

# RENEWABLE FUEL

## News

**Exclusive Coverage of Renewable Ethanol, Biodiesel, E-85 and ETBE in Motor Fuel Markets Worldwide**

October 3, 2005  
Vol. XVII, No. 39  
RENEWABLE FUEL NEWS

Dear Executive,

### GOVERNORS' ETHANOL COALITION HAS FIRST EAST COAST MEMBER

*-Ethanol Advocates Hope New York Membership Starts East Coast Trend-*

New York Gov. George Pataki (R), rumored to be interested in a 2008 presidential bid, is now the first East Coast representative to join the Governors' Ethanol Coalition (GEC), he announced last week.

The goal of the 31-member GEC is to promote the development and use of ethanol, an idea not traditionally welcomed on the East Coast. But in the past few years, that has been changing, ethanol advocates said. *(Continued, p4)*

### MINNESOTA GOVERNOR URGING NATIONWIDE 10% ETHANOL MANDATE

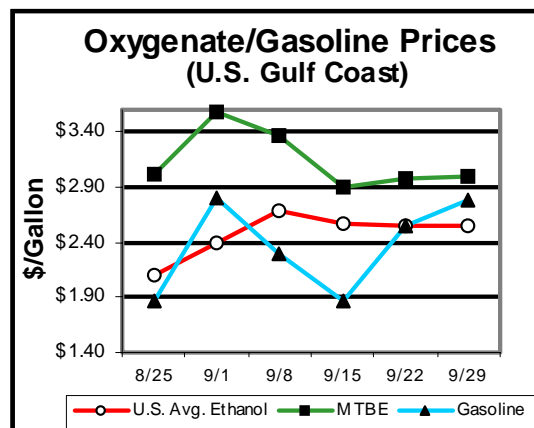
*-Governor Doesn't See RFS and Nationwide Requirement as Too Much-*

The governor of the first U.S. state to require ethanol in all of its gasoline is now urging all states to follow suit, proposing a nationwide 10% ethanol mandate by 2010. *(Cont'd, p6)*

### AUSSIE OIL COMPANIES SAY BIOFUELS TARGET IS 'ACHIEVABLE'

Australian oil company representatives meeting last week with high-level federal government officials said the country's biofuels target of 350 million liters by 2010 is "achievable" and promised to work with the government to ensure the target is reached, according to a statement from Australian Prime Minister John Howard.

That is a different tune than what Howard was singing a week ago, when in comments following the release of a long-awaited government task force biofuel report, he said that "on current settings, the government's biofuel production target...will not be met." *(see RFN, 9/26/05, p1), (Cont'd, p9)*



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**NYMEX OFFERS ETHANOL BLENDSTOCK FUTURES CONTRACT**

Beginning today, Oct. 3, the New York Mercantile Exchange (NYMEX) will offer a New York Harbor ethanol blendstock gasoline futures contract, the agency announced last week.

The RBOB futures contract replaces NYMEX's MTBE-blended gasoline-based contract. Rumors began to heat up in August that NYMEX was thinking of changing its current gasoline contract (see *RFN*, 8/22/05, p2).

With the federal 2% oxygenate requirement being lifted next year and a biofuels requirement included under the recently enacted energy bill, most sources see current U.S. MTBE production and use severely declining or ending altogether. Sources said NYMEX's new contract is reflecting the new marketplace reality.

The RBOB contract will feature physical delivery in the New York Harbor for blending with 10% ethanol, NYMEX said. Other contract details include:

- The size will be 42,000 gallons. The last trading day is the last business day of the month prior to the contract month and exchange of futures for physicals will be allowed. The fees will be identical to those of the existing New York Harbor unleaded gasoline contract.
- It will be listed for 12 consecutive months, starting with the January 2006 contract month. It will trade open outcry in the same trading ring as the existing New York Harbor unleaded gasoline futures contract. Open outcry trading hours will be between 10:05am- 2:30 pm.

NYMEX joins two other domestic ethanol futures contracts run by the Chicago Board of Trade and the Chicago Mercantile Exchange, as well as an international ethanol futures contract run by the New York Board of Trade.

Monte Shaw, spokesman for the Renewable Fuels Association, was pleased with NYMEX's move. "I think it also shows that the petroleum industry believes ethanol blending will continue to dominate in the Northeast RFG market, even after the oxy requirement is removed."

-Rachel Gantz

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Hart Energy Publishing, LP  
Editorial offices: 1749 Old Meadow Road, Suite 301  
McLean, VA 22102 USA  
Phone: 1-703-891-4800; FAX: 1-703-891-4882



**Editor:** Rachel Gantz, 1-703-891-4817 [rgantz@hartenergy.com](mailto:rgantz@hartenergy.com)  
**Markets Editor:** Suzanne McElligott [smcelligott@hartenergy.com](mailto:smcelligott@hartenergy.com)  
**Contributing Editors:** Carol Cole, Jack Peckham, Jeremy Glunt, Peter Haldis  
[coletraveler@aol.com](mailto:coletraveler@aol.com)  
[jpeckham@hartenergy.com](mailto:jpeckham@hartenergy.com)  
[jglunt@hartenergy.com](mailto:jglunt@hartenergy.com)  
[phaldis@hartenergy.com](mailto:phaldis@hartenergy.com)

**Marketing Manager:** Abbey Morrow  
**Production Manager:** Jennifer Burtchette  
**Executive Director, Hart Downstream Energy Services:** Frederick L. Potter  
**President & CEO, Hart Energy Publishing, LP:** Richard A. Eichler  
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## ASTM MEMBERS FACE DUELING BALLOTS ON ETHANOL SULFATE LIMITS

In an unusual move, ASTM's gasoline subcommittee will issue two ballots to determine members' support for adding a sulfate limit to the ethanol specification, D-4806. One ballot would establish a 1 ppm sulfate limit, while another ballot will test support for a higher limit, possibly 4 ppm, although that number is still under discussion, sources told *RFN*.

