



Higher Blends

Overview

Since passage of the expanded Renewable Fuel Standard (RFS) in the Energy Independence and Security Act of 2007, the economic situation for ethanol producers has significantly deteriorated as a result of the economic crisis facing the United States. Fewer miles driven, decreased oil prices, and expanding ethanol production are putting significant pressure on ethanol prices.

There are currently 12.375 billion gallons of ethanol capacity with an additional 2 billion gallons under construction. Given the downturn in the economy, ethanol production capacity is quickly reaching the 10 percent artificial blend limit. For the first time in years, Americans are driving less than the previous year. United States gasoline consumption in 2009 and 2010 is projected to be 6 percent below 2007 levels. This decrease in gasoline consumption will accelerate the coming of the blend wall.

Poor economics for ethanol plants is causing some companies to idle facilities. To date, ten or more ethanol companies have shut down 24 plants. This has idled approximately 2 billion gallons of the current 12.375 billion of annual production capacity.

On March 6, 2009, Growth Energy, the Renewable Fuels Association and 54 ethanol manufacturers submitted an application for a waiver of the prohibition of the introduction into commerce of certain fuels and fuel additives set forth in section 211(f) of the Clean Air Act (“the Act”). This application seeks a waiver for ethanol-gasoline blends of up to 15 percent by volume ethanol (“E15”). The statute directs the Administrator of EPA to grant or deny this application within 270 days of receipt by EPA, in this instance December 1, 2009. In this Notice, EPA is soliciting comment on all aspects of the waiver application, including whether a waiver is appropriate for ethanol-gasoline blends over 10 percent and less than 15 percent. The public comment period for the waiver application will end on July 20, 2009.

Need for Higher Ethanol Blends

Moving to higher blends of ethanol is critical to the sustained health and expansion of corn and cellulosic ethanol production in the United States. The RFS calls for 15 billion gallons of corn-based ethanol by 2015, and 36 billion gallons of biofuels (including 15 billion gallons of ethanol and 21 billion gallons of advanced biofuels) by 2022.

The United States currently uses roughly 138 billion gallons of gasoline each year. Given the 10 percent blend wall, this means that it will take 13.8 billion gallons of ethanol to saturate the existing E10 market. In the near term, efforts are underway to increase the amount of ethanol that can be used in conventional automobiles. In the longer term, efforts are being made to rapidly expand to the number of flexible fuel vehicles (FFVs) and higher blends infrastructure to ensure sufficient demand in the United States automobile fleet.

Using Higher Blends in Existing Vehicles

The level of ethanol blends allowed to be sold for use in conventional automobiles is regulated by the Clean Air Act. Today, ethanol blends up to 10 percent are allowed to be sold for use in conventional automobiles.

Under the Clean Air Act, EPA can grant a waiver allowing the use of higher ethanol blends in existing vehicles if the EPA Administrator determines that the additive “will not cause or contribute to a failure of any emission control device or system (over the useful life of the motor vehicle, motor vehicle engine, non-road engine or non-road vehicle in which such device or system is used...)”.

The Department of Energy, in consultation with the Environmental Protection Agency, is currently conducting testing on emissions, material compatibility, materials durability, and drivability to provide the evidence necessary for the EPA Administrator to act on a waiver request. Unfortunately, some of the testing required including catalytic durability testing will not be complete until 2010.

Given this, the more immediate question is whether there is a means to shorten the process on which to base a waiver request. Congress has provided the EPA with the authority to increase the amount of ethanol blended in existing gasoline and that the determination of whether higher blends are compatible with existing automobiles is a scientific question, members of Congress are urging EPA and DOE to quickly complete testing to resolve this issue.

NCGA, along with industry partners, has been in discussions with the EPA on how best to do this. As part of the new Renewable Fuel Standard rulemaking, EPA will be soliciting comments on at least two ways to shorten the process.

First, EPA will seek comment on the idea of a “conditional waiver” for Tier II vehicles (newer cars). By focusing on Tier II cars first, testing could be prioritized and accelerated. This could speed results which could justify EPA granting a conditional waiver.

Second, EPA will solicit input on what data would be necessary for EPA to issue a “substantially similar” ruling that a higher blend such as E12 are substantially similar enough to current gasoline to allow its use in the existing vehicle fleet.

Finally, automakers can play a very significant role in speeding the process by using their own internal data to document that there are no major problems with using higher blends in conventional automobiles.

Actions

- NCGA continues to urge EPA to consider granting a waiver to allow for blends of up to 15 percent ethanol.
- NCGA advocates for comprehensive energy strategies that will diversify America’s energy supply, increasing domestic development while decreasing foreign dependence.
- NCGA promotes the expanded use of ethanol, and the development and use of renewable fuels (i.e. higher blends, E-85, E diesel, and biodiesel).