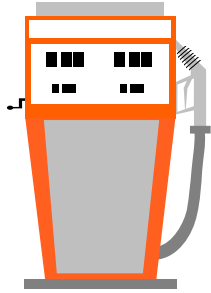


National Association of State Energy Officials' 2005 Summer Fuels Outlook Conference

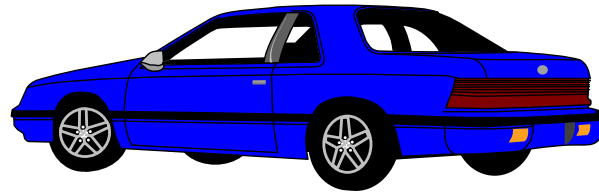
*The National Press Club
Washington, DC
April 7, 2005*

Douglas A. Durante
Executive Director
Clean Fuels Development Coalition
www.cleanfuelsdc.org

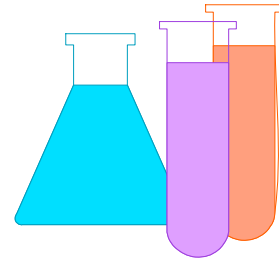
Clean Fuels Development Coalition Constituency



**Alternative
Fuel Providers**



**Automobile
Manufacturers**



**Clean Fuel
Technology
Developers**

and the . . .



**Federal and State
Governments, Public and
Private Organizations that
Support Their Advancement**

U.S. Ethanol Industry -- Evolution

- U.S. ethanol industry nearly legislated out of business as recently as 1997 by elimination of tax exemption.
- Today, ethanol industry is in the midst of an unprecedented expansion.
- Billions of dollars in capital investment.
- Hundreds of thousands of jobs.
- Unrivaled political support.
- Can contribute to energy, agriculture, environment, and economic development.

How did this happen?

Ethanol Identified with a Range of Public Policy Initiatives Over 25 years

ENERGY

- Energy Security Act of 1978
- Alternative Motor Fuels Act of 1988
- Energy Policy Act of 1992
- Energy Policy Act of 2004/2005

