ETHANOL:
Industry Status and Implications for the Southeast

Presented to the Conference:

Freight in the Southeast

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informa economics

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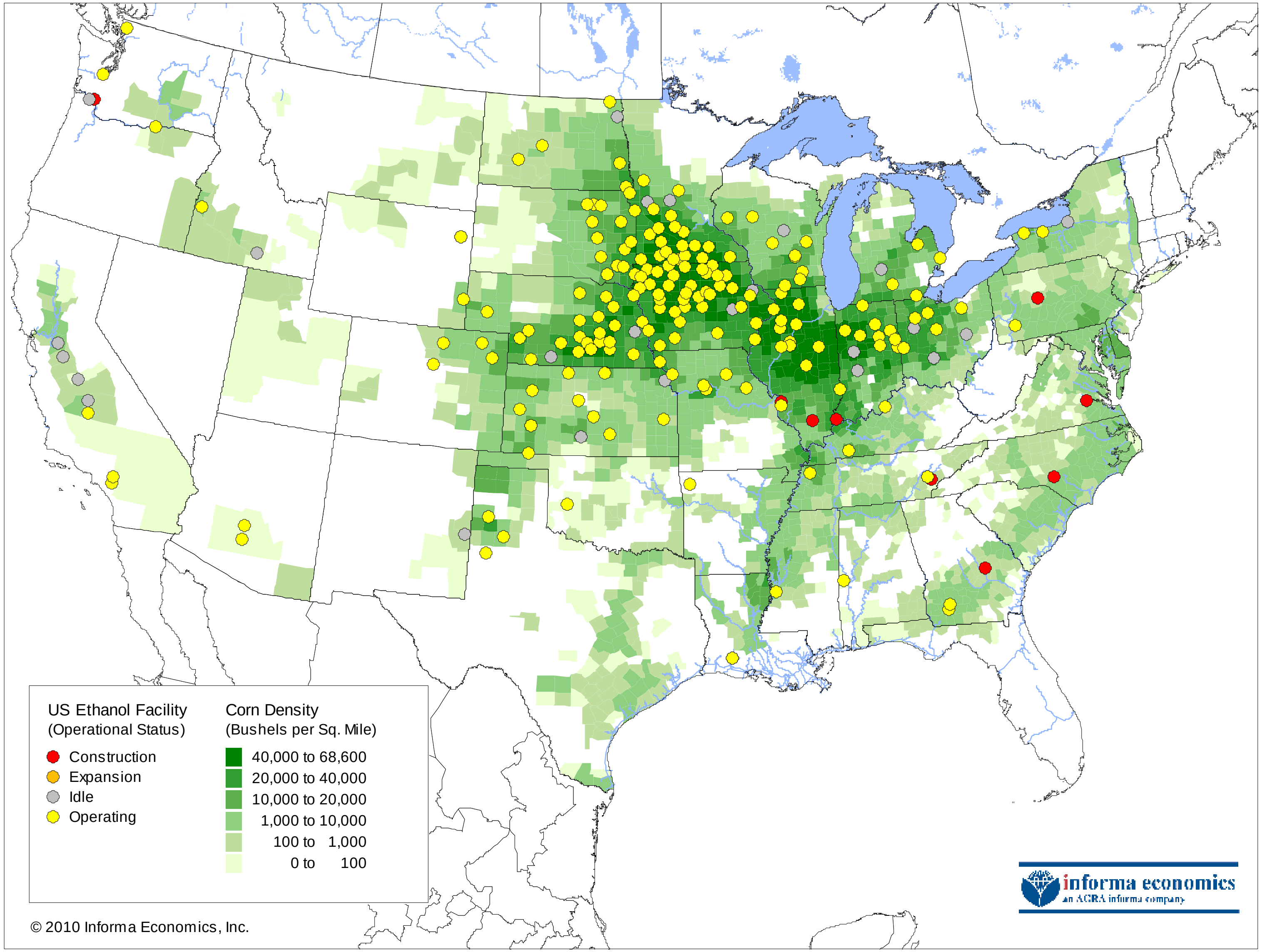
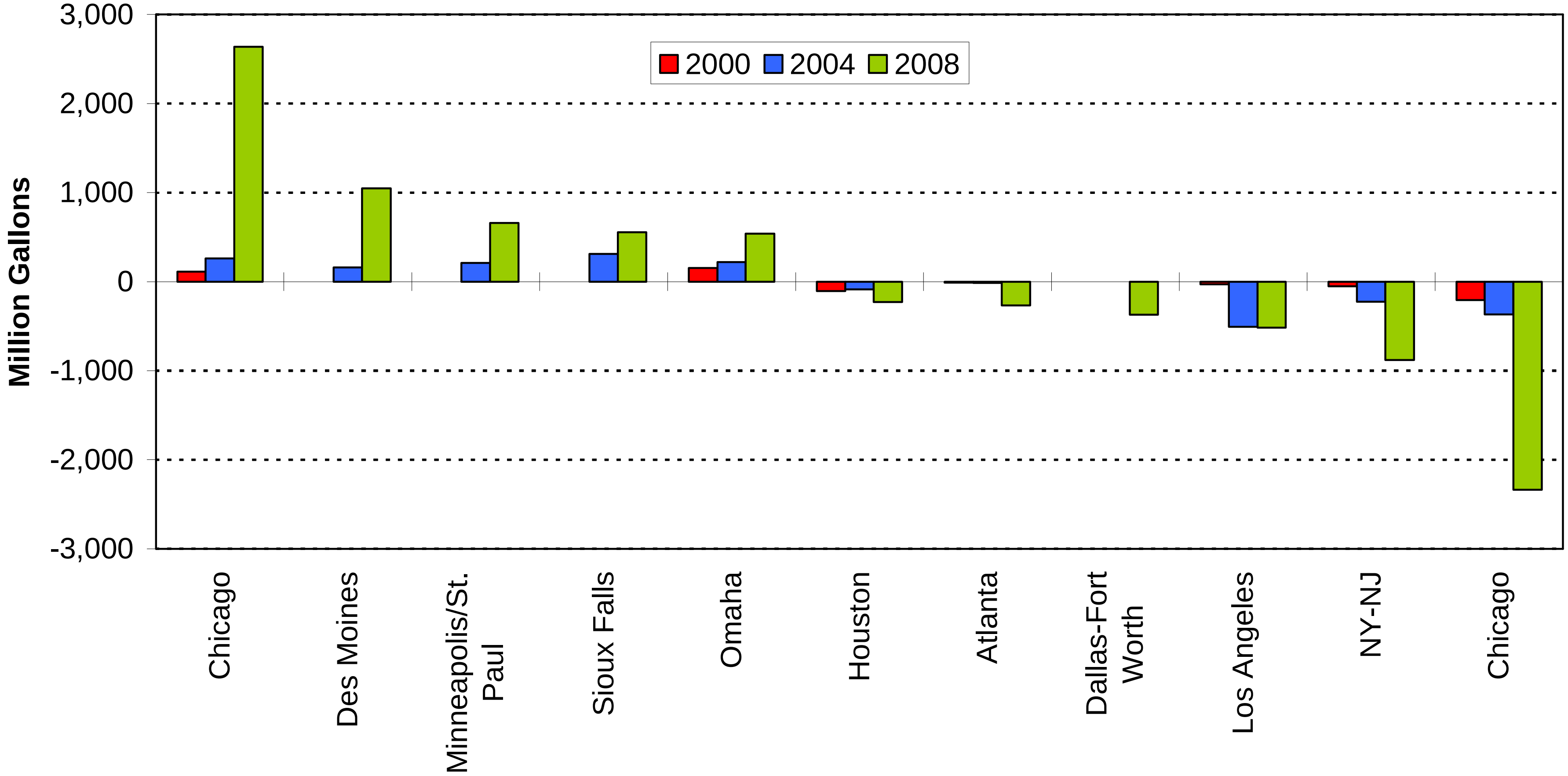
Industry Concentrated in the Midwest – Not Many Production Facilities in the Southeast



