

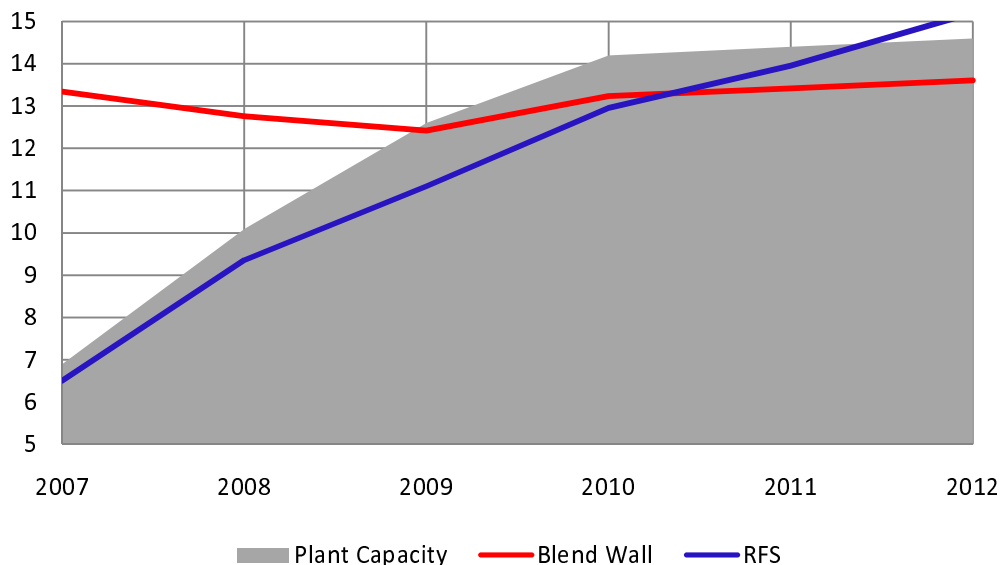


The E10 Blend Wall

For nearly 30 years the Clean Air Act has imposed an arbitrary regulatory cap on the volume of ethanol permitted in a gallon of gasoline to just ten percent, commonly referred to as an E10 blend. Motor vehicles have been approved to use E10 blends for decades and E10 comprises more than 70 percent of the gasoline used by American motorists today. In 2009, biofuel use will collide with the "E10 blend wall," a mathematical and practical limit on the use of ethanol in gasoline. In other words, every gallon of gasoline that can contain ten percent ethanol will contain ten percent ethanol this year. If the U.S. Environmental Protection Agency (EPA) does not take steps to allow midlevel blends of ethanol, such as E15 or E20, to be used in motor vehicles, demand for biofuels will come to a standstill in the near-term. In the long-term, failure to overcome the blend wall will put the future of cellulosic biofuel in grave jeopardy.

ACE urges Congress to encourage EPA to consider steps to approve blends of ethanol beyond E10. This is the most pressing priority for the U.S. ethanol industry today and is a necessary step to realize the successful commercialization of cellulosic ethanol.

The "Blend Wall"



Gasoline use in the U.S. totals less than 140 billion gallons annually, and ten percent of that figure is less than 14 billion gallons. The "E10 blend wall" is essentially the barrier that exists when domestic ethanol production meets the maximum market demand for E10. However, it is not practical to assume that every single gallon of gasoline used in the U.S. will contain E10. Therefore, the practical E10 blend wall, as noted above, is between 12 and 13 billion gallons of ethanol use. It has been projected that ethanol use will collide with the blend wall in 2009.

Midlevel Ethanol Blends = American Jobs

- According to the U.S. Department of Energy, for every one billion gallons of ethanol produced, between 10,000 and 20,000 green-collar jobs are created. Using this data, EPA approval of blends such as E15 or E20 can create between 70,000 and 280,000 jobs. The U.S. ethanol industry currently helps support more than 325,000 jobs, high-skill, high-wage jobs that are created in rural communities.

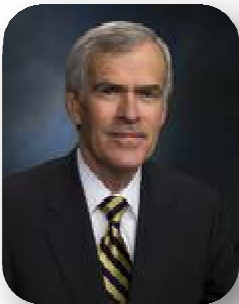
Midlevel Ethanol Blends = Making Cellulosic Ethanol a Reality

- It is widely recognized that the E10 blend market will be fully-supplied by corn-ethanol. If EPA's 30-year old restriction on ethanol use in gasoline is not lifted, there will be no market for cellulosic ethanol, and investment in advanced biofuels will grind to a halt.
- Approval of E15 or E20 by the EPA will guarantee a market for the next generation of biofuels and provide certainty to investors and lenders to support the commercialization of cellulosic technologies.

Midlevel Ethanol Blends = Consumer Choice

- Today, imported, fossil-fuel based gasoline has access to 100 percent of the motor fuels market but clean-burning ethanol is restricted to just ten percent. The approval of midlevel blends would result in consumer choice to move away from fossil fuels.
- Scientific testing and anecdotal evidence suggest that different cars prefer different blends of ethanol in gasoline. Midlevel blends would not replace regular gasoline, but offer motorists greater choice.
- In Brazil, motorists can use up to 25 percent ethanol in conventional vehicles.

Quotes



"I believe we could go to E12, E14, or E16 without causing any great problems in vehicle operation." The Honorable Jeff Bingaman, Chairman of the U.S. Senate Energy and Natural Resources Committee, February 12, 2009, *New York Times*.



"I do think it's important for us to look for strategies to make sure the infrastructure of the ethanol industry is preserved, because it is a key component to this new energy future the president's laid out. We have been talking to folks at EPA, as they look at the (ethanol) blend-rate issue. That may be one way in the short term to create new opportunities." The Honorable Tom Vilsack, Secretary, United States Department of Agriculture, February 6, 2009, *Bloomberg*.