ENVIRONMENT

- Clean Air Act of 1990

AGRICULTURE

- Farm Bill of 2002
- Ag Appropriations – Commodity Assistance Bills

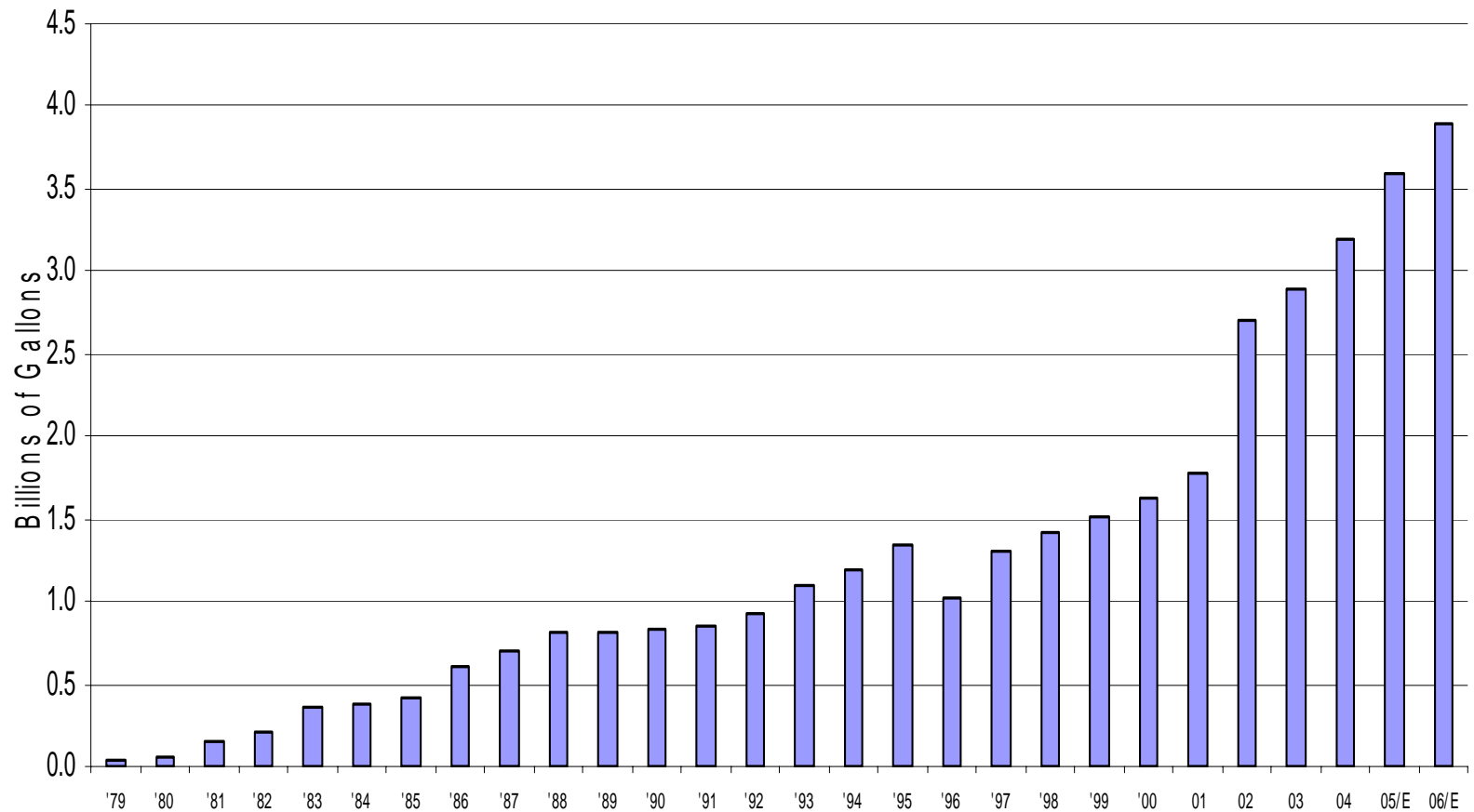