What about Consumption?

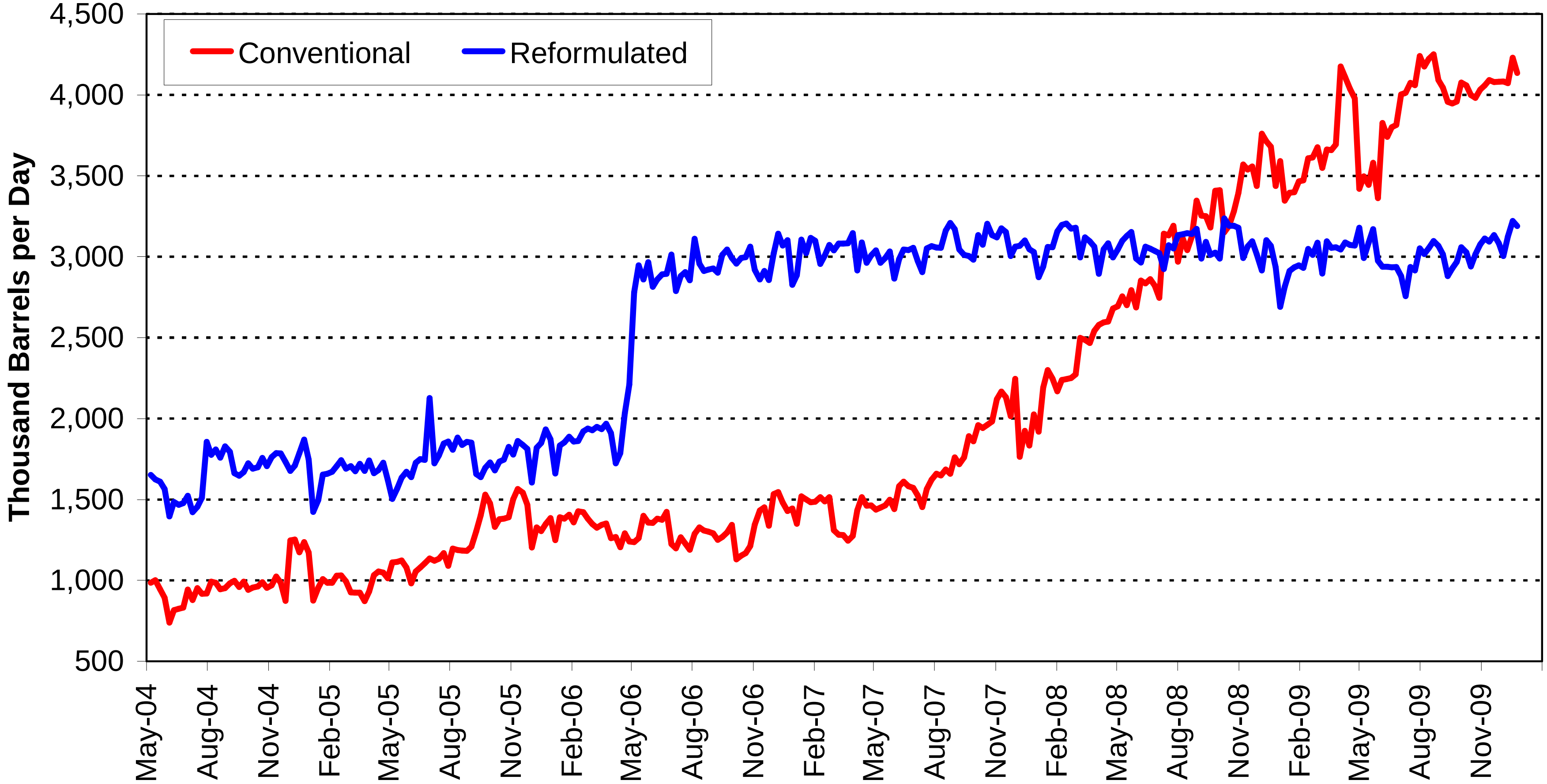
- Mainly a Midwest regional market until 2004
  - Midwest market mainly served by truck
  - Some usage outside the Midwest for carbon monoxide abatement
- Competing oxygenate MTBE banned in California and New York at beginning of 2004
  - Opened up huge new markets
- A number of new markets opened after May 2006
  - Energy Policy Act of 2005 did not provide liability protection for MTBE
  - Houston & Dallas among markets that began using ethanol
- Much of Southeast did not open until later
  - Specifications in some state regulations made blending difficult
  - Blending, rail receiving and storage infrastructure was not in place
    - Shortage of unit train receiving terminals inland; tanks in cities supplied by water (e.g., Tampa)
  - Atlanta and Florida among latest to open