Ethanol sulfates took center stage at ASTM's semi-annual meeting in June. After lengthy presentations detailing equipment failures related to sulfates in ethanol-blended gasoline, D-02A subcommittee members in attendance agreed to "ballot" the broader membership to determine their support for setting a 1 ppm sulfate limit in D-4806. The move to ballot carried despite the objections of ethanol producers.

Sources told *RFN* that a separate, smaller meeting was convened after the ASTM meeting adjourned. Ethanol, oil and auto interests attending the second meeting agreed to ballot a higher limit. Sources also say there is support among ethanol producers for a 4 ppm limit, but the top ethanol trade association, the Renewable Fuels Association, has not endorsed the number. Ethanol representatives say they are working collaboratively with auto and oil partners to determine what is the right level for a sulfate standard.

The ballot for a 1 ppm sulfate limit has been prepared and is ready for mailing, sources confirmed. Yet the goal is to send both ballots at once. The second ballot, which measures support for the higher number, is delaying the 1 ppm ballot.

Sources also predicted the 1 ppm ballot supported by members at the Pittsburgh meeting will come with instructions to reject that limit.

ASTM might start out adding a 4 ppm limit and one test method to the ethanol specification, but in the end, it could be a lower limit that's added to the specification, along with two test methods.

There is a ballot now open for voting on the lead potentiometric titration method for measuring sulfates in ethanol. D-02.A is asking another subcommittee for input on test methods.

Because ASTM would like to have the ballots back in time to discuss the results at its December meeting, the subcommittee has only a few more weeks to prepare the second ballot, sources said.

-Carol Cole

## FORD EXPANDS E-85 FLEX FUEL VEHICLES; HYBRID PRODUCTION

Ford recently unveiled a global plan to increase the number of flexible fuel vehicles to as many as 280,000 units in 2006, as well as produce 250,000 hybrid vehicles annually by 2010.

For the first time, Ford is offering flexible fuel vehicle options, or those that can run on up to 85% ethanol blends on the 2006 MY F-150, it touted. Ford Crown Victoria, Mercury Grand Marquis and Lincoln Town Car also will offer the flexible fuel option in 2006, it noted.

The company also produces about 24,000 electric hybrid vehicles annually. Ford's Escape Hybrid was the first hybrid SUV in the marketplace. The Mercury Mariner will be the second SUV hybrid offering. Production of the initial 2,000 Mariner Hybrids begins in October.

By 2008, Ford will have five hybrids on the road, including the Ford Escape, Mercury Mariner, Ford Fusion, Mercury Milan and Mazda Tribute.

-Carol Cole

**GEC HAS FIRST EAST COAST MEMBER...***(Continued from p1)*

"New York State is a national leader in the use of renewable energy, and we're committed to finding new ways to diversify our energy supplies and increase our use of ethanol and other renewable fuels," Pataki said. Within the next year, as many as three ethanol plants are scheduled to begin production in New York, he touted, including a 100 million gal/yr facility in Fulton.

In response, GEC Chairman and Minnesota Gov. Tim Pawlenty (R) said he was "delighted that Governor Pataki is joining the Governors' Ethanol Coalition. His decision further demonstrates the momentum and merit of the renewable fuels movement."

It should be noted Pataki has not ruled out a 2008 presidential bid and therefore joining the GEC may be a way to increase his support.

According to a source familiar with the situation, initial contact between Pataki's office and the GEC began two years ago. After Pataki made several statements of support for biofuels, the GEC decided to approach the governor to formally invite him to join the organization, the source said.

Meanwhile, Renewable Fuels Association spokesman Monte Shaw said he believed this was the beginning of an East Coast trend. "I wouldn't be surprised if other Northeast governors follow suit. By this time next year, they'll see that ethanol is being used extensively in their states —not because it's required, but because it makes good economic sense."

The last GEC member to join was Alabama Gov. Bon Riley (R), who became part of the organization in June, according to the GEC website. —Rachel Gantz

**NEBRASKA BUSINESSMEN LAUNCH PLANS FOR SECOND ETHANOL PLANT**

Several local Nebraska businessmen recently announced plans for a 50 million gal/yr ethanol plant in Auburn, five months after announcing plans for a similar plant in Adams.

The \$80 million ethanol plant, E Energy Auburn, will use between 18 and 20 million bushels/yr of corn and also produce an estimated 160,000 tons/yr of distiller grains. In April, some of the same investors announced plans for the same sized ethanol plant in Adams, Neb.

"By developing a plant 50 miles from our original plant in Adams, we will be able to gain efficiencies on plant management, grain purchasing, sales, transportation and other factors," said Wisconsin-based developer Jack Alderman. "The incentives offered by the city, county and state will also go a long way toward making this a successful project for us while economically benefiting the local area."

Alderman wouldn't tell *RFN* specifically who was involved in the financing, but acknowledged that he, along with four other board members from the proposed Adams ethanol plant, had contributed to the Auburn project.

Construction on both Nebraska ethanol plants is expected to begin in 2006, according to press releases from the investors.