TRANSPORTATION

- Highway Bill of 1978

TAXES AND ECONOMIC DEVELOPMENT

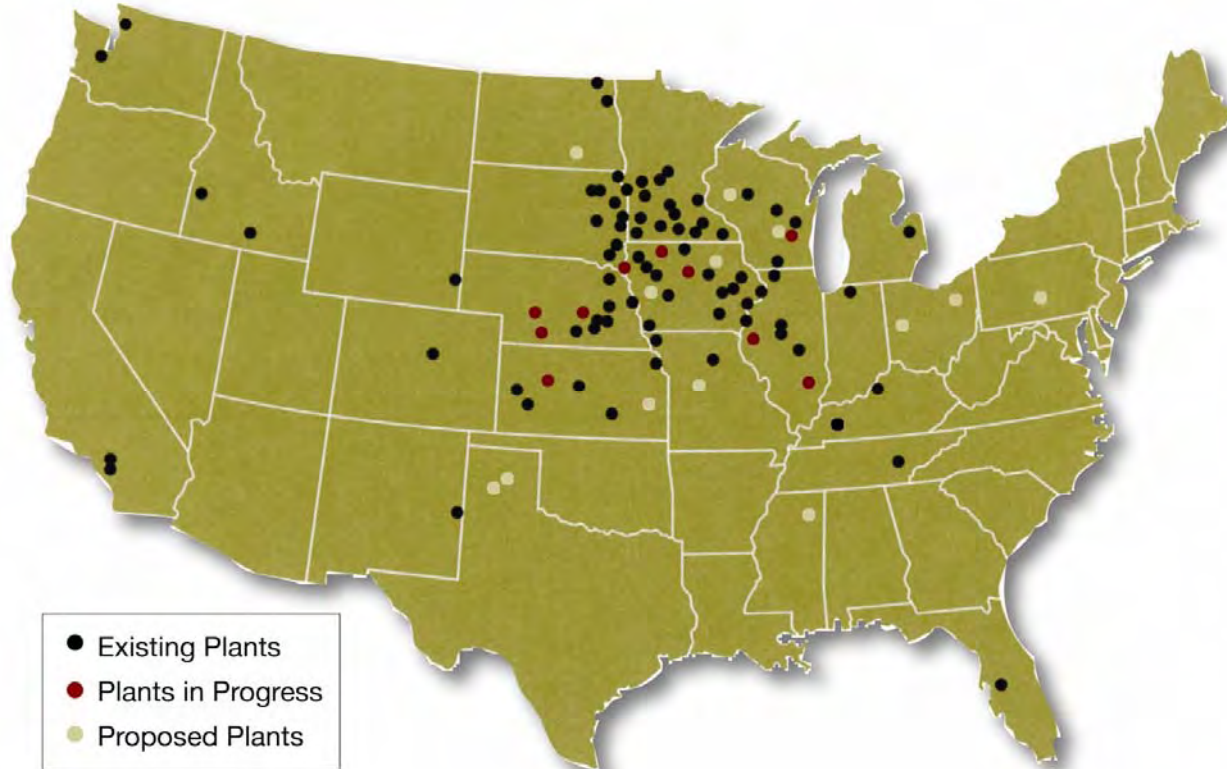
- Energy Tax Act of 1980
- Corporate Tax/Jobs Bill of 2004

