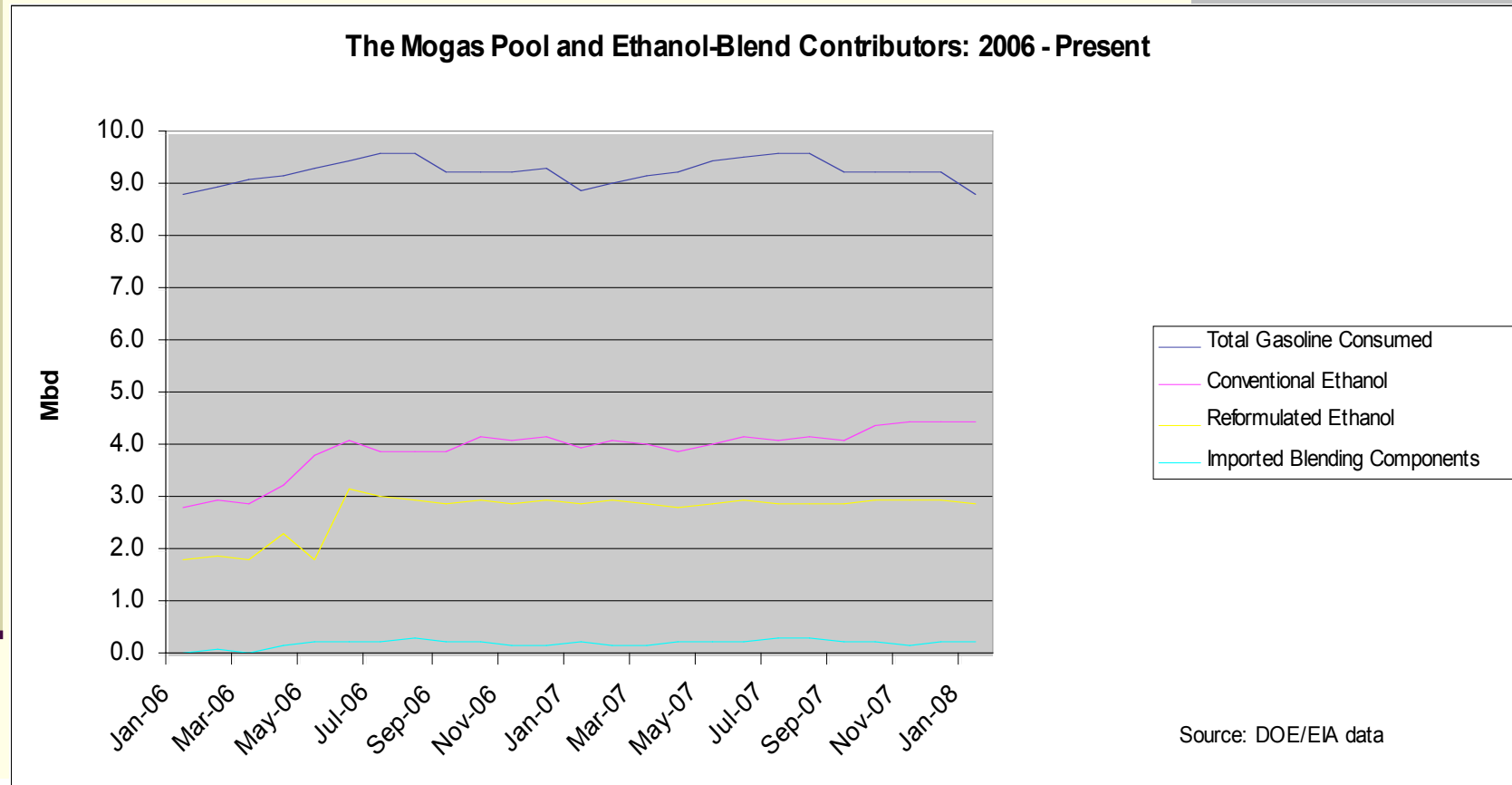
Vice President, Research and Analysis  
Energy Policy Research Foundation Inc.