Will there be any other ethanol projects announced, either in Nebraska or other locations? "We will consider that at the appropriate time, but this isn't that time," Alderman told us. —Rachel Gantz

## MICHIGAN COMPANY TO SELL PRE-BLENDED BIODIESEL AT TERMINAL

By the end of November, a Michigan-based petroleum distributor is planning to be the first in the state to offer pre-blended biodiesel at the rack, *RFN* has learned. The plans are meant to help parties meet the recently enacted renewable fuels standard (RFS).

The biodiesel pre-blending at RKA Petroleum Co.'s Romulus, Mich., terminal will allow customers to choose their blend ratio and then the company's "automation system will handle the precise blending and additization of the product," Jason Hittleman with RKA Petroleum explained to *RFN*. The company will offer B-2 and B-20 blends, although it will also accommodate other blends if necessary, he said.

RKA Petroleum is investing \$125,000 in infrastructure upgrades to offer the pre-blended biodiesel. The terminal currently offers E-85 (85% ethanol, 15% gasoline) and pure ethanol (100%).

Hittleman says pre-blending has several advantages over the more common splash blending, including reduced risk of environmental problems, since blending is done at the rack, eliminating potential for spill/overflow; and reduced cost of the additives involved, since the company buys in bulk for its terminal.

The recently enacted RFS requires renewable fuels to make up to 7.5 billion gallons of the transportation pool by 2012. While most of the RFS will be met with ethanol, biodiesel will play an increasingly larger role, biodiesel advocates say. "The RFS is a huge step for the marketability of alternative fuels," Hittleman said. "It will take time for biodiesel to really take off, just like it did for ethanol, but we will be ready."

The National Biodiesel Board (NBB) said there are several other U.S. terminals that offer biodiesel pre-blending, including ones in Texas, Connecticut, Pennsylvania and Minnesota, and said it expects more to pop up in the future. "It's our goal to educate more petroleum terminals to understand biodiesel and encourage them to put the equipment in to offer pre-blended fuel. This is the future of biodiesel distribution," said NBB spokeswoman Jenna Higgins.

—Rachel Gantz

## EPA AGAIN GRANTS FUEL WAIVERS TO HURRICANE-AFFECTED AREAS

EPA last week continued to grant fuel waivers to those areas affected from Hurricanes Katrina and Rita.

The agency granted a second RFG waiver for the Houston/Galveston and Dallas/Ft. Worth areas of Texas—now set to expire at midnight on Oct. 20—and granted a fourth RFG waiver for the Richmond, Va., area through the same deadline. All regions with RFG waivers will be allowed to use conventional gasoline.

Meanwhile, EPA issued a second waiver of the Rvp requirements for California gasoline. That waiver is set to expire at midnight on Oct. 24. Additionally, EPA granted an RFG waiver to the St. Louis region through midnight on Oct. 7.

As for future RFG waivers or extensions, "EPA and the Department of Energy will continue to monitor the situation closely and work with state and local governments to evaluate and respond to changing circumstances," an EPA spokesman said.

But what will a continued extension of waivers mean for the environment? One environmentalist we spoke to acknowledged the waivers "will mean more pollution short term, but I haven't heard anyone protest them. I don't think anyone wants to be unreasonable. It has been an emergency situation," said Frank 'O Donnell of the Clean Air Watch. —R. Gantz

**MINN. GOV. URGING NATIONWIDE 10% ETHANOL MANDATE...***(Cont'd from p1)*

Minnesota Gov. Tim Pawlenty (R), who is also vice chair of the Governors' Ethanol Coalition (GEC), said through his tenure in both roles, he has "had the opportunity to see first hand how ethanol can benefit a state's economy and environment, while reducing our dependence on foreign oil."

In a letter to fellow governors last week, Pawlenty said other states should follow suit. He elaborated on his "E-10 by 2010" proposal last week at a GEC meeting. "Based on Minnesota's experience as the first state to require E-10, this is a bold but realistic goal," he said.

Pawlenty said using renewable fuels could help ease the potential for future gasoline supply problems. "The gasoline price increases experienced in the aftermath of Hurricane Katrina show how deeply our economies can be affected by even short-term supply disruptions. When you consider these supply concerns alongside growing competition for energy from India and China, it is easy to see the value in reducing our dependence on foreign oil. E-10 by 2010 is a big step in the right direction," he said.

In a bid to sway less traditional ethanol producing areas, Pawlenty noted that ethanol can be made from other feedstocks beyond corn and sugar. However, wood waste and other feedstocks are not yet cost competitive to be used in the marketplace.

E-10 mandates already have been enacted in Hawaii in Montana, although they have not yet gone into effect. Additionally, Wisconsin's legislature is debating a similar measure, although the state Department of Natural Resources is warning of potential air quality ramifications should the bill become law (*see RFN, 9/26/05, p1*).

U.S. Iowa Rep. Jim Nussle (R), seeking the Republican nomination for governor, last week rolled out an energy plan that also included a 10% ethanol requirement (*see related story, p7*).

Meanwhile, *RFN* wanted to know how Pawlenty could advocate for a nationwide 10% ethanol requirement on top of a federal biofuels requirement which was recently passed into law. The biofuels requirement states 7.5 billion gallons of renewable fuels be included in the transportation pool by 2012. Pawlenty believes the 7.5 billion gallon goal "is reachable...[and] not a stretch" for the ethanol industry," said spokesman Brian McClung. Therefore, the nationwide 10% ethanol proposal "is more of a stretch goal" and something the governor would like to see implemented, he added.

