



EPA 2014 RVO Proposal

Office of Management and Budget
October 25, 2013

Calling Big Oil's Bluff

- Petroleum industry has track record of predicting dire consequences from renewable fuels expansion...
 - E10 in 1980s
 - RFG in 1990s
 - Ethanol into California/New York in 2000s
 - Nationwide E10
- ... and being wrong.



Calling Big Oil's Bluff

- Artificially restricting gasoline and diesel to the U.S. market is a bluff.
 - Export market has limits
 - Idling U.S. refinery capacity is not the “high profit” scenario for U.S. refiners
 - The “RINs are permits to sell gasoline and diesel” construct is not a viable model for RFS compliance
 - As such, there is not, nor will be a shortage of renewable fuels or severe economic harm

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The “Leaked” EPA RVO draft

- The leaked document clearly uses a bogus “blend wall” as justification for a general waiver – legally unsustainable
 - Contrary to statute
 - Contrary to legislative history
- Waiver authority: There “is” not a supply shortage of renewable fuel.
 - Domestic capacity/feedstocks exist to produce 15 BG of ethanol; 2 BG of biodiesel

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RINs create incentive for retailers to offer renewable fuels/higher blends

- Little to no retail infrastructure cost to offer E15 in Iowa.
 - Installer inspections completed. Equipment is compatible
- Moderate retail infrastructure cost to add blender pump or dedicated E85
- No retail infrastructure cost to offer biodiesel
- But retailers need economic incentive to change current product offerings – RINs value is key

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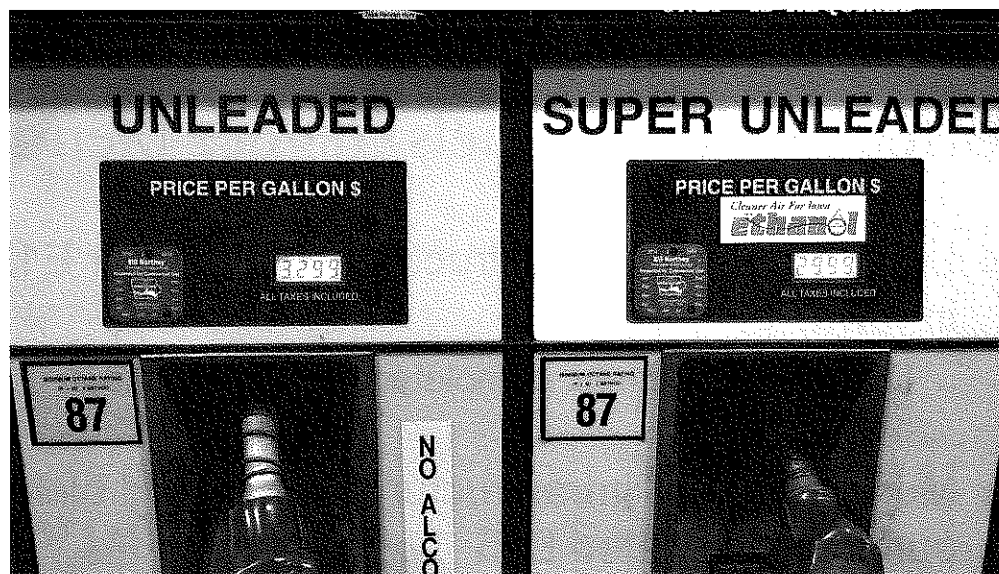


RINs Lower the Price of Fuels – E10

- Today, side-by-side at the same gas station, two 87-octane gasolines for sale:
 - E10 \$2.999
 - E0 \$3.299

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Casey's, Ankeny, Iowa

E10 is 30 cents per gallon less than E0. (Oct. 24, 2013)

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RINs Lower the Price of Fuels – E10

- Des Moines wholesale prices show RIN value lowers prices
 - Pre-blended E10 is consistently LESS expensive than buying the components
 - Suppliers have to pass value of RIN along
 - Discount for pre-blended E10 appears to track RIN values

