



December 10, 2008

Dear Legislator:

The members of the American Coalition for Ethanol (ACE) strongly urge you to help enact legislation in your state to promote cost-effective fuel choices for consumers, restore meaningful competition in the motor fuels market and support domestic, renewable fuels that reduce our dependency on foreign oil. 2009 will be a critical year for the ethanol industry and for America and the time to act is now. This letter details legislative actions that have been successful for other states and that ACE asks that you consider in your next legislative session.

### **Infrastructure Incentives**

Many states have programs to provide financial support to retailers installing pumps that dispense E85. ACE recommends that any support of E85 pumps be extended to cover blender pumps that can dispense E10 for standard vehicles as well as E20, E30, E85 or other blends for flexible fuel vehicles (FFVs).

Retailers prefer blender pumps to “stand alone” E85 dispensers because they allow retailers to recoup costs of installation through margins on all fuels and not just fuels used by FFV owners. Because the pumps are more financially attractive to retailers, they will install them with less government money, allowing the government to fund more pumps with the same amount of investment. Blender pumps also utilize existing tanks, reducing costs to both marketers and government.

Blender pumps are the quickest way to make more environmentally-friendly, U.S.-made fuel available in a short time frame. When considering infrastructure support for higher blends of ethanol, ACE encourages you to apply the programs to the whole pump, not just the E85 portion of a pump, to allow blender pumps eligibility.

### **Splash Blending**

In the absence of law to ensure meaningful choices for petroleum marketers, retailers buying from major oil companies or from oil company controlled terminals lose the freedom to buy and blend their own ethanol and gasoline – often called “splash blending” – and end up overpaying for ethanol-blended gasoline from terminals. Efforts by some major oil interests to mandate the purchase of pre-blended fuel puts branded gasoline retailers at a competitive disadvantage with their unbranded competitors who are able to “splash blend,” and ultimately, this oil company practice means marketers have no cost or tax savings to pass on to consumers, and little incentive to add ethanol in areas where it is not available.

We encourage you to model language in a recently adopted South Carolina law to stop the big oil takeover of ethanol, which reads in part: **“Regardless of other products offered, a terminal . . . must offer a petroleum product that has not been blended with ethanol and is suitable for subsequent blending with ethanol.”** The law requires that oil companies make unblended, regular gasoline available to petroleum marketers for splash blending.

Without requiring oil companies to provide unblended gasoline, they can effectively overcharge petroleum marketers as much as \$1.00-\$1.50 per gallon above the price the marketer would pay to purchase ethanol independently. In the typical 10 percent blend used by most consumers, that can add 10 to 15 cents to the pump price. Petroleum marketers need to have the opportunity to make the most cost effective fuel available to consumers, and passing this type of legislation will assure competitive prices for ethanol and ethanol blended fuels.

### **Renewable Fuel Standards**

Many states have enacted Renewable Fuels Standards (RFS) that incent increased use of renewable fuels over a set time period. For example, Iowa requires that 10 percent of the state's transportation fuel be of renewable content (ethanol and biodiesel) beginning in 2009, and the percentage will increase annually until 25 percent of the state's fuel is renewable by 2020.

Kansas has a similar RFS that provides quarterly payments to retailers incentivizing the use of ethanol and biodiesel. The program requires that 10 percent of the state's motor fuel contain renewable fuels in 2009, increasing to a 25 percent RFS by 2024. Retailers who meet the requirements receive 6.5 cents per gallon and retailers who fall within 2 percent of the requirements receive a 4.5 cent per gallon incentive. If they fail to meet the requirements, they receive no incentive.

Renewable Fuels Standards can be flexible, providing incentives to expand renewable fuel use over time. ACE encourages you to consider implementing a program that promotes increased use of renewable fuel in your state.

### **Other Legislation**

Many other types of biofuel incentives have been successfully implemented in numerous other states. Examples include pump incentives, labeling laws, production incentives, research and development incentives and tax credits, feedstock production incentives, research programs and much more. For more information on additional legislative opportunities to promote and expand ethanol production and use in your state, please contact me at 605-334-3381 or [bjennings@ethanol.org](mailto:bjennings@ethanol.org).

With 2008 coming to a close, the need to provide consumers and retailers with affordable, viable choices at the pump is essential. Please take a moment to consider the suggestions proposed in this letter and review the enclosed examples of enacted legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Jennings". The signature is fluid and cursive, with a large initial "B" and a long, sweeping tail.

Brian Jennings  
Executive Vice President  
American Coalition for Ethanol

Enclosure