

Ethanol: Challenges After the Energy Bill

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Ethanol: Challenges “After” ...

- Prescient Double-Entendre by NASEO?
- After the Energy Bill **PASSES**?
 - Late 2003 or early 2004...
 - Supply adequacy, distribution capacity, etc.
- After the Energy Bill **DEBACLE**?
 - A little recent history
 - Where do things stand now?
 - What's next?



Recent History (1)

- Four-plus years of effort by...
 - NESCAUM, RFA, API, ALA, NRDC etc.
- Led to a “Grand Compromise”: Renewable Fuels Standard (RFS) legislation
 - Passed twice by the U.S. Senate (S. 517, HR 4)
 - States: MtBE ban; RFG O₂ mandate; OTC fuel
 - RFA: 5 billion gallons/year by 2012
 - API: Certainty and ethanol liability protection; perhaps less “boutique”
 - Many other components & concerns!



Recent History (2)

- HR 6 Conference Committee debacle:
 - MtBE interests had their way in U.S. House
 - Parties didn't honor the RFS Compromise
 - MtBE "safe harbor" liability protection, and ...
 - Exorbitant costs (e.g., \$250 million/year "transition assistance" for MtBE producers) ...
 - Became "straw that breaks" for many already-hesitant Senators



Where Are Things Now? (1)

- Legislatively...
 - Energy Bill probably now doomed due to greed, environmental problems, and budget processes

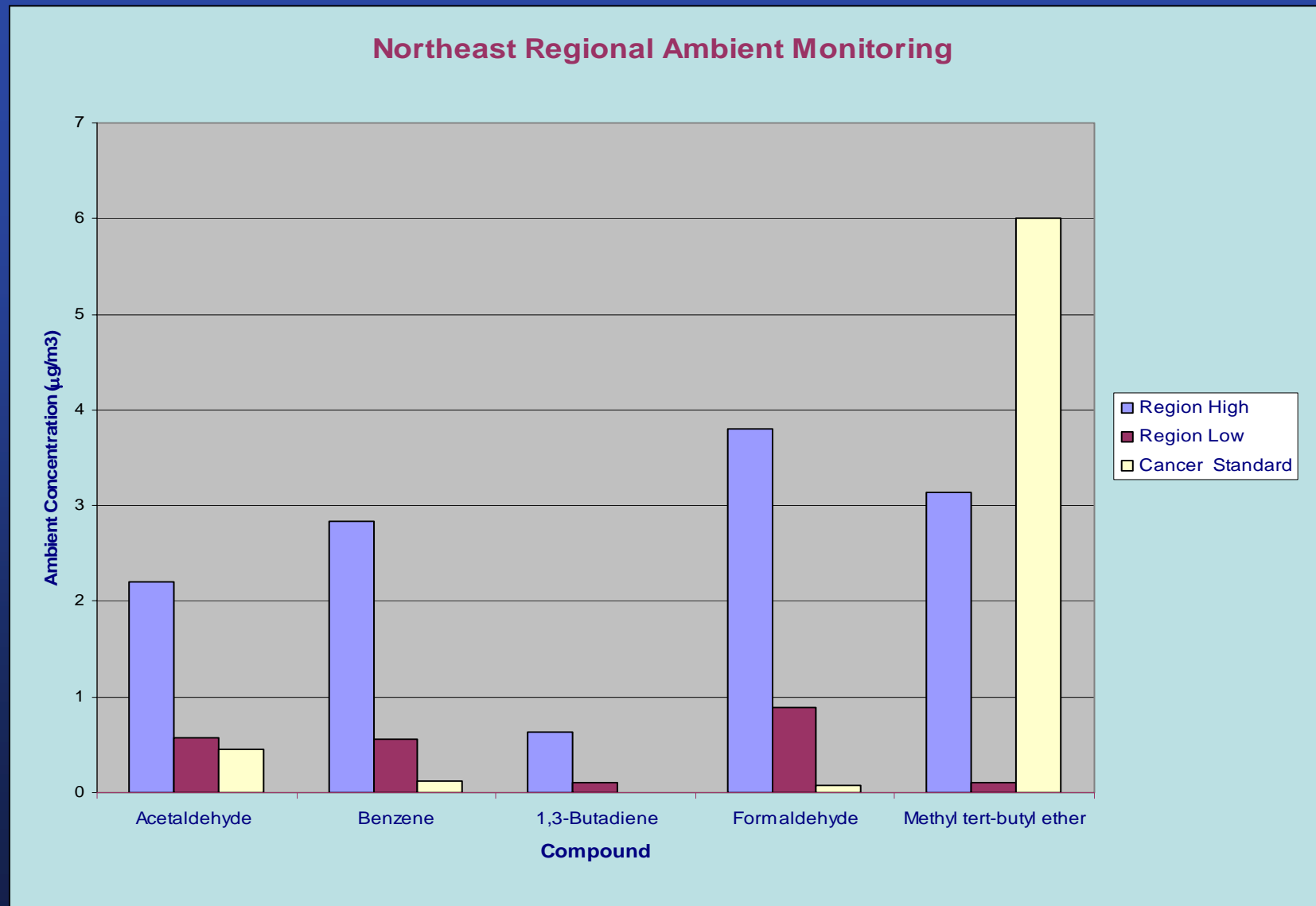


Where Are Things Now? (2)