U.S. Fuel Ethanol Production 1979-2006



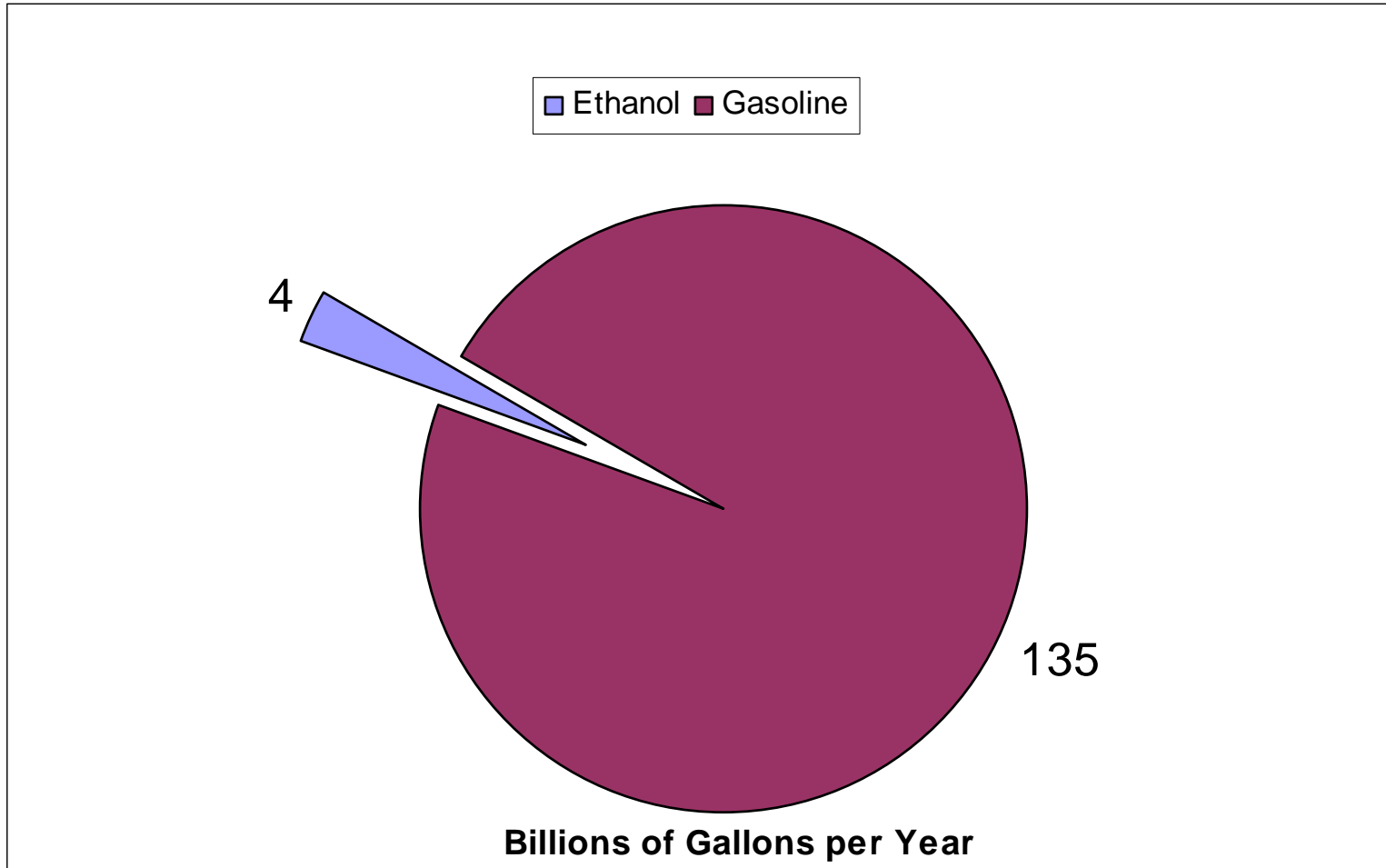
*Ethanol production estimates based on year-to-date production from U.S. EIA.
2005-2006 capacity estimates courtesy American Coalition for Ethanol.*