—Rachel Gantz

**MINNESOTA BIODIESEL REQUIREMENT GOES INTO EFFECT**

A Minnesota requirement for 2% minimum biodiesel blends in all of the state's diesel fuel became law last week, after being in limbo since 2002.

In 2002, Minnesota became the first state to require a 2% mandatory minimum biodiesel blend in all of the state's diesel fuel by 2005 (*see RFN, 3/25/02, p1*). The requirement only would be triggered 30 days after biodiesel plants in the state produced at least 8 million gal/yr. With two, 30 million gal/yr biodiesel plants recently beginning operations, the biodiesel requirement became active (*see RFN, 8/29/05, p1*). A 30-day notice was published in the state *Register* and became effective on Sept. 30.

Before those two plants, only a 3 million gal/yr biodiesel plant was online. —R. Gantz

**NUSSLE PROPOSES 10% ETHANOL MANDATE FOR IOWA; TALKS WITH *RFN***

If elected governor, U.S. Rep. Jim Nussle (R-Iowa) would implement a renewable energy plan that would require all gasoline in the state to be blended with 10% ethanol, he announced last week.

Nussle, seeking the Republican nomination for Iowa governor, unveiled his "Choose Iowa Energy 20/20" plan last week, aiming to have 20% of Iowa's energy consumption come from renewable sources of energy by 2020.

Additionally, Nussle's plan calls for more E-85 (85% ethanol, 15% gasoline) stations throughout Iowa, as well as an increase in wind and biomass power.

*RFN* had a chance to speak with the congressmen about his plan and his thoughts on what's missing in current federal energy legislation.

*RFN: On Monday, you introduced your energy plan for Iowa, which included a 10% ethanol requirement for the state. How would you respond to critics who say we already have a federal ethanol requirement in place (under the recently enacted renewable fuels standard), so why do we need another ethanol requirement?*

**Nussle:** We don't [already have a full ethanol requirement in place], unless every gallon of fuel that is pumped in Iowa has a renewable source of energy in it, either ethanol or biodiesel. It really goes to the second point, which I know is often missed...when we talk about 'Choose Iowa Energy 20/20.' First, I believe consumers have made the choice for us. The consumers are choosing ethanol at a rate of +75% now. Consumers are already making the choice.

But number two, in Iowa, most of the gas stations only have two tanks underground. If you mandate the use of ethanol in one of the tanks, it means the other tank, which held unblended, unleaded gasoline, is now freed up for E-85. And that's the key to this. People are focusing on the mandate and I understand that because that's new to Iowa. Iowa has not had a mandate up until my proposal. But what I'm really trying to get at here is freeing up the tank for the use of E-85....Iowa is the number one ethanol producer in the country, yet it's hard to find a tank for E-85.

*RFN: Speaking of your plan to spur E-85 use, how would that be done? Would it be through tax incentives and if so, would that be to the consumer or the retailer?*

**Nussle:** It's a supply and demand issue. The consumer would receive the tax incentive. If I am a consumer, why would I purchase a new vehicle if I can't get the fuel? Or, why would I retrofit my current vehicle into a flexible fuel vehicle [capable of using E-85] if I can't find the fuel? So it's little bit of the 'chicken and egg.' I want to make sure both the supply is there of E-85...as well as to make sure there are incentives to consumers to make this switch, so that this can happen in an expedited way.

*RFN: Are you willing to go beyond a 10% ethanol requirement over a period of time, like Minnesota has done with its E-20 requirement?*

**Nussle:** Yes. I think the issue here is that we need some warranty flexibility in order to go beyond 10%. Right now though, to ask consumers to use more than 10% when their warranty only calls for 10% would be foolish.

*(Continued, p8)*

**NUSSLE PROPOSES 10% ETHANOL MANDATE FOR IOWA...***(Cont'd from p7)*

The next step is going to have to be carefully strategized. I plan on working with auto manufacturers to get them to move to this. As you know, our vehicles can already accept [ethanol] fuel that is blended up to 30%, but the warranty is only to 10%. Therefore, the short answer is yes, I would go beyond 10%, but I can't do that unless or until you have the flexibility from a warranty standpoint from the auto manufacturers.

*RFN: We spoke earlier of the recently enacted renewable fuels standard. There are three other new energy bills that have been recently introduced in Congress, although none relate to biofuels. Is there any biofuels-related issue that wasn't included in the energy bill that still needs to be addressed?*

**Nussle:** Yes, however it needs to be considered very carefully, particularly in what has happened in the wake of Katrina. We just recognized the challenge of some of the boutique fuels and our difficulty in not only refining, but also blending and making sure the supply is available. In those states such as Iowa and Minnesota, when you have an obvious supply, this issue is much easier to deal with than in those areas where we're still having a challenge in getting the supply of ethanol to those regions. Again, this becomes a similar issue of supply and demand [as with the E-85 issue]. Demand is certainly there. People want to use renewable fuels. They want to lessen our dependency on foreign oil. They want to lower their price at the gas pump. They want all those things, but we have to make sure that the supply is there, the network is there, so there isn't a disruption.

*RFN: Your colleague in the Senate, Chuck Grassley, has been aggressive against ethanol imports. Do you see the need for legislation to address the issue of ethanol imports?*

**Nussle:** Federally, yes. There is a federal approach to this no doubt, but in my capacity as running for governor, that's the reason I'm focusing...[on ethanol and E-85 use] in the state.

