informa economics

# NEWS RELEASE

Contact: Karen M. McCary
Director of Communications
For Release: June 14, 2011

# INFORMA ECONOMICS RELEASES ETHANOL, BIOFUELS OUTLOOK TO 2015 SHOWING "BLEND WALL" CONTINUES TO AFFECT US MARKET

The challenges facing the ethanol industry are multifaceted. US ethanol production is approaching ever closer to an E10 (10 percent ethanol) "blend wall," and the adoption of higher E15 blends is likely to occur slowly. The main federal incentive for ethanol expires at the end of the year, along with the tariff on foreign ethanol, and extensions of both are likely to be at far lower rates than the government provided in the past. California has implemented a statewide Low Carbon Fuel Standard, which will be progressively harder for US corn-based ethanol to meet. Additionally, supplies of advanced biofuels are likely to remain constrained, calling into question whether this component of the US Renewable Fuel Standard (RFS) can be met. Added to these overarching issues is the fact that crude oil and agricultural feedstock prices remain high and are volatile.

This is the background of the just-released multi-client study by Informa Economics entitled *Renewable Ethanol: Navigating the Rapids, 2011-2015*. The study contains in-depth analyses of the North American and Brazilian ethanol industries and markets. It is intended to assist ethanol companies, their suppliers and customers, biofuel feedstock suppliers and other users of those same feedstocks, oil refiners, and other interested parties in successfully positioning themselves for the market and policy conditions that will exist over the next five years—along with providing a view of conditions over a longer planning horizon to 2022. The study was conducted in collaboration with Hart Energy, which conducted analyses and forecasts of the energy market portions of the study while Informa Economics focused on the agricultural feedstock markets.

**-MORE-**

Key findings of the study include:

- Elevated energy prices will continue over the forecast period for crude oil and refined products;
- The era of inexpensive feedstocks is over—specifically for corn, sugar and soybean oil;
- E15 remains controversial, yet is the most cost-effective pathway for obligated parties to comply with the RFS;
- Unbranded operations are likely to be the first adopters of E15, selling surplus Renewable Identification Numbers (RINs) to major branded companies, which are likely to stay on the sidelines until the pending legal, regulatory and operational issues are resolved;
- E85 markets will remain slow to materialize;
- Little, if any, new investment will occur in the US corn-based ethanol industry without a reallocation of RFS volumes;
- Capital markets and investment are slow to respond to the need for more Brazilian ethanol to serve the US and European markets,which will keep supplies tight for Brazilian exports over the next few years;
- E25 will maintain a majority share of the Brazilian fuel market as consumers turn to it as the cost-effective choice, and Brazil will continue to import more refined products from the US;
- Once near-term supply tightness has been worked through, Brazilian ethanol will be imported into the US at higher prices than US corn-based ethanol;
- Cellulosic ethanol and other advanced biofuel technologies will continue to fall short of RFS targets in terms of commercial viability, but supplies that are available will gravitate toward California due to the Low Carbon Fuel Standard after the first two years;
- And RIN prices will remain low for corn-based ethanol unless US ethanol exports run high, or high corn prices limit 2011 ethanol production. RIN prices will remain elevated for biodiesel and other advanced biofuels for at least the next couple of years.

More information on the study is available from Informa Economics Senior Vice President and Director of Sales and Marketing Jim Allwood at 901-766-4655 or e-mail jim.allwood@informaeconcom.

**06-14-11**