U.S. Ethanol Plants



Current and projected ethanol production in U.S.
82 operating facilities – 3.45 BGPY/2004
600+ MGPY expansion/under construction, possibly 4+ BGPY/2006

Ethanol Share of the Pie is Growing



Factors Driving Ethanol Development

Continued Need for Clean Fuels:

- Federal RFG – even without an oxygen requirement.
- Carbon monoxide (CO) programs
 - Both federal and state requirements
- CO₂/Greenhouse gases
 - E-10, E-85 particularly effective

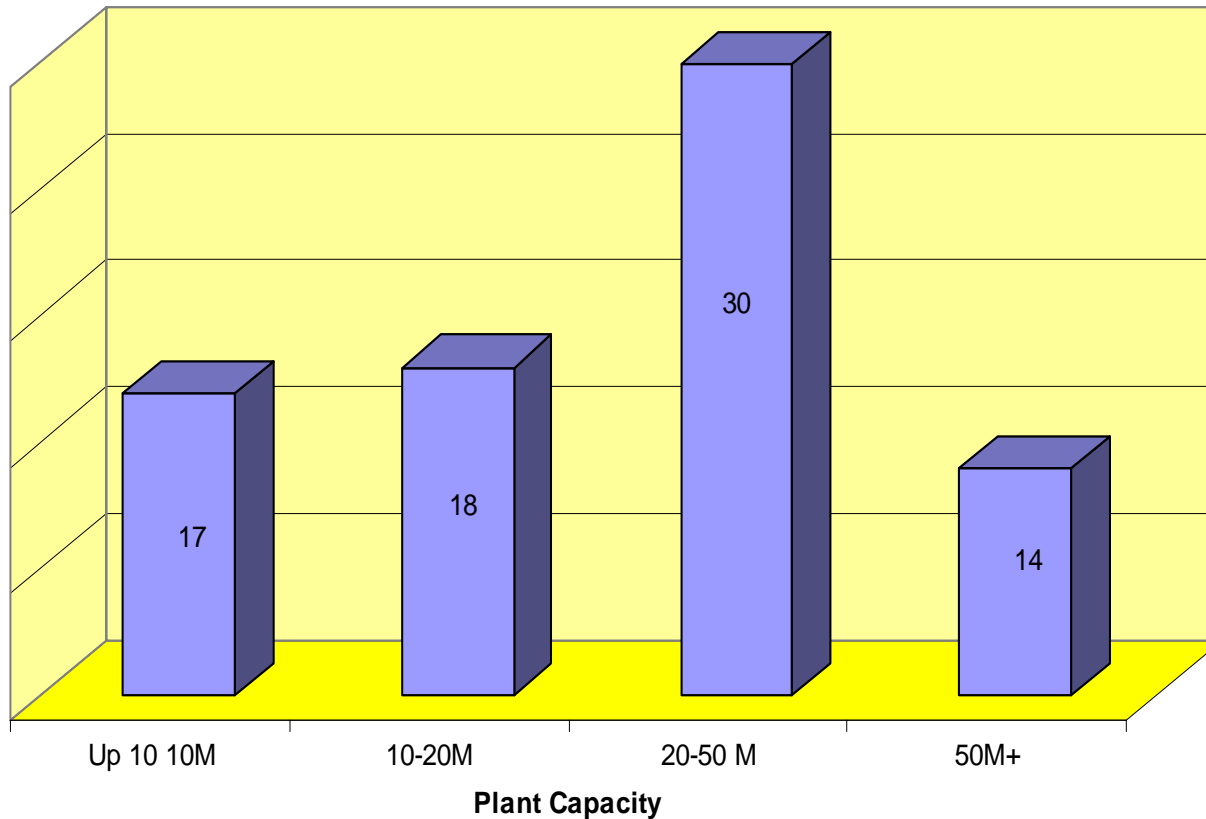
Factors (Continued)

Economic Considerations:

- Extension of the tax exemption through 2010
- USDA grants, incentives, loan guarantees
- State incentives
- Industry efficiencies = greater yield
- Low cost of money = high ROI

Rural America Taking Charge!

Plants Going up in Record Time with Larger Capacities and Investor/Owner Financing



More Growth Likely Through a Renewable Fuels Standard

- Would eliminate oxygen in federal RFG, helping to get more MTBE out of the system.
- Would establish an annual requirement for refiners to have a modest percentage of their fuels renewably derived.
- Establishes a flexible credits and trading program to meet the requirement.
- Incentivizes biomass ethanol by giving it greater value in the trading program.
- Incentivizes biodiesel, treating it equal to ethanol.
- Newest version of this legislation (S.650) would create demand for *700 million gallons per year for the next 7 years!*

