

NC Alternative Fuels Group
March 13 2007 10:00-12:00

Call Summary

Call participants:

<u>Name</u>	<u>Affiliation</u>	<u>Email Address</u>
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New NC Alt Fuel Station Map

Visit www.4cleanfuels.com/mapping.asp a web based state wide mapping tool for public and private biodiesel, ethanol, propane, and compressed natural gas stations alt fuels stations in North Carolina hosted by Centralina Clean Fuels Coalition and funded by the State Energy Office

Ethanol Overview- Price & Supply

For more information contact: Earle Spruill, Osage, Inc 540-537-0314

The ethanol business has been a rollercoaster ride for past 2 years as price has radically varied .

There are primary two reasons fuel marketers use ethanol:

- need to use for RFG or
- to make additional margin (through getting .51 cents per gallon tax credit)

In April 2005 supply exceeded demand in anticipation of the Renewable Fuel Standard (RFS) that went into effect with the passage of the Energy Policy Act in August 2005 .In

areas that required reformulated gasoline (RFG), MTBE use continued until Feb 2006. To oxygenate fuel refiners can use either use 11% MTBE or 10% ethanol used for RFG

Price fell E100 sold for Unleaded gasoline (UL) - .17 per gallon – the lowest price since 1980

Since then Approx ½ states have banned MTBE and 2005 Energy bill no longer required the oxygenation of gasoline. Unexpected announcement by pipeline operators that they will not use MTBE on Feb18 2006 , shot up demand overnight. New demand for ethanol required 2.1 b/g between Feb 2006-May 2006 which caused significant reduction in availability , prices went through the roof.

By later part of 2005 ethanol sold for UL +.20 per gallon

It is less expensive for refiners to make 87 octane gasoline with ethanol than refining up to 87 octane. Ethanol is added at the terminal level. Refiners use octane from ethanol (113-115 octane) to take sub octane gasoline RBOB (84 octane) and blend up to regular UL (87 octane)

RBOB sub octane fuel used 3.5 b/g year of E100 leaving 1.7 b/g ethanol blended with regular gallon

As new ethanol comes on line supply is increasing gradually , price has come down somewhat but not enough

March 12, 2007 E100 price example

\$ 2.40-2.44 per gallon railcar in Chicago- cost to get to NC run approx .16 =\$ 2.56

Value of ethanol on the voluntary market is lowest cost of gasoline (currently \$1.86 + federal incentive (.51) =\$2.37 cents per gallon

If ethanol were available at same the same rack. delta is .19 more for E100 at current rail car cost versus it's " value" to marketers

Current Osage rack price for E100 is \$2.41 per gallon (still working on a blend of old contracts and new contracts)

Pricing- looking forward

12 month E100 forward average- look at CBOT prices www.cbot.com then calculate average for next 12 months- State contractors could negotiate buying prices taking into account future prices used by Chicago Board of Trade. Osage, Inc can buy spot or long term contract. Feel that long term contract is way to go. Tie price of ethanol RBOB gasoline (NYMEX) plus add on RBOB 84 octane fuel available in RFG to make 87 octane these markets start in eastern VA , MD,

Looking at 1.2 -2 b/g new gallons of ethanol will come on line in next 12 months
CBOT futures for 2007:

May \$2.20

Jul \$2.06

Oct 1.95 versus - RBOB contract price \$1.73
Dec: \$1.88

October 2007 price scenario

Oct price for E100 \$1.94 plus freight 2.105-.51(fed tax credit) =\$1.59= net cost of E85
E85 is 105 octane-

However, if price of oil comes down this could be a big problem
Need to have an energy import tariff- could eliminate federal excise tax , Would establish
a floor for energy. This is currently being discussed in DC as a way to help the ethanol
industry weather the up and down cycled of petroleum pricing

Biodiesel in East Tennessee

Contact Jonathon Overly with questions

We need to get additional feed stocks other than soy and corn however, all financial
investors want traditional crop based technology
More corn will be planted this year than ever – good for farmers
To promote the use of biodiesel, started working both sides of the equation -fuel suppliers
and fleets. Started with fleets demanding fuel and finding supplier

Blount County example through 1.5 years process now have 2 fuel suppliers and 4
customers

Alcoa was committed to this - no matter what the cost (550 vehicles) 2 million gals in
east TN in 2006

City of Chattanooga, & county school system use from US Biofuels from chicken fat
kept cost lower, then switched to soybean. School system using B5 if .02 more will use
B5

At all public stations price diesel and B20 at the same price (same in NC)

When diesel prices have gone up , biodiesel has gone up – soy oil is up

Some folks think we need a greater than \$1.00 per gallon federal incentive and have
incentive tied to price of soy oil. Price of feedstock $\frac{3}{4}$ cost of producing biodiesel 1 lb of
oil in 1 bushel of soybeans.

Announcements:

April 14, 9:00 AM Piedmont Biofuels Cooperative – annual meeting open to the public
at NCSU McKimmon Center in Raleigh <http://news.biofuels.coop/2007/03/07/annual-member-mtg/>

2007 Clean Fuel Advanced Technology (CFAT) call for projects is open from March 16 – July 16. Up to \$650,000 is available for transportation related emission reduction projects in 24 NC counties line .

Request for Proposals

at:[http://www.ncsc.ncsu.edu/resources_by_sector/information_resources/2007 CFAT RFP.doc](http://www.ncsc.ncsu.edu/resources_by_sector/information_resources/2007_CFAT_RFP.doc)

Application Form :

[http://www.ncsc.ncsu.edu/resources_by_sector/information_resources/2007 RFP Application.doc](http://www.ncsc.ncsu.edu/resources_by_sector/information_resources/2007_RFP_Application.doc)

Mobile CARE award nomination extended to March 20th - It's not too late to nominate yourself or a colleague for 1st annual Mobile CARE award. Nomination form is also on Mobilizing NC Conference website <http://www.mobilizingnc.com/>

Register NOW for Mobilizing NC: Where Air Quality , Energy and Transportation

Meet ~ April 18th in Greensboro. Join over 2 dozen sponsors for a full day conference, Ride-N Drive and reception. It's all about alternative fuels and advanced transportation technologies! Keynote speaker – world renown Dr Richard Leakey on climate change . Display deadline April 2, Registration deadline April 13

<http://www.mobilizingnc.com/>

Next NC Alternative Fuels Group call is May 15, 2007 10:00-12:00

Call in number is 919-515-7155

The NC AFG meets via conference call the second Tuesday of every other month from 10-12. Please plan to join folks from across the state interested in accelerating the use of alternative fuels and advanced transportation technologies.

NEW- NCMobileCARE list serve- an opportunity to pose questions, share news items and announcements related to alternative fuel, advanced transportation technologies and practices that reduce emissions, diversify fuel supplies and stimulate our economy. If you are not signed up (and want to be) email to

mj2@lists.ncsu.edu , and in the body write: subscribe
ncmobilecare

At any time you may simply request to be removed from the list.