

SENATE ENERGY COMMITTEE PASSES 8 BG RFS AS PART OF ENERGY BILL

The **Senate Energy Committee** recently gave final approval to its comprehensive energy legislation by a strong, bipartisan vote of 21 to 1. For the first time, the Senate Energy Committee bill includes a renewable fuels standard (RFS).

An amendment offered by **Sens. Jim Talent** (R-MO), **Tim Johnson** (D-SD), **Byron Dorgan** (D-ND) and **Ken Salazar** (D-CO) that establishes an RFS was added to the energy bill on a strong, bipartisan voice vote. The RFS begins at 4 billion gallons in 2006 and increases to 8 billion gallons in 2012.

Amendment to add 8 billion gallon RFS passes Senate Energy Committee on a bipartisan voice-vote.

The full Senate is expected to take up the energy bill during the last half of June. Once passed, the Senate and House will meet in a conference committee to iron out the differences between their respective bills. The House energy bill included a 5 billion gallon RFS by 2012.

"I am proud of this bill," said **Senate Energy Committee Chair Pete Domenici** (R-NM). "We go further than we've gone before to diversify our energy supply and employ innovative technologies."

Sen. Talent stated: "This amendment reflects the growth that has occurred in the industry over the last four years while the energy bill stalled in Congress. Renewable fuels are at the crux of economic growth and jobs; at the crux of energy security; at the crux of consumer benefits; at the crux of environmental quality; and at the crux of value-added agriculture for our producers."

[See Senate Energy Bill, page 2]

EPA DENIES CA, NY, AND CT RFG OXYGENATE WAIVER REQUESTS

The EPA recently rejected petitions made by the states of **California, New York and Connecticut** to waive the oxygen content requirement for reformulated gasoline (RFG). RFG is a cleaner-burning gasoline required by the **Clean Air Act** to be used in certain metropolitan areas of the United States with the worst ozone (smog) air pollution.

EPA Assistant Administrator of Air Jeff Holmstead stated: "Congress has required the use of oxygenates as part of the clean fuels program and has made it clear that this requirement can only be waived if a state demonstrates that it prevents or interferes with the state's ability to meet national air quality standards. California, New York and Connecticut did not make this demonstration."

Since replacing MTBE with ethanol in 2004, all three states have experienced the fewest bad ozone days since the RFG program began. Further, ethanol prices are well below the price of MTBE and other potential "non-oxy" petroleum replacements.

Renewable Fuels Association (RFA) President Bob Dinneen applauded the EPA's decision, stating: "Given the EPA's continued affirmation of ethanol's clean air benefits, other states considering MTBE bans should rest easy knowing that they can act to protect their water without harming air quality. This decision rested on California's 5.7% ethanol blend. With other areas using 10% ethanol, the clean air benefits would be even greater."

National Corn Growers Association President Leon Corzine stated: "With this decision, the EPA continues to acknowledge the proven benefits ethanol has on air quality. It is clear that the EPA is committed to addressing concerns about air quality."

Senate Energy Bill, cont'd.

"Encouraging investment in alternative forms of clean-burning energy, like ethanol and biodiesel, is good for the environment, good for national security and energy independence, and good for job creation and rural America," added Sen. Johnson.

"Renewable fuels need to be part of our national energy policy."

"I think we're on track for a big victory that will be very important for the whole gamut of energy industries in North Dakota," Sen. Dorgan said. "I am very happy with the makeup of this bill, and I think its chances of passing the full Senate are positive."

Sen. Salazar said: "A renewable fuels program centered around ethanol, a proven and reliable fuel, is not only good for consumers but also for agricultural communities that grow the corn, soy beans and other crops used in the production of ethanol and other biofuels."

8 Billion Gallon RFS a Major Plus for U.S. Economy

Prior to the vote on adopting the 8 billion gallon RFS, the **Renewable Fuels Association (RFA)** released an economic analysis highlighting the substantial positive impact of an 8 billion gallon RFS.

RFA President Bob Dinneen stated: "Establishing an 8 billion gallon RFS would have meaningful impacts on the U.S. economy and energy security. The ethanol industry has proven it can play a large role in addressing the economic and energy needs of this country. Enacting an 8 billion gallon RFS will unlock this potential."