–Rachel Gantz

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**AUSSIE OIL COMPANIES: BIOFUELS TARGET IS 'ACHIEVABLE'...(Cont'd from p1)**

In the biofuels report, the government outlined "considerable market barriers" to meeting the biofuels target, "including low consumer confidence and high commercial risk."

But to help reduce some of those barriers, the government and oil companies began meeting last week to develop an outline of how the biofuels target can be achieved. It is unclear which oil companies are involved in this initiative. The current biofuel production target is 148 million liters of ethanol and 202 million liters of biodiesel.

According to Howard's statement, oil companies will now prepare action plans that outline the biofuel contribution each will make and then both industry and government will develop an overall action plan, which likely will include annual volumetric targets. "This overarching plan will be released publicly and will be monitored to ensure progress is made in a timely manner," the statement said.

However, in speaking with reporters on Wednesday, Howard hinted that the biofuels target may be less than what is being mentioned. "Will it be mandatory that we get there? Well I don't think it needs to," Howard said. "I mean, it's our target. What's mandatory is an implementation of our policy," he said, but then quickly added he believed the target would be reached. "We need the cooperation of the oil companies and they have indicated a willingness to cooperate. And I have to say that the evidence so far is that is not just a token commitment, that they do appear on an individual basis to be developing plans and I think they are quite genuine. So I believe we'll reach it," he added.

Meanwhile, the Australian Minister for Industry will hold meetings in the next few weeks with consumer groups and retailers to discuss how to boost consumer confidence in ethanol.

—Rachel Gantz

**REPORT: PORT TO INVEST €150 MILLION TO INCREASE ETHANOL STORAGE**

The port of Rotterdam is planning to invest €150 million over the next few years to increase its ethanol storage capacity, as European countries beef up their use of renewable fuel to meet a biofuels directive, the port's executive vice president told *Valor Economico*, citing a *Dow Jones* report.

Numerous European companies are eyeing the possibility of importing ethanol from Brazil and to gear up for that, the Rotterdam port needs to increase its storage capacity, Gerrit van Tongeren, the port's executive vice president, told *Valor Economico*.

It was unclear how much the port would increase its storage capacity to, but currently it is able to hold 2.5 billion liters, the report noted.

The non-binding European Union directive calls for biofuels to make up 2% of each member state's transportation fuels pool (based on energy content) in 2005 and 5.75% in 2010.

**REPORT: ECOFUEL CONVERTING MTBE FACILITY TO PRODUCE ETBE**

Italian oil company Ecofuel, a subsidiary of ENI, is planning on converting its 100,000 million ton/yr MTBE facility to produce ETBE, according to a *Platts* report.

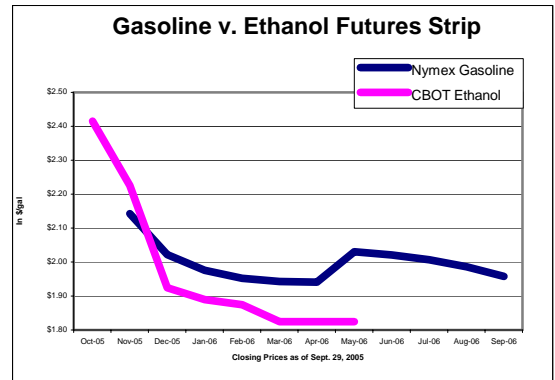
The conversion from MTBE to ETBE, likely made to help Italy comply with the European Union's non-binding biofuels directive, would be completed at Ecofuel's Ravenna plant in mid-October, or November, the report said. The non-binding biofuels directive calls for biofuels to make up 2% of each member state's transportation fuels pool (based on energy content) in 2005 and 5.75% in 2010.

Renewable Fuel News Market Report

**ETHANOL PRICES STABILIZE AFTER PRECIPITOUS DROP**

Ethanol spot prices delivered to the Midwest were considered stable at around \$2.45/gal last week, after dropping about 25 c/gal from early September, when prices spiked to \$2.70/gal in the wake of Hurricane Katrina.

However, the largest drop in spot price quotes for September was seen on the West Coast, where spot quotes for shipments of around 100,000 gallons for October delivery fell to around \$2.20-\$2.40, from a peak of around \$2.70-\$2.75/gal immediately post-Katrina. Prices on both coasts fell to levels lower than those seen in the Midwest because of the influence of imported material. Brazilian material was recently quoted around \$1.65 free-on-board. Once freight and duty are added, the delivered price to the West Coast rose to around \$2.20-\$2.40/gal, traders said.



But while spot quotes weakened in the weeks after the first big storm, quotes for long-term contracts seemed to have moved up. Three weeks ago, spot quotes for supplies to be delivered through the full year 2006 were heard between \$1.80/gal and \$2/gal. Traders last week said offers had moved up to closer to the \$1.90/gal-\$2.05/gal level.

But despite rising full year 2006 quotes, buyers maintain that ethanol spot quotes in the fourth quarter and early next year will drop in line with the steep fourth quarter backwardation seen in the ethanol futures market (*see chart above*).

Ethanol Futures New York Board of Trade			Chicago Board of Trade 9/29/05		
Contract	Price In c/gal	Weekly Change	Contract	Price In c/gal	Weekly Change
Sep-05	300.00	25.00	Oct	241.50	-2.50
Nov-05	*	n/a	Nov	225.00	20.00
Feb-06	*	n/a	Dec	192.50	-5.00
Apr-06	*	n/a	Jan	188.00	-6.50
			Feb	187.50	-4.50
			Mar	182.50	-5.00
			Apr	182.50	-5.00
			May	182.50	-5.00

Contract Size: 7,750 U.S. gallons  
Source: New York Board of Trade  
\* Available for Trade

Contract Size: 29,000 U.S. gallons  
Source: Chicago Board of Trade  
\* Available for Trade

one where the contracts set to expire soonest are the most expensive.