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RINs Lower the Price of Fuels – E10

OPIS Rack Prices- 2013

	8/1/2013	8/8/2013	8/15/2013	8/22/2013	8/29/2013	9/5/2013	9/12/2013
Regular UNL (87 octane)	3.081	2.919	3.014	3.025	3.180	3.155	2.919
E10 (89 octane)	2.908	2.790	2.864	2.880	3.043	3.028	2.813
E100	2.423	2.420	2.401	2.430	2.644	2.691	2.719
Comp. E10 (89-octane)	3.015	2.869	2.953	2.966	3.126	3.109	2.899
Discount for pre-blended	0.107	0.079	0.089	0.086	0.083	0.081	0.086
2013 OPIS RIN (10%)	0.110	0.065	0.080	0.074	0.067	0.071	0.065

*Des Moines Rack Average Prices



RINs Lower the Price of Fuels – E10

OPIS Rack Prices- 2013

	9/19/2013	9/26/2013	9/30/2013	10/3/2013	10/7/2013	10/10/2013	10/14/2013	10/17/2013	10/21/2013
V-grade (84-octane)	2.743	2.696	2.683	2.637	2.611	2.712	2.648	2.628	2.589
E10 (87 octane)	2.701	2.613	2.613	2.562	2.538	2.581	2.573	2.579	2.529
E100	2.422	2.344	2.394	2.279	2.299	2.165	2.165	2.190	2.203
Comp. E10 (87-octane)	2.711	2.661	2.654	2.601	2.580	2.657	2.600	2.584	2.550
Discount for pre-blended	0.010	0.048	0.041	0.039	0.042	0.076	0.027	0.005	0.021
2013 OPIS RIN (10%)	0.059	0.053	0.044	0.037	0.041	0.034	0.032	0.033	0.031

*Des Moines Rack Average Prices



RINs Lower the Price of Fuels – E85



Iowa Renewable Fuels Association

PRESS RELEASE

FOR IMMEDIATE RELEASE
May 22, 2013

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With High Memorial Day Gas Prices Around the Corner, the Ethanol Industry is Taking Action to Offer Real Savings

Some Ethanol Plants Cut Out the Middleman to Pass RIN Savings on to Consumers

JOHNSTON, IA – The Iowa Renewable Fuels Association (IRFA) today announced that while AAA is predicting the highest Memorial Day gas prices since 2011, Iowans can turn to ethanol blends like E85 to save some of their hard-earned money.

While E85 remains a good bargain throughout Iowa, some areas should be seeing even greater savings as a result of ethanol plants selling E85 directly to the retailer. One example is Absolute Energy, a 115 million gallon per year ethanol plant near the Iowa-Minnesota border. Absolute Energy is now offering E85, a fuel blend containing 85 percent ethanol and 15 percent gasoline, directly to retailers and is passing on the RIN value generated by blending ethanol.

According to OPIS, recent prices for E85 at Iowa terminals were about \$2.77 per gallon, while Absolute Energy listed the price for their E85 at only \$1.94 per gallon earlier this week.

"Frankly, I think the ethanol industry is growing tired of sending a gallon of ethanol to a middleman, just to watch them pocket the RIN value, instead of passing the savings on to the consumer," stated Absolute Energy CEO Rick Schwarck. "Here at Absolute Energy, we've taken matters into our own hands. We're cutting out the middleman and showing consumers the real savings that ethanol can provide. As a result, consumers should be seeing even greater savings from ethanol blends."

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RINs Lower the Price of Fuels – E85

- RINs can/are passed from blender to retailer to consumer
- Transparency and market forces work:
 - May – E85 prices varied 83 cents between suppliers
 - Today – E85 prices vary ~30 cents, reflect RIN value
- Data: www.iowaRFA.org/E85PastPriceProgram.php

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Wholesale E85 Price Listing

The IRFA posts Monday's wholesale E85 prices every Tuesday. The prices below are for wholesale use, and therefore restricted to wholesale fuel distributors and retailers, not end users.