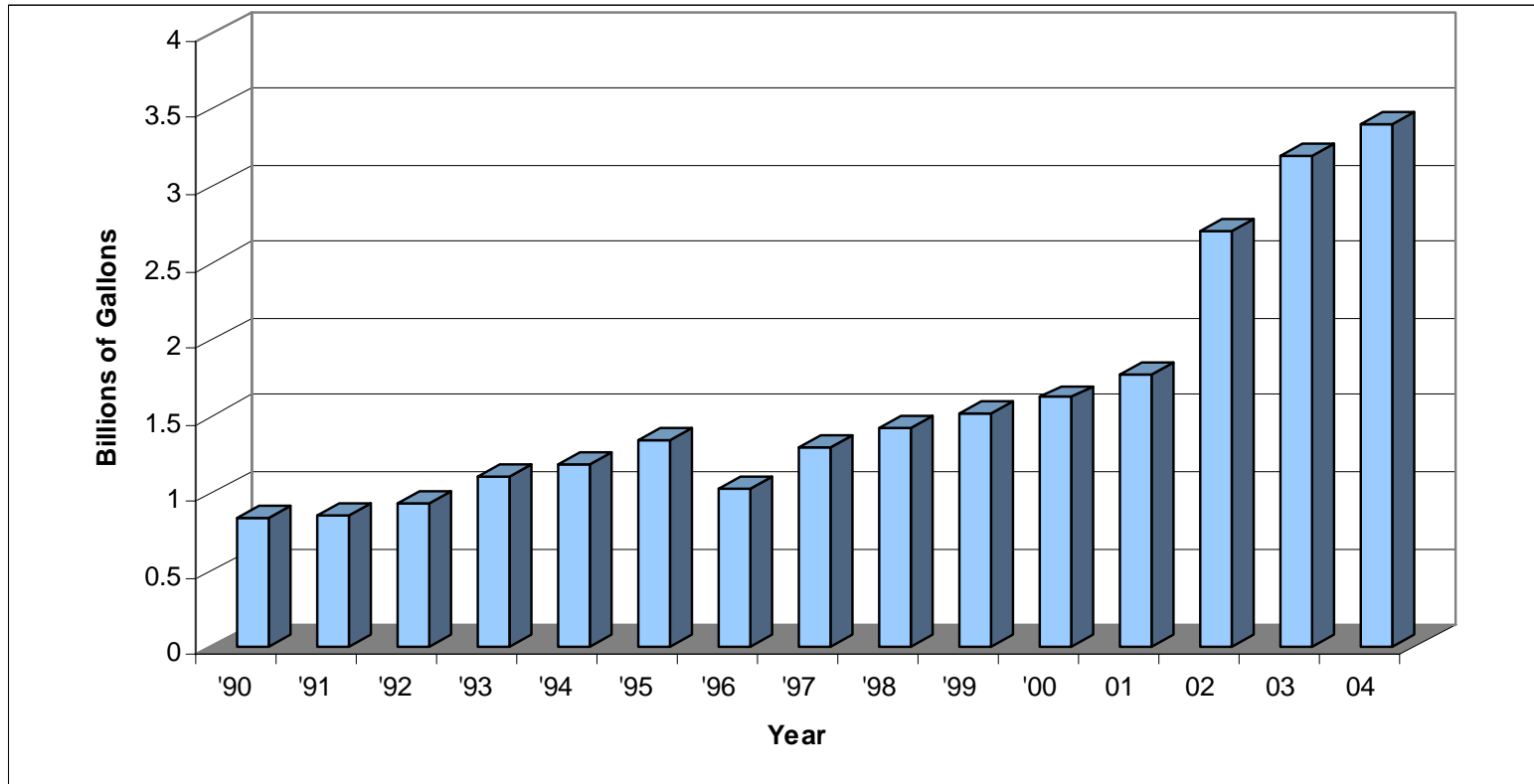
Lessons Learned From 20+ Years of Incentives

- Tax Incentives lifeblood of industry
 - Successful in making ethanol competitive
 - Critical element of project financing

BUT.....