The chart above also shows the market's prediction that ethanol prices will drop below the price of gasoline in early December. Industry sources said they expect the drop as more spot supplies become available to the market.

Meanwhile, last week consulting firm DeWitt & Co. put ethanol's blend value at a stunning \$5.11/gal — nearly double what it was two weeks

ago due mainly to distortions created by Rita. The strong blend value reportedly pushed material in recent weeks into Georgia. Some sources noted the irony of that news, since only a year ago, Georgia officials sought a court injunction to stop the implementation of RFG. The region would have likely used ethanol to meet the RFG requirement. A court has not ruled on the Atlanta, Ga., RFG case.

The MTBE spot market was also relatively quiet, DeWitt reported. --Suzanne McElligott

Sincerely,

*The Editors*

The Editors

P.S.—Check out *RFN's* profile of ExxonMobil in our first special report of North American refiners, beginning on page 13 of this issue. Next week, *RFN* plans to profile Valero.

**Renewable Fuel News Price Report**

MTBE Spot -- \$/gal (\$/metric ton)

	<u>09/29/05</u>		<u>09/22/05</u>		<u>Change</u>	
	<u>\$/Gal</u>	<u>\$/MT</u>	<u>\$/Gal</u>	<u>\$/MT</u>	<u>\$/Gal</u>	<u>\$/MT</u>
New York	29750	105732	39250	139495	-09500	-33763
Houston	30000	106620	29750	105732	00250	888
Los Angeles	31000	110174	30750	109286	00250	888
Rotterdam	25605	91000	25253	89750	00352	1250
Singapore	18711	66500	18993	67500	-00281	-1000

FUEL ETHANOL Rack Terminal - (\$/gal)

	<u>09/29/05</u>	<u>09/22/05</u>	<u>Change</u>		<u>09/29/05</u>	<u>09/22/05</u>	<u>Change</u>
U.S. Average*	2.55	2.55	0.00	MI -- Niles	2.54	2.54	0.00
AZ -- Phoenix	2.58	2.58	0.00	MN -- Minneapolis	2.60	2.60	0.00
CA -- Los Angeles	2.58	2.58	0.00	ND -- Fargo	2.56	2.55	0.01
CA -- San Francisco	2.58	2.58	0.00	NE -- Lincoln	2.60	2.61	-0.01
CO -- Denver	2.40	2.40	0.00	NE -- Omaha	2.60	2.61	-0.01
IA -- Bettendorf	2.52	2.53	-0.01	NM -- Albuquerque	2.58	2.58	0.00
IA -- Cedar Rapids	2.52	2.53	-0.01	NV -- Las Vegas	2.58	2.58	0.00
ID -- Boise	2.59	2.59	0.00	NY -- Upstate NY	2.60	2.60	0.00
IL -- Chicago	2.55	2.55	0.00	OH -- Cincinnati	2.56	2.56	0.00
IL -- Decatur	2.55	2.55	0.00	OR -- Portland	2.58	2.58	0.00
IL -- Pekin	2.55	2.55	0.00	TN -- Memphis	2.52	2.52	0.00
IN -- Indianapolis	2.55	2.55	0.00	TN -- Nashville	2.54	2.54	0.00
KS -- Kansas City	2.57	2.55	0.02	TX -- Houston	2.54	2.54	0.00
KS -- Wichita	2.57	2.55	0.02	VA -- Richmond	2.56	2.56	0.00
KY -- Louisville	2.53	2.53	0.00	WA -- Seattle	2.58	2.58	0.00
KY -- Lexington	2.53	2.53	0.00	WI -- Milwaukee	2.52	2.52	0.00
LA -- New Orleans	2.54	2.54	0.00	Gulf Coast Export	0.00	0.00	n/a
MI -- Detroit	2.54	2.54	0.00				

\* U.S. Average represents arithmetic average of prices in covered markets

METHANOL Gulf Coast - (\$/gal)

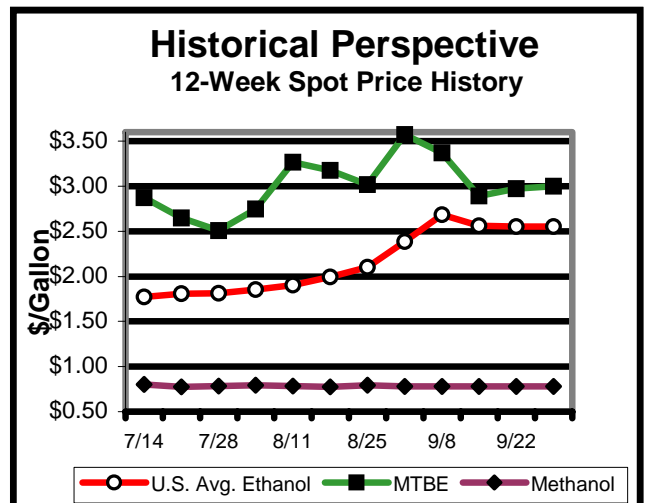
	<u>09/29/05</u>	<u>09/22/05</u>	<u>Change</u>
Spot	0.7800	0.7800	0.0000
Posting	0.9000	0.9000	0.0000