The intent of IRFA's E85 Price Listing Program is to promote greater transparency for retailers and distributors of E85 in order to aid retailers in supplying their consumers with the lowest-cost E85 available.

October 21, 2013 prices. Posted October 22, 2013.

Supplier Name	Location	Contact Info.	Price*	Ethanol Content	Source
Absolute Energy	St. Ansgar, Iowa	Don Burns Absolute Energy 641-326-2220	\$1.81	80%	DTN
Heartland Fuel Products	Des Moines Terminal		\$2.09	75%	OPIS
Heartland Fuel Products	Des Moines Terminal		\$2.13	70%	OPIS
Quad County Corn Processors	Galva, Iowa	Matt Carter EcoEnergy 615-786-0404	\$1.93	75%	Plant Website
RPMG	Des Moines Terminal	Don Howe RPMG 952-465-3243	\$1.99	70%	OPIS
Standard Energy and Woodstock Cooperative	Sioux Center, Iowa	Matt Carter EcoEnergy 615-786-0404	\$1.90	80%	Plant Website
The Andersons-Carlson	Denison, Iowa	John DiMartini The Andersons 419-891-6491	\$1.87	80%	DTN
Valero Corp.	Des Moines Terminal		\$2.04	70%	OPIS

*Prices rounded to nearest penny.

OPIS Des Moines Rack Average Regular Gasoline (for comparison)	\$2.81	OPIS
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An E10 Blend Wall Does Not Exist

- Everywhere higher blends have been offered, consumers have responded positively.
- Consumers will buy enough higher ethanol blends to exceed the RFS if given a chance.
- It's not that you can't sell these ethanol blends; it's that Big Oil refuses to do so.

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An E10 Blend Wall Does Not Exist

- **E15 and blender pump pioneer Bruce Vollan:**

As a retail fuel station owner, I've noticed a lot of reports about rising gas prices in the news. Most of the stories include some reference to an ethanol "blend wall," which oil companies say makes it impossible for them to blend enough ethanol into gas to meet regulations without being forced to sell fuel blends that "no station owner wants to sell, and no motorists want to buy."

E15 is the fuel blend mentioned in most, if not all of those stories... I am a station owner who already sells E15, and so many customers want to buy it that it is already the second best-selling fuel in my station.

My monthly sales show a minimum of 18 percent ethanol overall, and a maximum of 28 percent —and we hit those percentages month after month, even with my station offering ethanol-free gas. Given the choice, customers usually choose more ethanol.

www.growthenergy.org/news-media/ethanol-in-the-news/letter-e15-fuel-is-safe-and-cost-saving/

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The Iowa Experience – E15

- Eight Iowa retailers offer E15 as a registered fuel.
 - 14 more have registrations into EPA
- One large chain is in final stages of E15 decision – 2014 RVO will be critical factor.
- E15 sales have been strong.

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The Iowa Experience – E15

- Six of eight Iowa retailers shared sales data for 1st month of winter season.
 - Sept. 16 – Oct. 16

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- Six small stores sold 23,959 gallons of E15 – enough to make more than 19 trips around the world
 - E15 sales averaged 7% of total gasoline sales (all also sold higher blends)

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The Iowa Experience – E15 Retailers

- **Fast Stop** owner Dave Sovereign: “Our customers are drawn to E15 because it is a high performing, less expensive fuel, currently selling for up to 16 cents less than regular, unblended gasoline.”
- **Kountry Korner** owner Bryan DeJong: “Since offering E15 as a registered fuel, I’ve seen more and more use of the fuel every day.”
- **Popke’s Inc.** owner Greg Popke: “The citizens of Rock Rapids have been asking for E15 and are excited to have ready access to this cleaner, less-expensive fuel.”

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The Iowa Experience – Blender Pumps

- Iowa has 66 blender pumps offering a range of ethanol blends.



