

Renewable Fuels

**API International Trade and
Customs Conference**

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API Biofuels Overview

- **Given the current and projected worldwide energy demand, The U.S. needs *all* sources of commercially viable energy, as well as a greater commitment to energy efficiency and energy conservation**
 - **Biofuels, including ethanol are an important resource**
- **Almost 80% of all gasoline now produced in the U.S. includes ethanol**
- **Our companies have long been pioneers in developing alternatives and expanding our utilization of existing sources of energy**
- **We are opposed to the imposition of a low-carbon fuel standard (LCFS) in addition to the existing renewable fuel standard (RFS)**
- **An E15 waiver decision this summer would be premature**

RFS2 Summary

- **Effective Date: July 1, 2010 -- But, obligation is retroactive for all of 2010**
- **Mandated Volumes for 2010, BGY:**
 - **Cellulosic** **0.005 (.0065 ethanol equivalent)**
 - **Bio-mass based diesel** **0.65 (plus 0.5 from 2009 = 1.15)**
 - **Total advanced** **0.95**
 - **Overall** **12.95**
- **Specific 2010 Renewable Volume Obligations:**
 - **Cellulosic biofuel** **0.004%**
 - **Biomass-based diesel** **1.10%**
 - **Advanced biofuel** **0.61%**
 - **Renewable fuel** **8.25%**

RFS2 Concerns

- **Volume Mandates**
 - **Cellulosic – Volumes will be far below EISA07 volumes for foreseeable future.**
 - **Biomass based Diesel – EPA combined 2009 and 2010 requirements.**
 - **Advanced Biofuels – Not adjusted for cellulosic reduction. 2010 compliance will be dependent on biomass based diesel volumes.**
 - **Total Biofuels – Not adjusted for cellulosic reduction. Compliance not a problem until blendwall**
- **Life Cycle Analysis (LCA): Values very different from California**
- **Mixed RIN systems (EMTS and non-EMTS) for 2010 and 2011**
 - **Will producers be ready by July 1?**
- **EPA's blend wall analysis is unrealistic**

EPA's Blend Wall Scenarios are Unrealistic

- EPA downplays the E10 blend wall by focusing on its primary scenario case which is E10/E85
 - Blend wall occurs in 2014
 - Cellulosic mandate achieved with only 4.9 billion gallons of cellulosic ethanol
 - 6.52 billion gallons of cellulosic biodiesel (11.08 ethanol equivalent) is projected
- As a sensitivity case, EPA considered a partial waiver for E15. Under the E15 scenario:
 - E10 would be marketed as premium
 - E15 would become “regular”
 - E12.5 would become “mid-grade”
 - EPA's E15 scenario extends blend wall to 2019

When Does Industry Hit the Blendwall?

- **2010 – Some *obligated parties only***
 - Not small refiners
 - Required to blend over 10% (must rely on RIN market)
- **2012 – If last year's gasoline demand reductions were to return and continue into the future**
- **2013 – Current estimate based on EIA projections (AEO2010)**
- **2014 – Assuming cellulosic biofuels waivers which also reduce overall mandate**

Low-Carbon Fuel Standard

- **A LCFS will not result in more advanced biofuels**
- **RFS2 is technology forcing**
 - **State LCFS will simply compete for the same volumes resulting in “fuel shuffling” until low carbon fuels are widely available**
 - **A LCFS cannot make technology development go any faster than the existing federal RFS2 program**
- **Goes significantly beyond the RFS2 by requiring the replacement of a portion of the liquid transportation fuel market with alternative fuels including electricity**
 - **Rely on technology breakthroughs in low carbon intensity biofuels**
 - **May be required to buy credits from electric utility**

An E15 Waiver Decision This Summer Would be Premature

- **API's primary concern regarding an E15 waiver is the overriding need for customer satisfaction and program success at the consumer level.**
 - **We cannot support a premature action that could put consumer satisfaction and safety at risk.**
 - **If customer satisfaction is compromised, the credibility of our industry and the RFS2 program will be questioned and challenged.**
 - **We are supporting a large industry-level test program**
- **There is additional extensive testing currently underway that will not be complete by mid-year and should not be ignored**
 - **Additional testing explores other emissions systems issues (e.g., evaporative durability, OBD) *and* vehicle performance issues (e.g., base engine durability, which influences customer expectations, safety and could also reveal an emissions issue).**

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