According to an analysis conducted by **John Urbanchuk** with **LECG, LLC**, establishing an 8 billion gallon RFS between 2005 and 2012 would:

- Spark \$6 billion (2005 dollars) of new investment to build 4.3 billion gallons of new ethanol capacity;
- Add nearly \$200 billion (2005 dollars) to GDP;

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- Generate an additional \$43 billion (2005 dollars) of household income for all Americans;
- Create more than 230,000 new jobs in all sectors of the economy;
- Displace over 2 billion barrels of crude oil;
- Reduce the outflow of dollars largely to foreign oil producers by \$64.1 billion (2005 dollars); and,
- Lessen America's dependence on imported oil from an estimated 67.4 percent to 62.3 percent.

Ethanol Supporters Pleased With Progress

National Corn Growers Association (NCGA) President Leon Corzine said: "This action shows an understanding of what high and unstable gas prices are doing and demonstrates the political will to put an energy policy in place that accomplishes what this country needs."

American Farm Bureau Federation (AFBF) President Bob Stallman stated: "The inclusion today of an 8-billion-gallon renewable fuels standard...raises the bar and sends a clear message that home-grown, renewable fuels should play a major role in America's energy independence."

"The inclusion of the amendment to the Senate energy package is a great victory for American farmers and ranchers," said **National Farmers Union (NFU) President Dave Frederickson**. "This allows farmers and ranchers to contribute to the fight to make America more energy independent."

National Biodiesel Board (NBB) Chairman Darryl Brinkmann stated: "We're grateful to bipartisan leaders in Congress who are pushing for an 8 billion gallon RFS, which will help to ensure that biodiesel is used to meet it."

Prior to the vote an historic coalition of agriculture, consumer, auto, union, and renewable fuel producers sent a letter to committee members urging them to support the 8 billion gallon RFS.

The letter stated: "The undersigned organizations believe a robust RFS is a vital and necessary component of any comprehensive energy bill and we urge you to vote in favor of this amendment when it is brought up in committee..."

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The letter continued: "The Talent, Johnson, and Dorgan RFS amendment represents an historic opportunity to put the nation on a path of greater energy independence and national security. Increasing the amount of domestically produced biofuels is supported by more than 25 national security leaders as a vital component of any strategy to reduce our foreign oil dependence..."

"Today's record-high gasoline prices are hurting consumers, and record petroleum imports are aggravating our trade imbalance and slowing economic growth. According to a recently released report by the **Consumer Federation of America (CFA)**, the increased use of ethanol would help to reduce gasoline prices by as much as 8 cents a gallon."

The letter was signed by the RFA, NCGA, AFBF, NFU, Consumer Federation of America, Alliance of Automobile Manufacturers, National Biodiesel Board, American Soybean Association, American Coalition of Ethanol, Environmental and Energy Study Institute, Carpenters District Council of Greater St. Louis, Ethanol Producers and Consumers, National Grain Sorghum Producers, National Association of Wheat Growers, New Uses Council, National Barley Growers Association, National Sunflower Association, U. S. Canola Association, National Council of Farmer Cooperatives, and John Deere.

Petroleum Industry Opposed Amendment

The **American Petroleum Institute (API)** issued a release stating: "We are disappointed in today's vote by the Senate Energy and Natural Resources Committee to increase the Renewable Fuels Standard to 8 billion gallons of ethanol... We hope that, when the full Senate debates the comprehensive energy legislation, it will return to a more balanced approach by restoring the 5 billion gallon fuel standard..."

National Petrochemical and Refiners Association (NPRA) President Bob Slaughter stated: "We are disappointed with today's vote by the Senate Energy and Natural Resources Committee to raise the renewable fuels standard to 8 billion gallons of ethanol... NPRA opposes an ethanol mandate."

VERMONT BANS MTBE

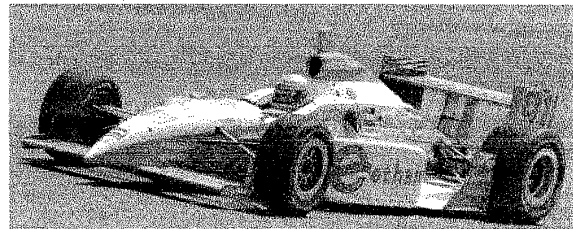
Vermont became 22nd state to ban MTBE when **Governor Jim Douglas** recently signed into law a bill prohibiting the sale and storage of fuel containing MTBE. The ban takes effect January 1, 2007, the same day as similar MTBE bans in **New Hampshire and Maine**.

