

## RETAC ETHANOL REPORT

Thank you to Darrell Wallace, John Gray, Mark Huston and Elizabeth Jones from NCGA for joining me on a conference call to put this report together.

Low Carbon Fuels Standard – RFA and Growth lawsuit successful but has been appealed. If LCFS stands shipment of corn based ethanol to California will end. If LCFS stands there will probably be ethanol exported from the Midwest to Brazil and imported from Brazil to California.

Renewable Fuel Standard II – Requires 13.2 billion gallons of ethanol to be blended this year, expanding to 15 billion in 2015. It is expected there will be efforts to reduce or remove those requirements next year. Plans for an ethanol pipeline have been put on hold.

Cellulosic ethanol – There are 2 commercial plants under construction. The build out will probably continue to be slow. When they are built they will be spread across the country, especially in the Southeast, so will be closer to the places where the ethanol will be blended and require less rail transportation.

E-15 – Final approvals for E-15 are expected this summer but there are legislative challenges. This might allow more usage in the Midwest but probably will have little effect on rail transport.

Exports – Over 1 billion gallons were exported last year. The EU is going through an anti-dumping investigation.

Ethanol production peaked in Dec. 2011 prior to the expiration of the blenders credit. With the recent sharp drop in gasoline demand, ethanol has backed up in some terminals and as a result unload times have increased. Because of this and the loss of the blender's credit and the relationship of corn price to ethanol price, several plants are currently shut down or running at less than capacity.

Because of the large production of crude oil in areas which do not have pipelines, the increased demand for rail transportation has caused a shortage of tank cars and congestion on the railroads. This has caused an increase in turn around times for ethanol trains. There has also been an increase in rail rates.