- Environmentally...
 - MtBE is still a “hot button” issue, and...
 - No “train wrecks” after California, New York, and Connecticut bans, so...
 - Expect more MtBE bans soon...
 - Though RFG oxygen mandate still applies, and many “lost opportunities” absent RFS
 - NE States remain somewhat concerned about ethanol’s potential impacts
 - RVP, NO_x, acetaldehyde, fate-and-transport



Where Are Things Now? (3)



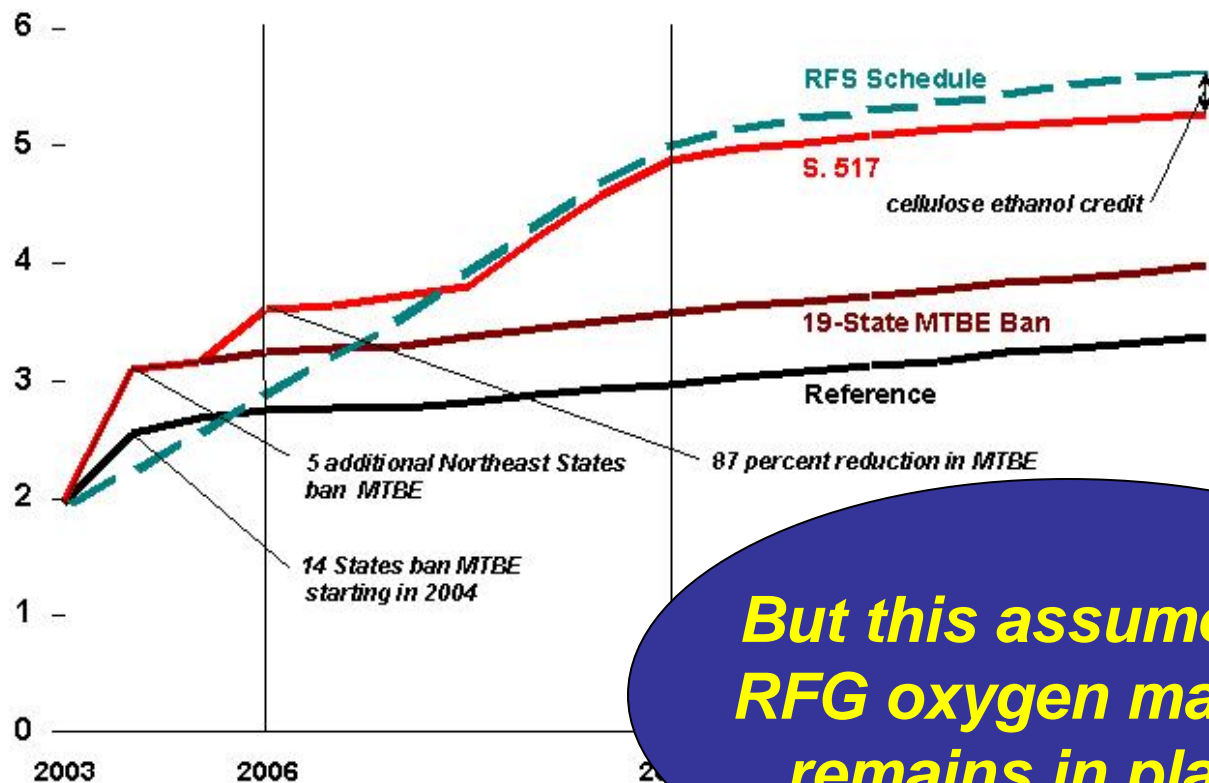
Where Are Things Now? (3)

- In terms of Ethanol...
 - Future is bright, but uncertain
 - RFG Oxygen Mandate => 3 times more ethanol use in the Northeast
 - (Compared to RFS)
 - Use likely to approach 4 billion gallons/year even without RFS
- *Wildcard:*
States opting out of RFG...



Where Are Things Now? (4)

Figure 1. Total Renewable Fuels Consumption For Transportation In Three Cases, 2003-2020 (billion gallons per year)



Source: Energy Information Administration, National Energy Research Laboratory, RFAeo02B.d041002b, RFI1m0b0.d041102d

But this assumes the RFG oxygen mandate remains in place...

Source: EIA Analysis of S.517, April 2002

What's next? (1)

- May see effort to amend the RFS onto another bill...
 - Likely candidate: **Transportation Bill** is "must pass" in an election year
 - Northeast States amenable,
 - BUT "once burnt, twice shy" ...



What's next? (2)

- Will support **only if**:
 - Amendment reflects original Senate position, including:
 - Bans MtBE
 - Allows statewide fuels
 - No backsliding on toxics
 - Preserves states' rights
 - Protects water quality
 - Repeals oxygen mandate
 - Has no MtBE safe harbor
 - Limits RVP & co-mingling
 - ***And is guaranteed to survive the Conference Committee***



*Thank You
for Your Time
and Attention!*

