



Fuels Policy, Ethanol and RFS Reform

Political and Policy Implications on Gasoline Prices

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Gasoline and Diesel: National Prices

- 2012
 - National average - Gasoline \$3.63 per gallon
 - National average – Diesel \$3.97 per gallon
 - Average Household \$2,912 on gasoline
4% of household earnings (before tax)
- 2013
 - Monthly average record highs – January and February
 - Record high first quarter - \$3.58 nationally
 - Projected record high national average



Gasoline and Diesel: Cost at the Pump

- Setting the Cost of Gasoline
 - Crude oil 80%
 - Refining/Distribution/Marketing 8%
 - Taxes 12%
- Refining/Distribution/Marketing/Taxes are “fixed costs”
- Fluctuations in Crude Oil prices set the price at the pump



Gasoline and Diesel: North American Crude Potential

- North American Crude is significantly cheaper than oil that we import from the Middle East
- North American supplies can eliminate our dependence on Middle Eastern oil and reduce prices at the pump
 - Gulf of Mexico 200,000 bpd
 - Alaska – TAPS 1.4 million bpd
 - Keystone XL 700,000 bpd

 - Persian Gulf 1.8 million bpd



Gasoline and Diesel: Domestic Production Challenges

- Since 2009, we have seen significant increases in oil production on private and state lands and significant decreases in production on federal lands
 - Gulf of Mexico – shutdown following DWH/Macando
 - Alaska – permitting delays offshore, no production in ANWR or NPRA
 - Oil Shale – complete reorganization of program and no leasing
 - Atlantic OCS – Lease Sale 220 cancelled and no leases until 2017



Ethanol and the RFS

- 2005 – Congress enacted the Renewable Fuel Standard
 - 7.5 billion gallons of ethanol by 2012
- 2007 – Congress significantly raised the program goals (RFS2)
 - 9 billion gallons in 2009
 - 36 billion gallons of renewable fuels by 2022
 - 16 billion gallons of cellulosic ethanol
 - 15 billion cap on corn-based ethanol
- EPA administers the program via Administrative Rulemaking



Ethanol and the RFS: Controversies with the Program

- Significant rise in corn prices
 - From \$2 per bushel 2006 to \$6 per bushel in 2012
 - USDA projects long term \$4-\$5 average
- RIN Issues
 - RIN Fraud
 - Run-up in RIN prices
- Cellulosic Production
 - US Production failures have led to 100% imports



Ethanol and the RFS: The E10 Blendwall and E15 Issues

- The E10 Blendwall
 - Gasoline Stations, Gasoline Pumps & Underground Storage Tanks
 - Automobile Warranties
- RFS Mandate Levels v. Decreased U.S. Gasoline Consumption
 - Economic Recession and CAFE Requirements from 9.4 billion barrels per day in 2007 to 8.6 billion barrels per day in 2012
 - RFS targets will exceed 10% of total gasoline use in 2013
- Congressional debate on RFS reforms to address this issue is likely



For More Information

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