

## Oil Refiners Not Buying Into Ethanol

HOUSTON--February 25, 2002--*The following is an advisory by Industrialinfo.com (Industrial Information Resources, Incorporated; Houston, Texas).*

The battle on Capital Hill between oil companies lobbying to kill legislation that would require refiners to phase-in the use of ethanol over time and ethanol producers looking to keep it alive continues to heat up. Refiners would like to see the fuel additive requirements associated with the Clean Air Act of 1990 lifted and the oil companies allowed to figure out how to reduce vehicle emission and develop suitable substitutes on their own. They also believe that ethanol's anti-pollution benefits are overstated and because ethanol absorbs moisture it is not possible to pipeline gasoline mixed with ethanol. Money will have to be spent on blending equipment at gas terminals to add ethanol.

Ethanol advocates however have the benefit of support from lawmakers and farmers. Current tax breaks and subsidies for ethanol producers and gasoline blenders using ethanol have also helped boost the industry in the past.

All of the controversy has surfaced due to California's self-imposed deadline to ban the use of MTBE in gasoline. Refiners are leaning more towards the use of iso-octane's and pentane's to meet volume and octane requirements and have concerns over higher vapor pressure when ethanol is blended into gasoline.

The ethanol industry has recently received another medal for the team in the form of The Energy Tax Incentives Act of 2002. The bill encourages more production from small, mostly farmer-owned, ethanol plants and addresses oversight in previous legislation that sends components of the gas tax collected on ethanol-blended fuel to the general fund instead of the Highway Trust Fund.

New plant construction in the ethanol industry is at an all time high as well. Jay Brunson, Synthetic Fuels Manager for Industrialinfo.com, adds, "Currently sixteen new plants are under construction and about 59 new plants are under development. If you add in the existing producers looking into expansion, we could see a capacity increase for the domestic ethanol market of about 2.2 billion gallons by 2006."

Another additive solution is the use of ETBE (ethyl-tertiary-butyl-ether). ETBE is easily integrated into the current fuel distribution system, will not increase vapor pressure, and is a clean-burning additive. However, more work and support are required before ETBE shows any promise.

*Industrial Information Resources has developed an exclusive dynamic database for the synthetic fuels industry. The Ethanol Production Package (<http://www.industrialinfo.com/esemdethanolpp.htm>) provides a comprehensive outline of all current development activities in the emerging synthetic fuels market. This database covers 60 ethanol plants currently in operation and 75 plants under development. It also covers 9 biodiesel plants and 7 plants underdevelopment..*

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