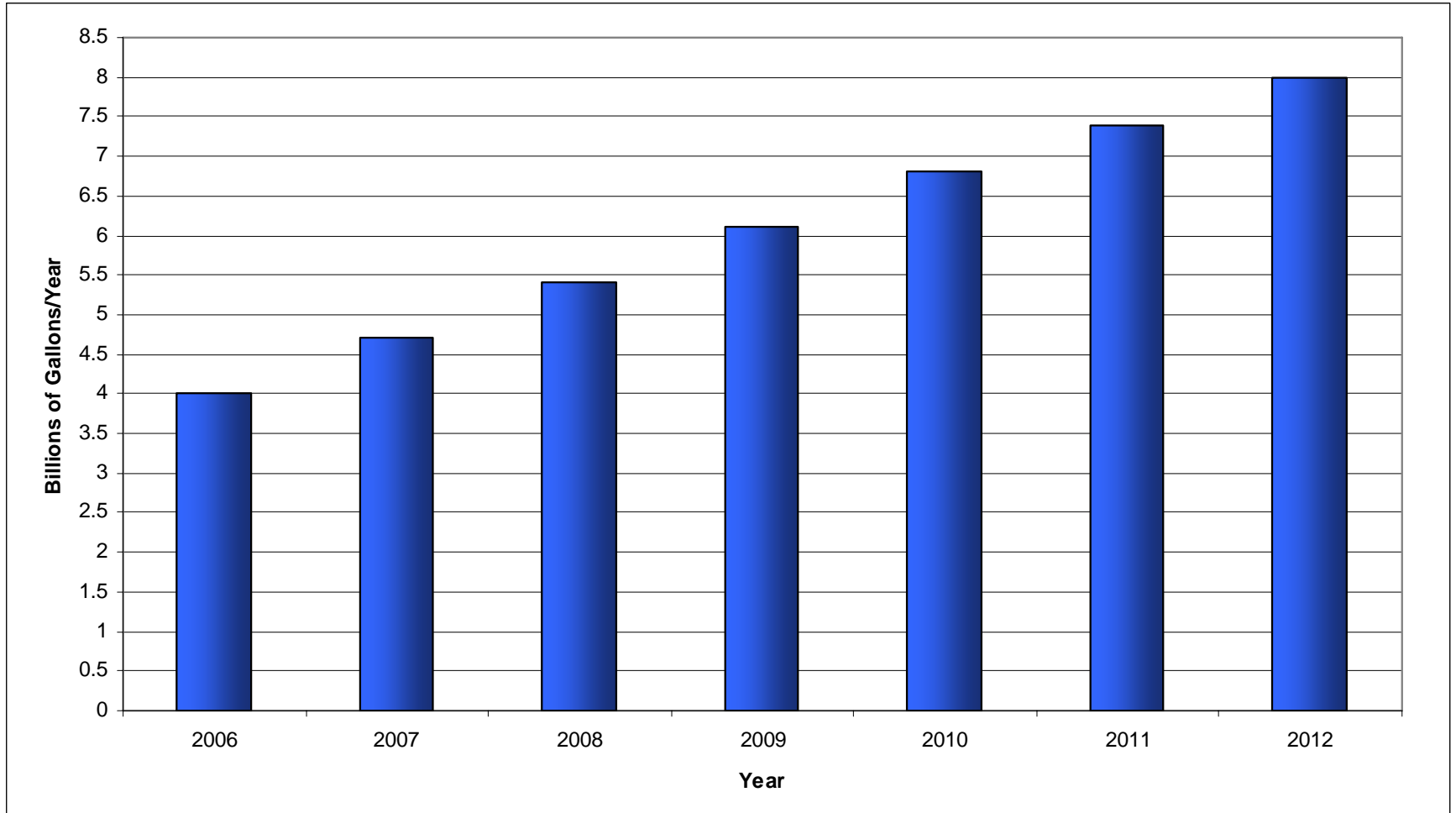
- Economics alone insufficient market driver -- ethanol price swings too volatile
- Most effective incentives tied to market assurance

Most aggressive growth spurt for ethanol came from CAA as industry doubled in 1990s --10% annual growth -- doubled again in 4 years



Most recent explosion in development due to assumption of either RFS or capture of MTBE market. Renewal of tax exemption never had the impact of a market driver like this.