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# US Ethanol Consumption: Ramp-up Looks Easy



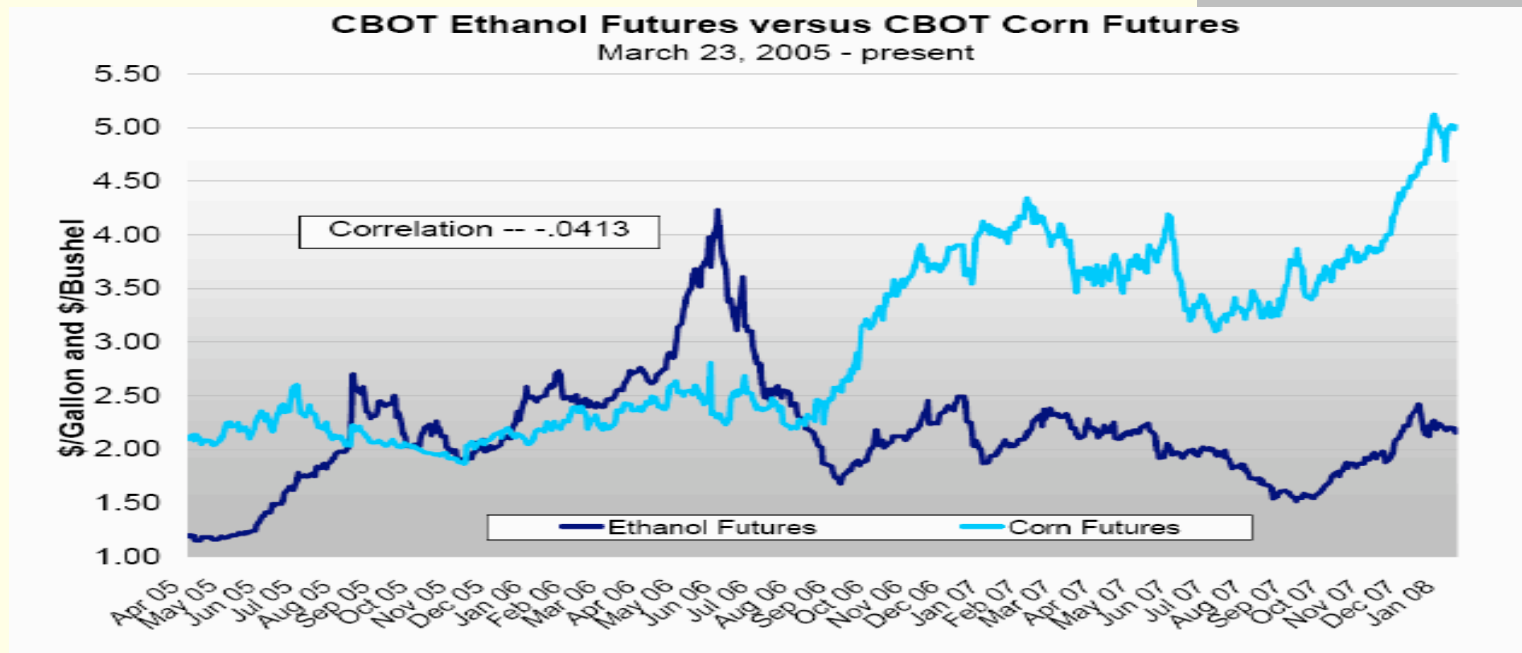
# Slow Change: Mogas Pool and Ethanol Blend Contributors: 2006 - Present



# Will There be Enough Ethanol?

- RFA reports 134 plants with 7.2 billion gallons/year capacity operating
  - Plus 77 under construction; another 6.2 billion/yr
- That's the equivalent of 13.4 billion gal annually
  - Will these plants become operational?
- 2007 mandates call for 9 billion gallons in 2008; 10.5 billion gallons in 2009.
- About 6.8 billion gals of ethanol produced in 2007; nearly one-third more will be called for this year. 55% more in 2009.
- Dickey economics---Will new production capacity come on line?

# CBOT Ethanol Futures versus CBOT Corn Futures



Economics are going the wrong way!

# The Current State of Ethanol Blending

- 9.3 mbd or 142 billion gal of mogas sold in 2007
- Contains about 6.8 billion gallons of ethanol
  - Implication: roughly half of current gasoline pool consists of E-10 blend fuel
  - Consistency check: Tax credit incentive encourages blenders to blend all the way up to E-10.
  - All the gasoline where ethanol is accessible is blended.
- Need to blend 22 billion gallons more E-10 in 2008.
  - Where will those gallons consumed?
  - To which new regions will E-10 be delivered?
  - Transportation/Distribution/Retailing issues?

# The Ethanol Wall vs Broader Geographic Distribution

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- Will broadening the geographic footprint of ethanol distribution result in more E-10 gallons blended?
- OR, will it be necessary to modify the ethanol wall—allow E-15, E-20?
  - Feasible?
  - Current mogas use is about 140 bil gal—14 bil gal ethanol @ E-10
  - Will future mandates create need for E-10+++