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About The Writer

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Corn Demand Could Get Big Boost

Posted on May 26, 2010 at 3:19 PM

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Corn planting is probably finished in your area. Prices are bouncing around as all of us are concerned about the potential huge crop we may harvest this Fall, but EPA (Environmental Protection Agency) may come to our rescue and require more corn for ethanol!

Many of you have read about a petition filed by Tom Buis' organization, Growth Energy, requesting EPA to raise the amount of ethanol allowed in your gasoline at the pump from 10% (E10) to 15% (E15). His request has been opposed by the Auto Alliance, American Petroleum Institute, and the Outdoor Power Equipment Institute. These groups claim they have studies suggesting engine damage when using a higher ethanol blend. They met with EPA on May 5, 2010 and raised the question of whether EPA could rescind a waiver for more ethanol use if EPA's decision to approve E15 shows damage to engines.

The argument is that consumers may harm some vehicles by "misfueling," using E15 in a vehicle not approved for its use.

EPA did not buy the argument.

In a signal that EPA is leaning towards allowing E15 - and creating more demand for corn - it announced on March 18, 2010, in a little noticed rulemaking, that it was developing a new pump label for every service station in America to prevent misfueling. This is seen as a preliminary step towards granting a waiver to use E15.

Waiver Decision Those who follow this column know I have written several times on the Renewable Fuel Standard (RFS2). Because this waiver decision could come any day, I went back to the 418-page preamble to look at EPA's predictions on the use of corn for ethanol.

EPA projects in its Preamble we could be using 22.2 billion gallons of ethanol by 2022! To get to this number, EPA projects for its high ethanol control case that Congress may mandate that 80% of the vehicles produced would be Flexible Fuel Vehicles (FFVs). This is based on Congress passing the Open Fuel Standard Act. (Since the government will be mandating your health insurance, it is only a small step for EPA to require your vehicle to be an FFV.) EPA sees huge demand for Flexible Fuel Vehicles and E85.

Presently there is a blend 'wall' of approximately 15 billion gallons.

EPA, in one scenario, believes we need to build at least 23,809 E85 retail facilities in the United States. (Presumably this is part of President Obama's jobs program.) EPA surmises that we need to build 1,520 additional E85 facilities starting this year and continuing through 2022 to meet this goal.

One minor problem: there is a current lack of certification from Underwriters Laboratories which requires E85 refueling dispenser systems be certified as complete units. EPA states "To date, no complete E85 dispenser systems have been certified by UL." The problem apparently is UL cannot get a hose that will withstand its test which connects to the refueling nozzle.

Petroleum retailers have expressed significant concerns about the cost of installing such fueling facilities. EPA estimates the total cost of improvements to be approximately \$100,000 per unit. There were 164,292 service stations in the United States as of January 2007 (US Department of Energy statistics).

E85 Dilemma Notwithstanding this glitch, EPA claims that presently ethanol is "...blended into about 75% of all gasoline sold in the United States." A very small amount is used as E85 in FFVs). There are approximately 8 million FFVs on the road today, but E85 fuel is only available at about 1% of our gas stations.

One major problem is E85 "...is currently priced almost \$.40 per gallon higher than conventional gasoline on an energy equivalent basis." (Ethanol has approximately 77,000 BTU's per gallon and summer gasoline has 114,000 BTU's per gallon.) So, to put this in perspective, only 12 million gallons of E85 were consumed in 2008 whereas 138 billion gallons of gasoline were consumed in 2009, or approximately 378 million gallons per day.

EPA recognizes that because E85 is priced higher than a gallon of regular gasoline on an energy equivalent basis that E85 must be priced lower than conventional gasoline based on its reduced energy content. EPA believes E85 must be priced approximately 25% lower than E10 by 2022.

EPA clearly sees E85 in our fuel future. Before we get to E85, EPA will be responding to Growth Energy and the 54 ethanol manufacturers who submitted the application to EPA to raise the amount of ethanol in gas from 10 to 15%.

If this occurs - and assuming it is E15 - we will need approximately 19 billion gallons of ethanol. This would postpone the so called blend wall to 2019. This decision may be one reason our corn prices are in the range we see virtually every day.

EPA may turn out to be a very important partner with corn farmers!

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