According to the **Vermont Department of Conservation**, there are approximately 1,500 sites in Vermont that have been contaminated with MTBE, including 300 drinking water wells.

"It is my hope that with this new law in place, we will never have another incident in Vermont like this, and we will never again be faced with a situation where people have to use bottled water because their well is contaminated with MTBE," Gov. Douglas stated.

ETHANOL POWERS CAR TO 220 MPH AT INDY

For the first time in over 50 years, ethanol powered a car around the famous **Indianapolis Motor Speedway**.



Jimmy Kite drives an ethanol-powered IndyCar around the Indianapolis Motor Speedway.

The **No. 91 Ethanol Hemelgarn Racing Team** brought an old car out of retirement for a 10-lap demo a few days before the Indianapolis 500. Fueled with a 50/50 ethanol and methanol blend, **Jimmy Kite**, who is substituting for injured driver **Paul Dana**, piloted the car to speeds over 220 mph.

2005 is the last year IndyCars will be powered by 100% methanol. In 2006, the **Indy Racing League** will switch to a 90% methanol-10% ethanol blend. Then in 2007, IndyCars will be powered by 100% ethanol.

TWO ETHANOL PLANTS BEGIN PRODUCTION

Currently, 87 ethanol plants nationwide have the capacity to produce over 3.85 billion gallons annually. There are 15 ethanol plants and three major expansions under construction with a combined annual capacity of nearly 900 million gallons.

Liquid Resources

Liquid Resources recently began ethanol production at its plant near Medina, Ohio. The plant has capacity to process waste beverage products and other feedstocks into 3 million gallons of fuel and industrial grade ethanol annually.

"Our case goods destruction business has grown dramatically since its inception," stated **Tim Curtiss**, chief executive officer of Liquid Resources. "Ohio is the fourth largest state for fuel-grade ethanol consumption, and the industrial ethanol market in this part of the country is substantial, too. We have already noted strong demand from customers who have been anticipating the availability of our product." Mr. Curtiss can be reached at 330-721-7900.

"The RFA congratulates Liquid Resources as it begins ethanol production in Ohio," said **RFA President Bob Dinneen**. "This plant takes products that would otherwise be poured down the drain and converts them into a premium gasoline component. Liquid Resources is an innovative and exciting addition to the ethanol industry."

United WI Grain Producers

United WI Grain Producers, LLC recently began production at its ethanol plant near Friesland, Wisconsin. The plant will process 14 million bushels of corn into 40 million gallons of ethanol and 120,000 tons of distillers grains annually.

Fagen, Inc., the Granite Falls, Minnesota design-build contractor, was the general contractor and incorporated a process design provided by **ICM, Inc.** of Colwich, Kansas.

MARCH ETHANOL PRODUCTION SETS RECORD

The U.S. ethanol industry set a monthly production record for March of 243,000 barrels per day (b/d), according to data released by the **U.S. Energy Information Administration (EIA)**. Production was up nearly 14 percent compared to the prior March record of 214,000 b/d in 2004.

The RFA released the following March statistics:

Fuel Ethanol Production	315.9 mg	243,000 b/d
Fuel Ethanol Use	309.5 mg	237.7 b/d
Fuel Ethanol Stocks	275.6 mg	27 days of reserve
Fuel Ethanol Imports	8.9 mg*	n/a

*Source: U.S. International Trade Commission
(mg = million gallons)

"U.S. fuel ethanol stocks at the end of March represented only 27 days of reserve, which is below the two-year average," stated **RFA President Bob Dinneen**. "However, ethanol demand lessened slightly over the first three months of the year as ethanol prices dropped 30 cents per gallon and gasoline prices increased 40 cents per gallon during the same timeframe. This is not how one would expect a market to function and it highlights the need for a robust renewable fuels standard as part of national energy legislation."

HARKIN, BAYH ASK DOE TO INVESTIGATE LACK OF ETHANOL USE

In a recent letter to **Energy Secretary Samuel Bodman**, **Senators Tom Harkin (D-IA)** and **Evan Bayh (D-IN)** requested the **Department of Energy** investigate the continued refusal by oil companies to blend low-priced, domestically produced ethanol into the nation's gasoline supplies.

Sen. Harkin stated: "Blending more ethanol into our fuel supply could lower these costs immediately. Yet oil companies refuse to budge."

Sen. Bayh added: "There is no reason [American families] should be in this situation, when relief for high gas prices can be found in our own country."