Fast Stop, Cresco, Iowa

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The Iowa Experience – Blender Pumps

- Sales data provided by a sampling of 9 blender pump operators found their average “RFS” was ~25 percent
 - (total ethanol as a percentage of total gasoline sales)
- This is well beyond RFS near term goals.
- RIN values are an important consideration for investing in blender pumps.

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The Iowa Experience – E85

- E85 sales are price sensitive due to perceived mileage loss.
- 2012 drought/high ethanol prices set back E85 sales...
- ...but E85 sales rebounded quickly as price differential re-emerged.

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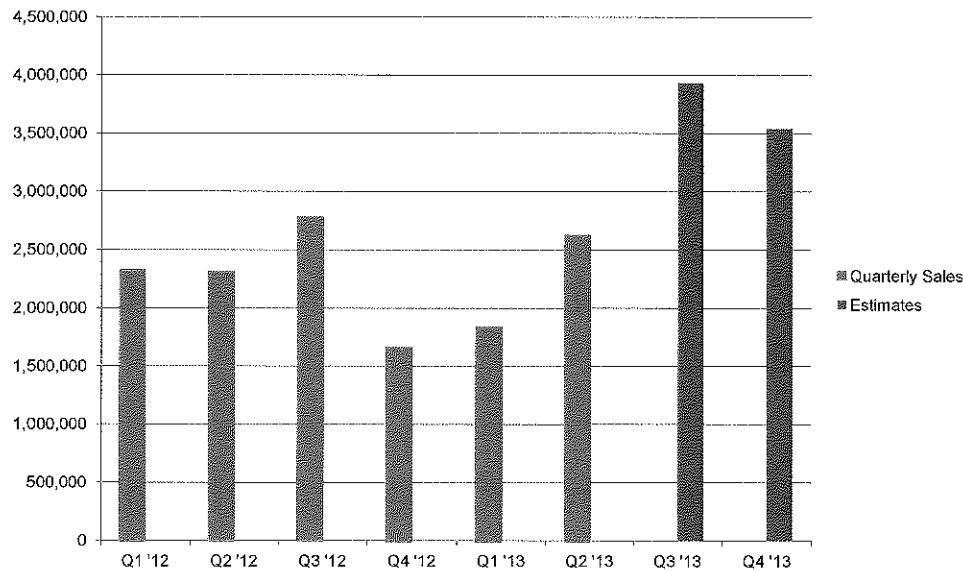
The Iowa Experience – E85

- Prices reflecting RIN values spurred incredible 3rd quarter E85 sales.
- 4th quarter E85 sales may taper off due to falling RIN values (based on leaked EPA 2014 RVO draft rule)
- That is NOT a reason to pull RVOs back, but proof of the need to maintain robust RVOs. RIN prices are doing their job of driving sales.

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The Iowa Experience – E85 sales



Source: IA Dept. of Revenue E85 Quarterly Report, www.iowa.gov/tax/forms/motor.html#E85Qtrl



The Iowa Experience – Biodiesel

- Rules for 2007 RFS2 were finalized in 2010. So 2011 was the first true impact on biodiesel.
- Iowa biodiesel sales experienced rapid growth 2010-2012.
- Based on retailer reports, 2013 biodiesel sales are again expected to set records.



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The Iowa Experience – Biodiesel Sales

Biodiesel	2012	2011	2010	2009
Blended Gallons (mg)	286.3	246.0	239.8	205.2
% of Diesel Sales	42.6%	33.7%	32.4%	31.9%
Ave. Blend Level	8.1%	5.7%	3.1%	3.6%
B100 Sales	23.3 mg	14.0 mg	7.43 mg	7.43 mg

Source: IA Dept. of Revenue annual retailer reports
www.iowa.gov/tax/forms/motor.html

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2014 Proposed RVO -- Takeaways

- Petroleum industry dire predictions were wrong in the past and are wrong today
- Leaked waiver justification violates statute
- RFS/RINs drive retailing infrastructure investments, renewable sales AND lowers gas prices
- There is NO E10 blend wall. Maintain RVOs to drive market access – just as intended
- Given the choice, consumers choose more renewable fuel = ~25 percent on average

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