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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