



Ethanol's New Path Forward

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Inside this Issue...

Preview.....2
 The Blend Wall and Why it Matters2
 E15 Challenges.....3
 The Limitations of E85.....4
 EPA's Policy Shift.....5
 Concluding Thoughts.....6

Key Points:

- *Following months of anticipation and conjecture among ethanol stakeholders, the EPA recently released its proposal for 2014 biofuel blending obligations. The agency's proposal reflects the most significant shift in biofuel policy since the Renewable Fuels Standard (RFS) was revised in 2007.*
- *Under EPA's newly issued proposal, total biofuel blending obligations for 2014 would be reduced by 3 billion gallons compared with RFS provisions, and the corn ethanol portion of the mandate would fall shy of the RFS by 1.4 billion gallons, or 10 percent. If the proposal becomes final, it will mark the first time since the RFS was created in 2005 that the total biofuel or corn ethanol mandate has been reduced.*
- *The 2014 policy rewrite was spurred by an array of market constraints that have prevented ethanol from exceeding the 10 percent inclusion rate in gasoline-based fuels. After years of insisting that blenders must increase their use of E15 or E85 to meet rising RFS standards, and effectively surpass the 10 percent blend wall, the EPA has now reversed that position and has acknowledged that the RFS will not be met in 2014.*
- *The EPA's proposed mandate for corn ethanol blending in 2014 is expected to be below the blend wall, sending a signal to fuel retailers that investments in higher ethanol blend infrastructure are not necessary.*
- *Additionally, by proposing to set 2014 blending requirements below the anticipated blend wall, the EPA has established a precedent whereby the mandate will be open for revision each year going forward, based on market conditions.*
- *The EPA's proposed changes, while significant, will have very little impact on ethanol production and use in the short term (1-2 years). Ethanol will continue to be blended into gasoline at a 10 percent level. However, EPA's new annualized approach to blending requirements introduces elevated uncertainty about the future size of the ethanol market and the long term outlook for the industry.*