Ethanol Demand from Renewable Fuels Standard in S.650

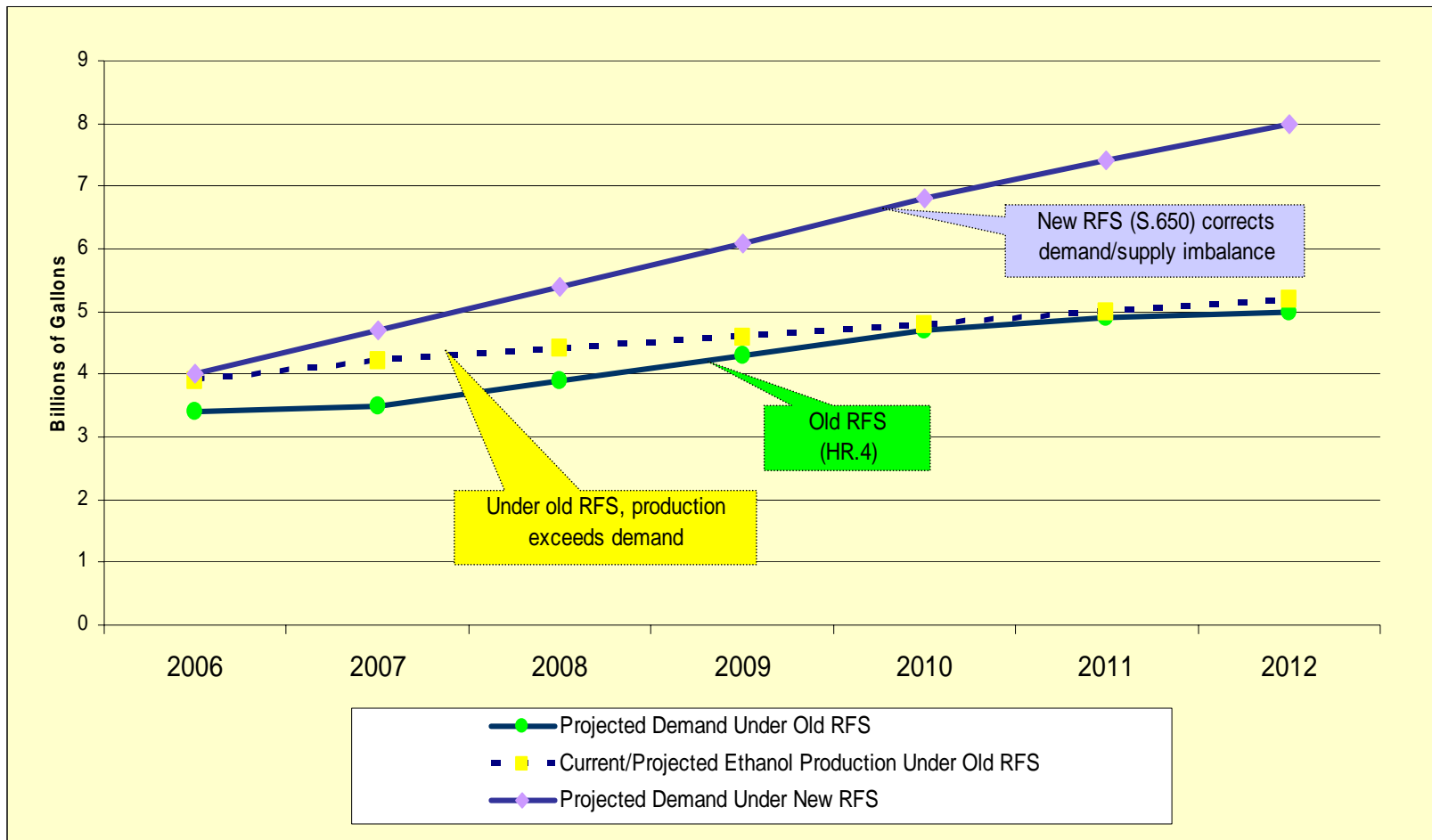


Source: Clean Fuels Development Coalition

Political Support for Renewable Fuel Standard

- Ethanol producers
- Corn growers/agriculture
- 2/3 U.S. Governors
- Air quality officials
- Water quality officials
- Majority of U.S. Senate
- Bush Administration (Clinton as well)
- Highway interests/road builders
- American Petroleum Institute
- State petroleum councils

Range in Ethanol Demand From Renewable Fuel Standard Legislation



Source: Clean Fuels Development Coalition

Legislative Outlook

- Energy remains a top priority for the 109th Congress.
- Ethanol continues to be an area of consensus.
- Renewable fuels standard likely to be included.
- Biomass energy for power, fuels, and products must be part of the mix.

Thank you!

For more information log on to

www.cleanfuelsdc.org

www.ethanolacrossamerica.net