GASOLINE Gulf Coast Spot - (\$/gal)

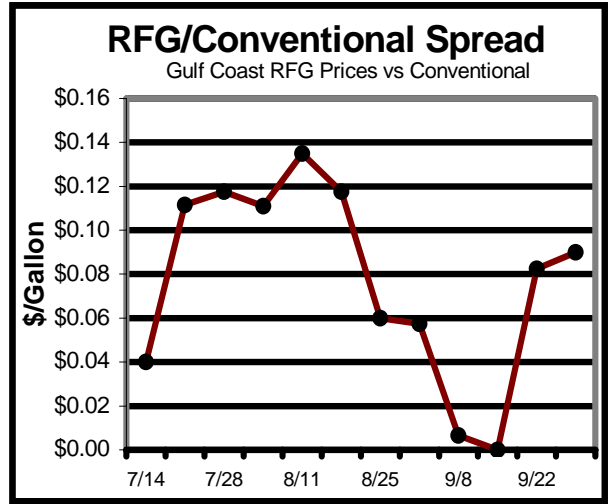
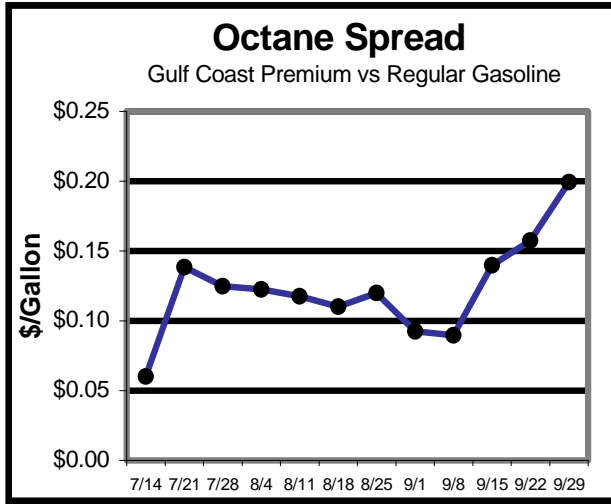
	<u>09/29/05</u>	<u>09/22/05</u>	<u>Change</u>
Regular:	2.7825	2.5425	0.2400
Midgrade:	2.8623	2.6055	0.2568
Premium	2.9820	2.7000	0.2820

ALTERNATIVE FUELS Retail - (\$/gal)

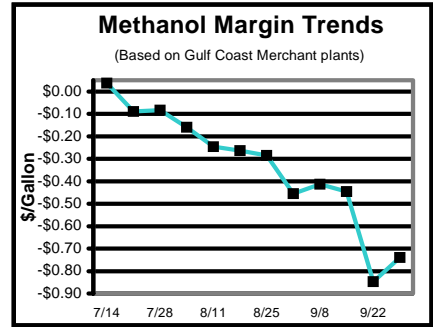
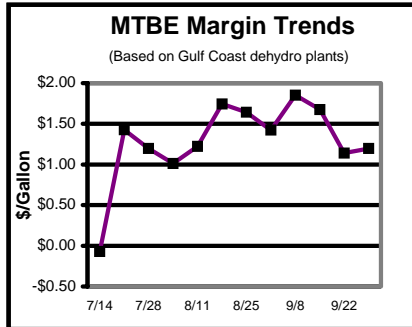
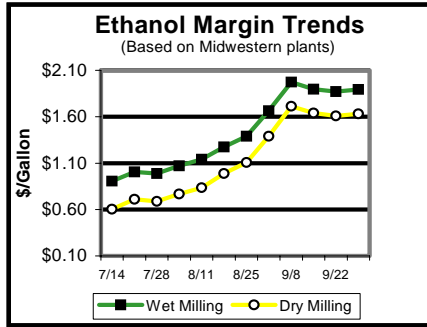
	<u>09/29/05</u>	<u>09/22/05</u>	<u>Change</u>
M85 (Los Angeles)	n/a	n/a	n/a
E85 (Midwest Avg)	2.97	2.68	0.29



OCTANE AND REFORMULATED PRICE SPREADS (U.S. Gulf Coast, \$/Gal)



OXYGENATE MARGIN TRENDS (Cash Costs Only)



These margin trends do not represent the margins realized by any specific oxygenate producers, but rather the general trend seen in the industry. Actual margins at a given plant will be different based on variables that include location, contracts, plant size and transportation. The values are production costs calculated on spot feedstock, spot product sales and contain a set value for fixed production costs.

AROMATIC PRODUCTS Spot – (\$/gal)

	09/29/05	09/22/05	Change
Benzene	3.0500	2.9300	0.1200
Toluene	3.7000	3.0000	0.7000
Xylene	3.6500	3.4000	0.2500

BUTANES/NATURAL GAS:

	09/29/05	09/22/05	Change
Butane (\$/gal)	1.3314	1.3027	0.0287
Isobutane (\$/gal)	1.4001	1.3719	0.0282
Natural Gas (\$/MMBtu)	14.1960	15.2700	-1.0740

CASH GRAINS – (\$/bu)

	09/29/05	09/22/05	Change
<b>CORN:</b>			
Kansas City	1.7300	1.7600	-0.0300
Chicago	1.7100	1.7525	-0.0425
<b>SORGHUM (milo):</b>			
Kansas City	1.7360	1.7808	-0.0448
<b>CORN FUTURES:</b>			
Dec	2.0350	2.0825	-0.0475
Sep	2.3720	2.4000	-0.0280

CO-PRODUCTS Illinois Points – (\$/ton)

	09/29/05	09/22/05	Change
Dist Dried Grains	66.50	65.00	1.50
Com Gluten Feed	49.50	49.00	0.50
Com Gluten Meal	294.50	287.50	7.00
Crude Com Oil (wet-mill) (\$/lb)	0.2750	0.2738	0.0012

Price sources: Gasoline – Oil Price Information Service (301) 816-8950; Singapore & Rotterdam MTBE – DeWitt & Co., Houston; cash grain & co-products – USDA; corn futures – Chicago Board of Trade; natural gas – Hart’s Petroleum Finance Week; other prices – industry surveys.