Volumes of Ethanol Shipped by Rail: Main Origins and Destinations

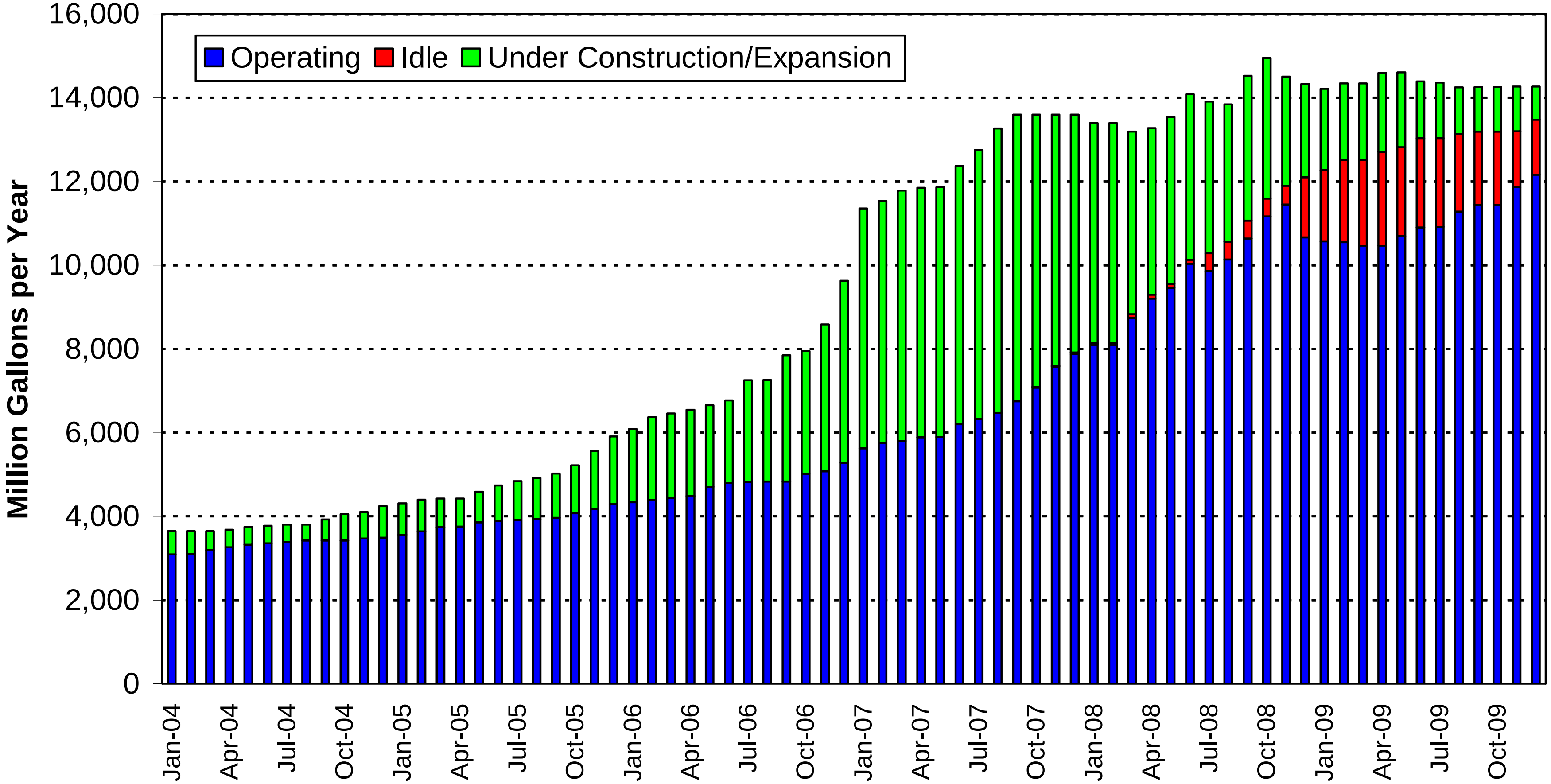


Note: Locations refer to Bureau of Economic Analysis areas

Weekly Production of Gasoline with Alcohol



Industry Capacity Growth Has Stalled, and Some Plants Have Been Idled



Not Much More Corn-Based Ethanol Capacity Needed per the Renewable Fuel Standard … but Cellulosic to Expand Dramatically

