

## MEMORANDUM

DATE: May 23, 2005  
TO: Robert Dinneen, RFA  
FROM: John M. Urbanchuk  
SUBJECT: Economic impact of an 8 billion-gallon RFS by 2012

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The U.S. ethanol industry produced a record 3.4 billion gallons of ethanol in 2004 on end-of-year capacity of more than 3.6 billion gallons. A Renewable Fuels Standard that would provide for a market of 8 billion gallons by 2012 would require a doubling of the ethanol industry and would provide a significant impact to the American economy. Specifically:

- ❖ The ethanol industry will spend an estimated \$6 billion (2005 dollars) to build 4.3 billion gallons of new ethanol capacity between 2005 and 2012.
- ❖ The industry will spend nearly \$70 billion (2005 dollars) on goods and services required to produce 8 billion gallons of ethanol by 2012. Purchases of corn, the primary feedstock for ethanol production, alone will total \$43 billion (2005 dollars) between 2005 and 2012.
- ❖ The combination of this direct spending and the indirect impacts of those dollars circulating throughout the economy will:
  - Add nearly \$200 billion (2005 dollars) to GDP between 2005 and 2012.
  - Generate an additional \$43 billion (2005 dollars) of household income for all Americans between 2005 and 2012, and
  - Create as many as 234,840 new jobs in all sectors of the economy by 2012.
- ❖ An RFS also will have significant positive implications for the nation's energy balance. The production and use of 8 billion gallons of ethanol by 2012 will displace 2.125 billion barrels of crude oil and reduce the outflow of dollars largely to foreign oil producers by \$64.1 billion (2005 dollars) between 2005 and 2012. As a result of the RFS America's dependence on imported oil will be reduced from an estimated 67.4 percent to 62.3 percent.