**First in a Series**

Beginning this week, *Renewable Fuel News* is running profiles of North American refiners as a special supplement to our newsletter. The profiles contain a breakdown of refineries and their capacities, as well as their current and future plans for MTBE and ethanol. The profiles on North American refiners will run through the end of the year and beginning next year, we will focus on international refiners.

This week, we profile ExxonMobil.

**Annual Volume of Gasoline Sales:** Total 2004 volume of motor gasoline, naphthas is 1,695 thousand b/d, 71,190 thousand gal/day (breakdown of gasoline was not available).

**Annual Volume of Diesel Sales:** Total 2004 volume of heating oils, kerosene, diesel oils is 484 thousand b/d, 20,328 thousand gal/day (breakdown of diesel was not available).

**Retail Gasoline Markets:** Exxon Mobil Corporation, formerly named Exxon Corporation, was incorporated in New Jersey in 1882. On Nov. 30, 1999, Mobil Corporation became a wholly-owned subsidiary of Exxon Corporation, and Exxon changed its name to Exxon Mobil Corporation. ExxonMobil has an ownership interest in 45 refineries, located in 25 countries, with distillation capacity of 6.4 million b/d.

ExxonMobil's fuels marketing business portfolio includes operations in over 100 countries on six continents, serving a globally diverse customer base.

**U.S. Retail Sites:** 2,698 owned/leased, 9,421 distributors/resellers. ExxonMobil's retail gasoline markets are in 47 U.S. states.

**U.S. Crude Oil Refining Capacity:** 1,846,500 b/d

**Refinery Capacities:<sup>1</sup>**

Baytown, Texas—557,000 b/d

Baton Rouge, La.—493,500 b/d

Beaumont, Texas—348,500 b/d

Joliet, Ill.—238,000 b/d

Torrance, Calif.—149,500 b/d

Billings, Montana—60,000

\*Chalmette Refining, LLC, Chalmette, La.—187,200 b/d

\*ExxonMobil owns 50% of Chalmette facility with Venezuela government owned PdVSA owning the remaining 50%. Total U.S. crude oil refining capacity does not include Chalmette facility.

**Refinery Operational Rate: 95% for U.S. refineries**

**Catalytic Cracking Capacity:<sup>2</sup>**

Baytown, Texas—202,500 b/d

Baton Rouge, La.—229,000 b/d

<sup>1</sup> U.S. Department of Energy's 2005 Annual U.S Refining Capacity report

<sup>2</sup> Ibid

Beaumont, Texas—108,500 b/d  
Joliet, Ill.— 93,000 b/d  
Torrance, Calif.—95,000 b/d  
Billings, Mont.—22,500 b/d  
\*Chalmette Refining, LLC, Chalmette, La.—68,000 b/d

**Canadian Retail Sites:** 720 owned/leased, 1,258 distributors/resellers

**Canadian Crude Oil Refining Capacity:** 521,000 b/d

**Refiner Capacities:**

Strathcona, Alberta—195,000 b/d  
Sarnia, Ontario—119,000 b/d  
Nanticoke, Ontario—118,000 b/d  
Dartmouth, Nova Scotia—89,000 b/d

**Catalytic Cracking Capacity:**

Strathcona, Alberta—55,000 b/d  
Sarnia, Ontario—26,000 b/d  
Nanticoke, Ontario—48,000 b/d  
Dartmouth, Nova Scotia—29,000 b/d

**Refinery Operational Rate: 93% for Canadian refineries**

**U.S. Annual MTBE production:** ExxonMobil phased out MTBE usage in California in 2003, in order to adhere to the state's Jan 1, 2004 MTBE ban. According to ExxonMobil spokesman Russ Roberts, there is "no information to share on the volume or future plans for MTBE. That said, providing clean-burning fuels is a continuing commitment for us and due to improved vehicle and fuel technology, oxygenates such as MTBE are no longer needed to meet environmental goals. Reformulated gasoline can be made without oxygenates while meeting required emissions reductions. However, accomplishing this change needs to be done with reasonable schedules that allow for the necessary refinery investment projects and fuel distribution system modifications."

**Annual Ethanol and Biodiesel Usage:** According to Roberts, "ExxonMobil blends almost a million gallons of ethanol into our gasoline products every day in the United States, sometimes because of regional logistical conditions and sometimes to meet the requirements of federal and state government regulations. There is no input available to share on biodiesel."

<sup>3</sup>**Ethanol Blending Markets:** California, Illinois, Connecticut, El Paso, Texas, New York, with an estimated 350-400 million gal/yr used.

**Recent Acquisitions or Sales:** In March, sold 3.7% stake in Chinese oil major Sinopec for \$1.37 billion.

**Sources:** ExxonMobil, Hart Downstream Publishing, LP, unless otherwise noted.

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<sup>3</sup> Hart Energy Publishing estimates