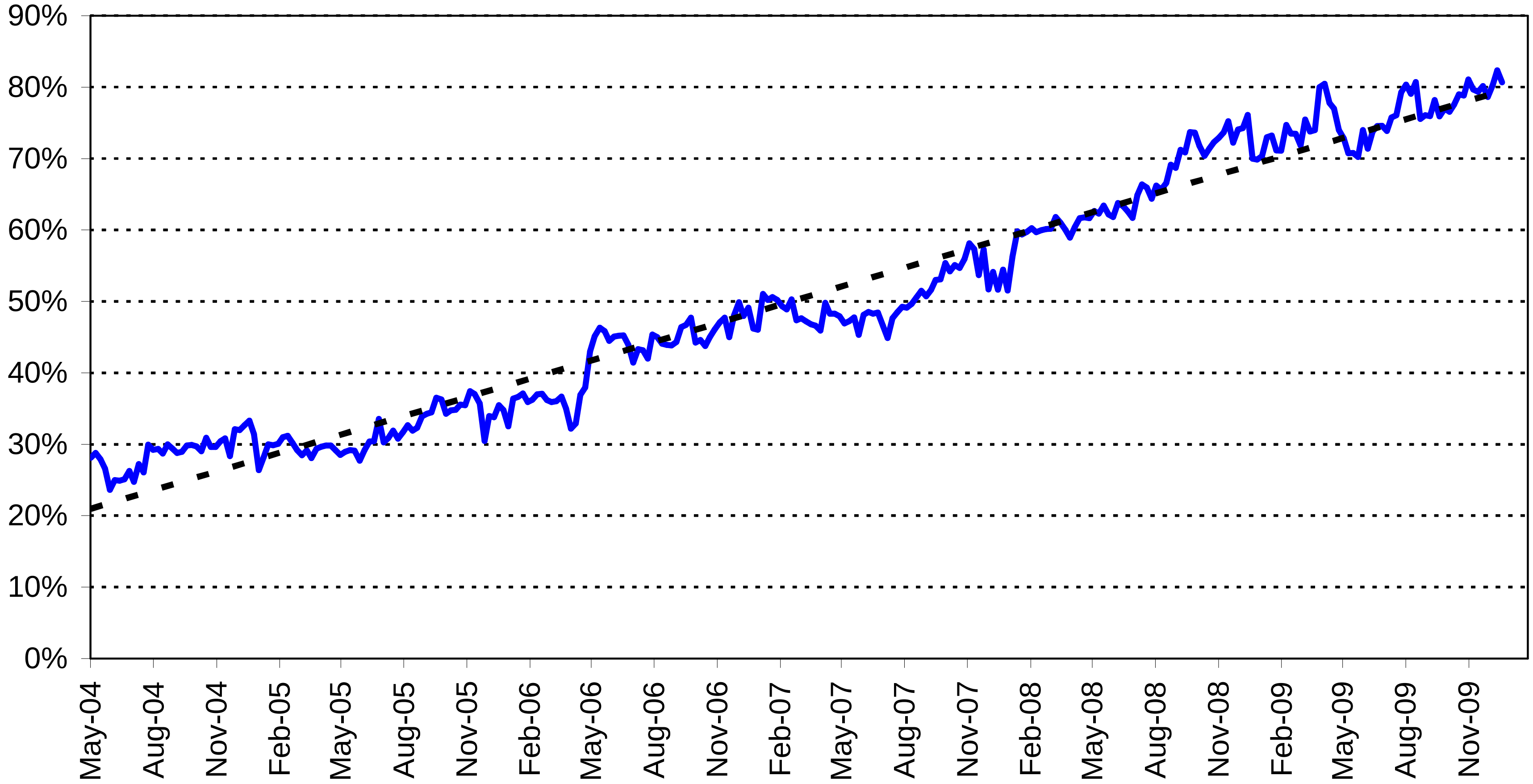
			Within Advanced Biofuel:			
Year	Conventional Biofuel (Corn-Based Ethanol)	Advanced Biofuel	Cellulosic Biofuel	Biomass-Based Diesel	Undifferentiated Advanced Biofuel	Total RFS
2008	9.0					9.0
2009	10.5	0.6		0.5	0.1	11.1
2010	12.0	1.0	0.1	0.7	0.2	13.0
2011	12.6	1.4	0.3	0.8	0.3	14.0
2012	13.2	2.0	0.5	1.0	0.5	15.2
2013	13.8	2.8	1.0		1.8	16.6
2014	14.4	3.8	1.8		2.0	18.2
2015	15.0	5.5	3.0		2.5	20.5
2016	15.0	7.3	4.3		3.0	22.3
2017	15.0	9.0	5.5		3.5	24.0
2018	15.0	11.0	7.0		4.0	26.0
2019	15.0	13.0	8.5		4.5	28.0
2020	15.0	15.0	10.5		4.5	30.0
2021	15.0	18.0	13.5		4.5	33.0
2022	15.0	21.0	16.0		5.0	36.0

A Political Commodity: Policy Developments Important to Ethanol's Future

- Main federal issue for 2010:
  - Will the excise tax credit be extended? At the same rate?
- Will the tariff be eliminated or reduced?
  - Southeast in prime location for competition from foreign ethanol
- Will the EPA issue a waiver for a blend rate higher than 10%?
- Will any significant changes be made in the final regulations for the Renewable Fuel Standard?
  - Longer term, what happens if cellulosic biofuel production is slow to develop?
- Will federal cap-and-trade legislation be enacted?
  - How will it treat ethanol?
- How will ethanol be treated when California's Low Carbon Fuel Standard is implemented in 2011?
  - Will Northeast states join? With similar treatment of ethanol?

The Importance of the E15 Decision:

Gasoline Produced with Alcohol as a Percent of Finished Gasoline Supplied to the Market



Thank You!